D.U.K.E. Real Estate Limited

Annual report and financial statements

For the year ended 30 June 2014

Company Registration Number SC257226

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COMPANY REGISTRATION NUMBER

SC257226

THE BOARD OF DIRECTORS

A Hewitt
F Kennedy
M McCarthy

COMPANY SECRETARY

Valad Secretarial Services Limited

REGISTERED OFFICE

1st Floor Exchange Place 3
3 Semple Street
Edinburgh
EH3 8BL

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

BANKERS

Lloyds Banking Group
4th Floor
New Uberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

SOLICITORS

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London
EC4Y 1HS

The Directors present their strategic report on the Group for the year ended 30 June 2014.

REVIEW OF THE BUSINESS

Business review

The Group owns property assets of £252.6m (2013: £407.7m) spread throughout Europe. The biggest single geographic concentration of properties, by value, is in Germany (note 13). The Group derives rental income from most of its property assets with the exception of a small number of development properties and vacant properties.

The Group made a statutory loss of £0.9m before tax for the year ended 30 June 2014 (2013: loss of £141.3m). The loss was driven by the recognition of the remaining bank exit fees of £18.4m. The loss was mitigated by the improvement in the fair value on investment properties and other investments of £9m. As at 30 June 2014 the Group had net liabilities of £462.7m (2013: £476.7m).

The underlying loss before tax (gross profit less administrative expenses, finance costs, and share of pre tax loss from joint ventures) for the year was £21.8m (2013: loss £1.9m).

The average gross rental yield was 14% compared to average borrowing costs of 2.8% although the Group has a number of voids which impact on profitability.

As at 30 June 2014 the void rate on the investment portfolio for each geographical area was as follows:

	Void by area	Void by ERV
Germany (V€uro)	39.20%	29.76%
UK (D.U.K.E. Properties UK)	34.86%	39.67%
Norway (D.U.K.E. Continental Partners)	45.00%	45.00%

The investment property portfolio revaluation was positive. The valuation has increased by 2.42% including foreign exchange rate differences and by 4.23% excluding foreign exchange rate differences.

The Group's focus is to reduce borrowings by selling its properties in line with a five year business plan up to 31 December 2016 in line with bank facilities.

The Group will continue to improve core rental income by reducing the amount of vacant space throughout the Group's property portfolio and to enhance the capital value of the portfolio through a combination of filling voids and broader asset management initiatives.

Bank borrowings have decreased by £191.6m to £649.3m largely due to loan repayment as a result of the sale of properties during the year.

On 19 December 2014 the Group signed a new banking facility with Bank of Scotland plc, a subsidiary of Lloyds Banking Group plc ("the Bank"), which provided committed facilities through to 31 December 2016. As part of the refinancing the Bank agreed to write-off debt due by the Group totaling approximately £330m. It also agreed to terminate an out of the money interest rate swap for nil consideration and to restructure a second interest rate swap. In addition to the Bank of Scotland plc facilities, the Group has borrowings within its German Aktiv Property Fund (GAF) subsidiary group due to a second lender, Promontoria Holdings 76 BV ("Promontoria"). These facilities were sold by Bank of Scotland plc through a consensual borrower process at a discount to notional value to Promontoria on 18 October 2013. More detail is disclosed in the statement of accounting policies note on page 21.

KEY PERFORMANCE INDICATORS ("KPI's")

The Board of Directors monitors the performance of the Group by reference to the following KPIs:

- **Cash flow cover** – the forecast cash balance at all times through to expiry of the Group's banking facility.
- **Voids by estimated rental value (ERV)** – voids costs expressed as a percentage of the ERV during the period. The Directors compare the voids by ERV to the budget. Management consider the voids by ERV are satisfactory and in line with expectations taking existing property market conditions into account.
- **Debt repayment** – the Group's banking facility contains debt repayment covenants at certain dates which must be met to ensure compliance. Management's strategy is to maximize the quantity and quantum of disposals in order to optimize performance against those targets.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is subject to four principal risks and uncertainties, as follows:

Interest rate risk
Due to the nature of its business, the Group has significant levels of borrowing. The Group faces the risk that interest rates in the UK and across Europe will increase and therefore increase the Group's cost of borrowing. This risk is actively managed by entering into interest rate swaps when considered appropriate. The interest rate swaps have the effect of fixing the interest rate that the Group pays on certain amounts of borrowing. Full details of the Group's interest rate hedging are given in note 16 of the financial statements.

Currency risk
The Group holds a considerable amount of European property and therefore has potential exposure to fluctuations in exchange rates. Wherever possible the Group seeks to borrow in the currency of the country in which it is investing, thereby creating a natural hedge position to mitigate this risk. The Group currently has property assets in foreign currencies amounting to £211.9m (2013: £354.9m) and corresponding borrowings of £418.1m (2013: £583.2m).

Development risk
The risks within any of the development projects are mitigated by the Group taking great care when negotiating development agreements with contractors and where appropriate pre-selling developments before they are undertaken.

Reliance on property market conditions
The Group's revenue and net asset value can be adversely affected by a downturn in property market conditions in both the United Kingdom and Europe. General market conditions are outside of the Group's control but, to help mitigate the risk, the Directors carefully consider the merits of each new property acquisition, sale or property development in the context of the current and possible future market conditions.

On behalf of the Board

F Kennedy
Director

30 April 2015

The Directors present their annual report and the audited consolidated financial statements of the Company and of the Group for the year ended 30 June 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Group is that of commercial property investment within the UK and mainland Europe. The Group also has a portfolio of development properties mainly held within joint ventures.

RESULTS AND DIVIDENDS

The Group's loss for the year is £5.6m (2013: £138.2m), after financing costs on bank loans and revaluing the interest rate swaps. The loss for the year includes the recognition of the remaining bank exit fees of £18.4m.

The Directors have not recommended a dividend (2013: £nil).

FUTURE PROSPECTS

The Group's business plan is to continue the large scale programme of asset disposals over the period to 31 December 2016 in order to ensure compliance with the terms and conditions of the Group's debt facilities and to initiate an orderly wind up of the corporate structure. The disposals are expected to be across all geographical segments.

GOING CONCERN

The Directors have considered the Group's financial position, trading prospects, cash flow and financial forecasts and have a reasonable expectation that there will be adequate resources to allow it to continue in operational existence for the foreseeable future. Accordingly, they have determined that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of these financial statements.

More detail is disclosed in the statement of accounting policies note on page 21.

DIRECTORS

The Directors who served the Group during the year and up to the date of signing these financial statements were as follows:

B S Anderson	(resigned 29 January 2015)
G McCabe	(resigned 21 April 2015)
A Hewitt	(appointed 21 April 2015)
M McCarthy	
F Kennedy	

FINANCIAL RISK MANAGEMENT

The Company's and Group's financial risk management is set out in detail in note 23 to the financial statements.

ETHICAL POLICY

The Company and Group are committed to working with our customers, suppliers and contractors to promote responsible working and trading practices.

STATEMENT OF 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 prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 and the group 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 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 Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROVISION OF INFORMATION TO AUDITORS

So far as each Director is aware, there is no relevant audit information of which the Company's auditors, PricewaterhouseCoopers LLP, 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

F Kennedy
Director
30 April 2015

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2014 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

Emphasis of matter - Group - Going concern

In forming our opinion on the Group and Parent Company 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 Group and Parent Company to continue as a going concern. Compliance with the repayment covenant attached to the Bank of Scotland plc facility depends on the ability to achieve sales in line with the business plan. Similar uncertainties are disclosed in note 1 regarding the Promontoria Holdings 76 B.V. facility which requires the generation of sufficient Minimum Net Collections. Furthermore, breach of the cashflow covenant as at 31 December 2014 requires the renegotiation of the facility to ensure cashflow solvency for the forseeable future. This renegotiation is yet to be agreed. These matters indicate the existence of material uncertainties which may cast significant doubt over the ability of the Group and Parent Company to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or the Parent Company were unable to continue as a going concern.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by D. U. K. E. Real Estate Limited, comprise:

- the Group and Company Statement of Financial Position as at 30 June 2014;
- the Group Income Statement and Group Statement of Comprehensive Income for the year then ended;
- the Group Statement of Cash Flows for the year then ended;
- the Group Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 group's and 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 Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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 ISAs (UK & 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.

Ian Marsden

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

30 April 2015

D.U.K.E. Real Estate Limited

(Company Registration Number SC257226)
Group Income Statement
For the year ended 30 June 2014

	Note	30 June 2014	30 June 2013
		£'000	£'000
REVENUE	2	35,796	56,637
Cost of sales		(11,085)	(19,568)
GROSS PROFIT		24,711	37,069
Other profit/(losses)	3	10,821	(141,179)
Administrative expenses	4	(6,961)	(6,216)
Other income		10,105	1,777
OPERATING PROFIT/(LOSS) BEFORE JOINT VENTURE RESULTS	2	**38,676**	**(108,549)**
Share of pre tax profit from joint ventures		627	4,953
Share of joint ventures' tax		(111)	(27)
Share of post tax (loss)/profit from joint ventures accounted for using the equity method	14	516	4,926
OPERATING PROFIT/(LOSS) AFTER JOINT VENTURE RESULTS		**39,192**	**(103,623)**
Finance income	7	59	51
Finance costs	7	(18,083)	(25,751)
Amortisation of the issue costs of the bank loans	7	(9,698)	(18,411)
Accrual for exit fees	7	(18,421)	(5,263)
Gain on interest rate swaps	7	6,071	11,735
Finance costs – net	7	(40,072)	(37,639)
LOSS BEFORE INCOME TAX		**(880)**	**(141,262)**
Income tax (expense)/credit	8	(4,677)	3,043
LOSS FOR THE YEAR		**(5,557)**	**(138,219)**
Loss attributable to:			
Owners of the parent company		(5,556)	(138,254)
Non controlling interest		(1)	35
		(5,557)	**(138,219)**

D.U.K.E. Real Estate Limited

(Company Registration Number SC257226)
Group Statement of Comprehensive Income
For the year ended 30 June 2014

	2014	2013
	£'000	£'000
Loss for the year	**(5,557)**	**(138,219)**
Other comprehensive income:		
Currency translation differences	19,560	(9,890)
Share of non controlling interest result arising in joint ventures	(6)	(5)
Total comprehensive income for the year	13,997	(148,114)
Attributable to:		
- Owners of the parent company	13,996	(148,147)
- Non controlling interest	1	33
Total comprehensive income for the year	**13,997**	**(148,114)**

Items in the statement above are disclosed net of tax.

D.U.K.E. Real Estate Limited
(Company Registration Number SC257226)
Group Statement of Changes in Equity
For the year ended 30 June 2014

	Ordinary shares £'000	Share premium reserve £'000	Other reserves £'000	Accumulated losses £'000	Total £'000	Non controlling interest £'000	Total deficit £'000
Balance at 1 July 2012	**490**	**37,231**	**21,331**	**(387,632)**	**(328,580)**	**30**	**(328,550)**
Comprehensive income							
Loss for the year	-	-	-	(138,254)	(138,254)	35	(138,219)
Other comprehensive income/(expense)							
Currency exchange differences	-	-	(9,892)	-	(9,892)	2	(9,890)
Share of non controlling interest result arising in joint ventures	-	-	-	-	-	(5)	(5)
Total other comprehensive income/(expense)	-	-	**(9,892)**	**(138,254)**	**(148,146)**	**32**	**(148,114)**
Total comprehensive income/(expense)	-	-	**(9,892)**	**(138,254)**	**(148,146)**	**32**	**(148,114)**
Transactions with owners							
Profit distributions made to non controlling interest	-	-	-	-	-	(58)	(58)
Total transactions with owners	-	-	-	-	-	**(58)**	**(58)**
Balance at 30 June 2013	**490**	**37,231**	**11,439**	**(525,886)**	**(476,726)**	**4**	**(476,722)**

D.U.K.E. Real Estate Limited

(Company Registration Number SC257226)
Group Statement of Changes in Equity
For the year ended 30 June 2014

	Ordinary shares £'000	Share premium reserve £'000	Other reserves £'000	Accumulated losses £'000	Total £'000	Non controlling interest £'000	Total deficit £'000
Balance at 1 July 2013	**490**	**37,231**	**11,439**	**(525,886)**	**(476,726)**	**4**	**(476,722)**
Comprehensive income							
Loss for the year	-	-	-	(5,556)	(5,556)	(1)	(5,557)
Other comprehensive income/(expense)							
Currency exchange differences	-	-	19,558	-	19,558	2	19,560
Share of non controlling interest result arising in joint ventures	-	-	-	-	-	(6)	(6)
Total other comprehensive income/(expense)	-	-	**19,558**	**(5,556)**	**14,002**	**(5)**	**13,997**
Total comprehensive income/(expense)	-	-	**19,558**	**(5,556)**	**14,002**	**(5)**	**13,997**
Transactions with owners							
Profit distributions made to non controlling interest	-	-	-	-	-	(13)	(13)
Total transactions with owners	-	-	-	-	-	**(13)**	**(13)**
Balance at 30 June 2014	**490**	**37,231**	**30,997**	**(531,442)**	**(462,724)**	**(14)**	**(462,738)**

D.U.K.E. Real Estate Limited
(Company Registration Number SC257226)
Company Statement of Changes in Equity
As at 30 June 2014

	Ordinary shares £'000	Share premium reserve £'000	Accumulated Losses £'000	Total deficit £'000
Balance at 1 July 2012	**490**	**37,231**	**(54,447)**	**(16,726)**
Comprehensive income				
Loss for the year	-	-	(16,054)	(16,054)
Total comprehensive income	**-**	**-**	**(16,054)**	**(16,054)**
Balance at 30 June 2013	**490**	**37,231**	**(70,501)**	**(32,780)**
Balance at 1 July 2013	**490**	**37,231**	**(70,501)**	**(32,780)**
Comprehensive income				
Loss for the year	-	-	(23,470)	(23,470)
Total comprehensive income	**-**	**-**	**(23,470)**	**(23,470)**
Balance at 30 June 2014	**490**	**37,231**	**(93,971)**	**(56,250)**

D.U.K.E. Real Estate Limited

(Company Registration Number SC257226)
Group Statement of Financial Position
As at 30 June 2014

	Notes	2014 £'000	2013 £'000
NON CURRENT ASSETS			
Intangible assets	12	-	-
Investment properties	13	223,268	382,333
Investment in associates and joint ventures	14	106	241
Other investments	15	21,629	16,729
Deferred income tax assets	24	1,598	1,771
Trade and other receivables	18	300	1,810
		246,901	**402,884**
CURRENT ASSETS			
Inventories	17	9,351	9,465
Trade and other receivables	18	8,408	10,667
Available for sale assets	31	19,970	15,862
Cash and cash equivalents	20	14,697	20,585
		52,426	**56,579**
CURRENT LIABILITIES			
Trade and other payables	19	(91,407)	(68,543)
Current income tax liabilities		(2,072)	(1,000)
Borrowings	21	(395,747)	(832,991)
		(489,226)	**(902,534)**
NET CURRENT LIABILITIES		**(436,800)**	**(845,955)**
NON CURRENT LIABILITIES			
Trade and other payables	19	(572)	(648)
Borrowings	21	(253,524)	(7,898)
Derivative financial instruments	16	(14,440)	(21,409)
Deferred income tax liabilities	24	(4,303)	(3,696)
		(272,839)	**(33,651)**
NET LIABILITIES		**(462,738)**	**(476,722)**
EQUITY			
Ordinary shares	25	490	490
Share premium reserve		37,231	37,231
Other reserves	26	30,997	11,439
Accumulated losses		(531,442)	(525,886)
		(462,724)	**(476,726)**
Non controlling interest		(14)	4
TOTAL EQUITY DEFICIT		**(462,738)**	**(476,722)**

The financial statements on pages 9 to 59 were approved by the Board of Directors on 30 April 2015 and were signed on its behalf by:

F Kennedy
Director

D.U.K.E. Real Estate Limited

(Company Registration Number SC257226)
Company Statement of Financial Position
As at 30 June 2014

	Notes	2014	2013
		£'000	**£'000**
NON CURRENT ASSETS			
Investment in subsidiaries	14	-	-
		-	-
CURRENT ASSETS			
Trade and other receivables	18	4,639	451
Cash and cash equivalents	20	21	-
		4,660	**451**
CURRENT LIABILITIES			
Trade and other payables	19	(60,910)	(33,231)
		(60,910)	(33,231)
NET CURRENT LIABILITIES		**(56,250)**	**(32,780)**
NET LIABILITIES		**(56,250)**	**(32,780)**
EQUITY			
Ordinary shares	25	490	490
Share premium reserve		37,231	37,231
Accumulated losses		(93,971)	(70,501)
TOTAL EQUITY DEFICIT		**(56,250)**	**(32,780)**

The financial statements on pages 9 to 59 were approved by the Board of Directors on and were signed on its behalf by:

F Kennedy
Director

D.U.K.E. Real Estate Limited

(Company Registration Number SC257226)
Group Statement of Cash Flows
For the year ended 30 June 2014

	2014 £'000	2013 £'000
Cash flows from operating activities		
Loss before income tax for the year	(880)	(141,262)
Adjustments for:		
- impairment of receivables (note 18)	285	16,621
- fair value (gains)/losses on financial assets (note 3)	(9,260)	110,297
- Loss on disposal of investment properties (note 3)	(1,800)	7,481
- net finance costs (note 7)	40,072	37,639
- share of loss/(profit) of joint ventures	4,674	(4,926)
Cash flow from operations before working capital	**33,091**	**25,850**
Changes in working capital :		
- inventories	114	4,218
- trade and other receivables	2,740	(5,358)
- trade and other payables	(23,802)	2,626
Cash generated from operations	**12,143**	**27,336**
Interest paid	(18,301)	(32,391)
Income tax paid	(2,824)	(217)
Net cash used in operating activities	**(8,982)**	**(5,272)**
Cash flow from investing activities		
Purchases of investment properties	(5)	(792)
Proceeds from sale of investment properties	112,846	124,344
Net (payables)/receipts from joint ventures	(2,706)	8,381
Interest received	2,207	786
Cash generated from investing activities	**112,342**	**132,719**
Cash flow from financing activities		
Proceeds from borrowings	-	505
Repayment of borrowings	(109,248)	(120,687)
Cash used in financing activities	**(109,248)**	**(120,182)**
(Decrease)/increase in cash	**(5,888)**	**7,265**
Cash and cash equivalents at start of year	**20,585**	**13,320**
Cash and cash equivalents at end of year	**14,697**	**20,585**

D.U.K.E. Real Estate Limited

(Company Registration Number SC257226)
Company Statement of Cash Flow
For the year ended 30 June 2014

	2014 £'000	2013 £'000
Cash flows from operating activities		
Loss before income tax for the year	(23,470)	(16,054)
Adjustments for:		
- net finance costs	9,848	11,372
Cash flow used in operations before working capital	**(13,622)**	**(4,682)**
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
- trade and other receivables	(4,188)	436
- trade and other payables	17,831	4,246
Net cash from operating activities	**21**	**-**
Increase in cash	**21**	**-**
Cash and cash equivalents at start of year	**-**	**-**
Cash and cash equivalents at end of year	**21**	**-**

1. ACCOUNTING POLICIES

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

Basis of preparation

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, as modified by the revaluation of investment properties in accordance with IAS 40 'Investment Property'. IFRSs also require an alternative treatment to the historic cost convention in certain circumstances (principally in the area of retirement benefit obligations, share based payments and financial instruments).

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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on page 27.

General information

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

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 2013:

- - 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 FRS or US GAAP.

- IFRS 12 'Disclosure on Interests in other Entities' sets out additional disclosures on the nature, risks and financial effects of the company's interests in other entities'.

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 July 2013 but not currently relevant to the Group (although they may affect the accounting for future transactions and events):

- Amendment to IAS 12 introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value; this is not relevant for the group as deferred tax is not recognised on fair value losses.

- Amendment to IFRS 7 'Financial instruments: Disclosure' on financial instruments asset and liability offsetting. This is not applicable to the group given the financial liabilities held.

1. ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2013, 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 Group 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 Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 for the accounting period beginning on 1 July 2014;

- 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 Group 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 Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 for the accounting period beginning on 1 July 2014;

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 Group:

- Amendment to IAS 19 R 'employee service contributions' – effective 1 July 2014
- Amendment to IAS 39 'Financial instrument' Recognistion and measurement: novation of derivates and continuation of hedge accounting – effective 1 July 2014
- Amendment to IFRS 2 'share based payments' – effective 1 July 2014

1. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded in goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non controlling interests

The Group applies a policy of treating transactions with non controlling interests as transactions with parties external to the Group. Disposals to non controlling interests result in gains and losses for the Group that are recorded in the income statement. Purchases from non controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Investments

Fixed asset investments are stated in the balance sheet at cost less any provision for any impairment. Certain loans to subsidiaries are treated as investments where the underlying substance of the transaction was an investment. Loans treated as investments are stated in the balance sheet at cost less any provision for any impairment.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Interests in joint ventures through which the Group carries on its business are classified as jointly controlled entities and accounted for using the equity method. This involves recording the investment initially at cost to the Group and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Group's share of joint venture's results less any impairment in carrying value and any other changes to the joint venture's net assets such as dividends.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

1. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Going concern

The financial statements have been prepared on the going concern basis which assumes that the Group and Parent Company will be able to continue in operation for the foreseeable future. On 19 December 2014 the Group signed a new banking facility with Bank of Scotland plc, a subsidiary of Lloyds Banking Group plc ("the Bank"), which provided committed facilities through to 31 December 2016. As part of the refinancing the Bank agreed to write-off debt due by the Group totalling approximately £330m. It also agreed to terminate an out of the money interest rate swap for nil consideration and to restructure a second interest rate swap.

The new facility includes debt repayment covenants, valuation test covenants and cash flow cover covenants. The first test date for the debt repayment covenant is 30 June 2015. The covenants are based on a detailed business plan prepared by the Asset Manager, Valad Europe. The key assumptions inherent in these projections relate to property disposal values and their timing, projected cash realisations from co-investments in other real estate funds and joint ventures along with the borrowing and administration costs of the Group. In forming their view of going concern, the Directors have therefore considered the detailed financial models through to 31 December 2016. In particular the Directors have taken significant comfort from the Bank's willingness to write-off £330m of the Groups debt obligations and to continue the strategy of an orderly realisation of the Groups assets.

In addition to the Bank of Scotland plc facilities, the Group has borrowings within its German Aktiv Property Fund (GAF) subsidiary group due to a second lender, Promontoria Holdings 76 BV ("Promontoria"). These facilities were sold by Bank of Scotland plc through a consensual borrower process at a discount to notional value to Promontoria on 18 October 2013. At 30 June 2014 €307m remained outstanding. A Standstill Agreement was put in place upon sale which prevents Promontoria entering into any enforcement action related to valuation and debt repayment covenant breaches until 30 September 2015. Furthermore it removed any further valuation or debt repayment covenant tests that would otherwise have been tested prior to 30 September 2015. The Standstill Agreement did however introduce quarterly Minimum Net Collections tests from 31 March 2014. Minimum Net Collections relate to the cash generated from both holding and disposing of GAF's real estate assets and so there remains an inherent uncertainty around the ability to generate sufficient Collections primarily through asset disposals were business plan not to be achieved. To date all Minimum Net Collections tests have been met and are forecasted to do so through to the expiry of the Standstill Agreement. The debt facility also retains a cash flow covenant which requires GAF to demonstrate cash flow solvency on a rolling 12 month look forward tested quarterly. A breach of this test occurred at 31 December 2014. Whilst there is inherent uncertainty around the going concern status of GAF due to the expiry of the Standstill Agreement on 30 September 2015 and breach of the cash flow covenant, the consensual nature of the debt sale and relationship between Promontoria and the Asset Manager, Valad Europe, provides comfort to the Directors that a restructure of the GAF facilities is likely to be agreed as required. This is evidenced by Promontoria providing €2m of new banking facilities on 17 February 2015 and the directors are discussing terms for a further loan facility to be provided to ensure the group remains cash flow solvent. Furthermore, all cross collateralisation between the Promontoria and Bank of Scotland plc facilities was removed as part of the sale process. At 30 June 2014 GAF had net liabilities of €76m. Any covenant breach or enforcement within the GAF subsidiary facilities would therefore have no impact upon the Going Concern status of the rest of the Group although there would be adjustments required to the Group accounts if GAF were itself not a going concern.

Taking all the above into account, together with the close relationship the Group and its Asset Manager has with its lenders 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.

1. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Going concern (continued)

In the event that business plan is not achieved leading to a failure to meet covenants within the Bank of Scotland plc facilities, the Group would need to renegotiate terms which the Directors are confident would be achieved. This however represents a material uncertainty which may cast significant doubt over the Group's and Parent Company's ability to continue as a going concern. Similarly were there to be insufficient Minimum Net Collections generated by GAF or a restructure of the Promontoria facilities were not agreed to ensure cash flow solvency there would be adjustments required to the Group and Parent Company accounts. The financial statements do not include any adjustments that would result from them not being prepared on a going concern basis or from GAF not being a going concern.

Summary of significant accounting policies

(a) 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.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in British Pounds Sterling, which is the Company's functional and the Group's presentation currency.

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.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated in the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. The rate used was €1.00:£0.81 (2013:€1.00:£0.81);

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions). The average rate used was €1.00:£0.83 (2013:€1.00:£0.82); and

- all resulting exchange differences are recognised as a separate component of equity.

(b) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors which makes strategic decisions.

1. ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combinations in which the goodwill arose identified according to the operating segment.

(d) Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(e) Fair value estimation

Fair value estimation under IFRS 13 requires the company to classify for disclosure purposes fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements on its financial assets. The fair value hierarchy has the following levels:-

- Level (1) quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level (2) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level (3) inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value of assets held for sale, other financial assets and investment property are determined by using valuation techniques. See note13 for further details of the judgements and assumptions made.

(f) Investment properties

Properties held as investment properties (those held to earn rentals or for capital appreciation or both) are accounted for at valuation in accordance with IAS40 'Investment Property' or if appropriate, in inventories as assets held for disposal.

Investment Properties comprise freehold land and buildings and are measured at fair value. The fair values are determined by obtaining a valuation prepared in accordance with the current edition of the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. Valuations are carried out by either external, independent valuation firms having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued, or by suitably qualified executives of the asset manager. Disclosure is included in the financial statements (see note 13) to indicate the proportion of property assets subject to external or internal valuation.

Changes in fair values are recorded in the income statement.

1. ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

For the purpose of the Group statement of cash flows, cash and cash equivalents consists of cash at bank.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the income statement.

(i) Financial instruments and derivatives

The Group 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 Group'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:

2. 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 period.

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.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement in the period.

(j) 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.

1. ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

(k) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments, including incentives, are recognised as an expense in the Group income statement on a straight-line basis over the lease term.

(m) Revenue and profit recognition

Revenue is 25ealizable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding value added tax ("VAT"). The following criteria must also be met before revenue is recognised:

Rental income
Rental income arising from operating leases on the Investment Properties is accounted for on a straight line basis over the lease term and is included within revenue in the income statement. Accrued income is rental income arising from investment properties not yet received. Deferred income is rental income arising from investment properties received in advance.

Revenue comprises rental income arising from investment properties, including lease incentives, which are accounted for on a straight line basis over the lease term of ongoing leases. 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 revenue is reported net of discounts and value added and other sales taxes.

Finance income
Finance income includes bank interest receivable. Finance income is recognised on an accruals basis and disclosed after operating profit in the income statements.

Dividend income
Dividend income (profit shares from investments in funds) is recognised in the income statement when the Group's right to receive payment is established and is disclosed separately in the income statement.

Profits or losses on disposal
Disposals of properties and other investments 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 recognized separately 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.

(n) Dividend distribution

Dividend distributions to the Company's shareholders are recognised in the financial statements in the year in which the dividends are paid (in the case of interim dividends) or approved by the Company's shareholders (in the case of final dividends).

(o) Inventory

Development properties are included in inventory and stated at the lower of cost and net realisable value. 'Cost' comprises purchase cost, associated legal and professional costs, and costs of improvements. Net realisable value is based on estimated selling price less all costs of disposal.

1. ACCOUNTING POLICIES (CONTINUED)

(p) 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 underlying temporary differences can be deducted. In deciding whether future reversal is probable, the Directors review the Group'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.

In relation to investment properties, a deferred tax liability is provided on the basis of normal income tax rules for the proportion of the property's carrying amount expected to be recovered through use and is provided using capital gains tax rules in respect of the remainder of the property's carrying amount (including all land) expected to be recovered through sale. Provision is made for gains on disposal of property, plant and equipment that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.

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.

(q) Other investments

The Group's interests in European funds are accounted for as fair value through profit and loss. After initial recognition other investments are measured at fair value, where it can be reliably measured, with gains or losses being recognised in the income statement.

(r) Available- for- sale assets

Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

1. ACCOUNTING POLICIES (CONTINUED)

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. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas recognised below.

Areas of judgement and sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are:

Estimation of fair value of investment properties
The fair value of investment properties reflects, amongst other things, rental income from our current leases, assumptions about rental income from future leases and the possible outcome of planning applications, in the light of current market conditions. The valuation has been arrived at primarily after consideration of market evidence for similar property, although in the case of those properties where it is considered market value will be informed by their ultimate redevelopment potential, development appraisals have been undertaken to estimate the residual value of the landholding after due regard to the cost of and revenue from the development of the property.

Estimation of fair value of other investments
The fair value of other investments reflects the Group's share of the underlying net asset value ("NAV") of the funds. The most significant attribute contributing towards the NAV of the fund is the value of the investment property within the fund. The fair value of investment property reflects amongst other things, rental income from current leases, assumptions about rental income for future leases and the possible outcome of planning applications, in the light of current market conditions.

Assessment of net realisable value of development property inventory
Development appraisals have been undertaken to estimate the residual value of the landholding after due regard to the cost of, and revenue from the development of the property.

2. OPERATING SEGMENTAL INFORMATION

IFRS 8 'Operating Segments' requires the disclosure of segmental information on the same basis as the management information provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors which makes strategic decisions.

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board considers the business by nature of activity. There are two main areas of activity: property investment and property development. The property investment activity is further split down by portfolio, along the lines of legal sub-Groups within the Group, which also reflect geographical spreads.

Revenue	Year Ended 30 June 2014 £'000	Year Ended 30 June 2013 £'000
Revenue from operations arises from:		
Rental income	34,156	54,293
Sale proceeds on development and trading properties	1,640	2,344
	35,796	56,637

The Group has no external customers accounting for revenue of more than 10% (2013: nil).

2.OPERATING SEGMENTAL INFORMATION (CONTINUED)

The segment information for the year ended 30 June 2014 is as follows:

	Property investment				Property Development (UK)	All other segments	Total
	D.U.K.E. Properties (UK)	D.U.K.E. Continental Partners (other Europe)	V€uro (Germany)	German Aktiv fund			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue from external customers	**3,573**	**1,398**	**1,087**	**27,526**	**2,212**	**-**	**35,796**
Adjusted EBITDA	(12,808)	5,526	699	14,653	6,970	12,874	33,104
Finance costs	(4,028)	(5,015)	(1,010)	(7,947)	(183)	100	(18,083)
Gain on interest rate swaps	1,510	1,738	-	2,823	-	-	6,071
Gain on disposal of business	-	-	-	-	-	46	46
Impairment of receivables	-	-	-	-	(753)	468	(285)
Amortisation of the issue costs of the bank loans	-	-	-	-	-	(9,698)	(9,698)
Accrual of bank exit fees	-	-	-	-	-	(18,421)	(18,421)
Fair value profit/(loss) on investment properties and other investments	5,588	73	(3,522)	4,823	-	2,298	9,260
Profit/(loss) on disposal of investment properties	831	5,470	-	(9)	-	(4,492)	1,800
Income tax credit/(charge)	-	298	-	(4,995)	-	20	(4,677)
Share of loss from joint ventures and associates	(3)	-	-	-	516	(7)	(4,674)
(Loss)/profit for the year	(8,910)	8,090	(3,833)	9,348	6,560	(16,812)	(5,557)
Total assets	**37,243**	**7,448**	**7,857**	**213,097**	**3,151**	**30,531**	**299,327**
Total assets include:							
Investment in associates and joint ventures	-	-	-	-	106	-	106
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	(113)	-	117	-	-	5
Total liabilities	**234,462**	**108,266**	**16,100**	**278,100**	**2,133**	**123,004**	**762,065**

Included within 'all other segments' are bank loans, and associated interest charges, that sit at a holding Company level rather than a sub-Group level.

2.OPERATING SEGMENTAL INFORMATION (CONTINUED)

The segment information for the year ended 30 June 2013 is as follows:

	Property investment				Property Development (UK)	All other segments	Total
	D.U.K.E. Properties (UK)	D.U.K.E. Continental Partners (other Europe)	V€uro (Germany)	German Aktiv fund			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue from external customers	**8,264**	**5,070**	**1,248**	**38,753**	**3,302**	**-**	**56,637**
Adjusted EBITDA	4,616	(3,055)	929	30,627	454	(890)	32,681
Finance costs	(6,825)	(6,050)	(1,052)	(19,784)	(499)	8,459	(25,751)
Gain on interest rate swaps	3,631	2,296	-	5,808	-	-	11,735
Loss on disposal of business	-	(6,780)	-	-	-	-	(6,780)
Impairment of receivables	-	-	-	-	(11,573)	(5,048)	(16,621)
Amortisation of the issue costs of the bank loans	-	-	-	-	-	(23,674)	(23,674)
Fair value (loss)/profit on investment properties and other investments	(12,380)	(11,616)	385	(85,611)	-	(1,075)	(110,297)
(Loss)/profit on disposal of investment properties	(247)	(5,341)	-	(1,935)	-	42	(7,481)
Income tax (charge)/credit	-	(66)	-	3,109	-	-	3,043
Share of profit/(loss) from joint ventures and associates	2,521	-	-	-	2,415	(10)	4,926
Loss for the year	(8,684)	(30,612)	262	(67,786)	(9,203)	(22,196)	(138,219)
Total assets	**50,854**	**17,757**	**14,636**	**342,117**	**4,756**	**29,343**	**459,463**
Total assets include:							
Investment in associates and joint ventures	123	-	-	-	118	-	241
Additions to non-current assets (other than financial instruments and deferred tax assets)	189	68	-	535	-	-	792
Total liabilities	**240,177**	**130,264**	**17,550**	**428,683**	**13,774**	**105,737**	**936,185**

Included within 'all other segments' are bank loans, and associated interest charges, that sit at a holding Company level rather than a sub-Group level.

2.OPERATING SEGMENTAL INFORMATION (CONTINUED)

The board assesses the performance of the operating segments based on a measure of adjusted earnings before interest tax, depreciation and amortisation ("EBITDA"). This measurement basis excludes impairments of goodwill and receivables and also fair value gains and losses. Interest income is included in the measure.

A reconciliation of adjusted EBITDA to operating profit/(loss) is provided as follows:

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Adjusted EBITDA	33,104	32,681
Impairment of receivables (note 18)	(285)	(16,621)
Profit/(loss) on disposal of business (note 3)	46	(6,780)
Fair value losses on properties and investments (note 3)	9,260	(110,297)
Loss on disposal of investment properties	1,800	(7,481)
Finance income	(59)	(51)
Operating profit/(loss) before joint venture results	43,866	(108,549)

3. OTHER (GAINS)/LOSSES

Group	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Financial assets at fair value through profit or loss:		
- fair value (gains)/losses on investment properties (note 13)	(6,957)	110,396
- fair value gains on other investments	(2,303)	(99)
	(9,260)	110,297
- (Gain)/loss on disposal of investment properties	(1,800)	7,481
- Impairment/(writeback) of receivables (note 18)	285	16,621
- (Gain)/loss on disposal of business	(46)	6,780
	(10,821)	141,179

4. ADMINISTRATIVE EXPENSES BY NATURE

Group	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Insurance	74	78
Legal and professional fees	2,144	1,932
Management charges	1,405	2,286
Bank charges	238	(57)
Other expenses	-	136
Net foreign currency movements	(2,090)	1,841
Total administrative expenses	1,771	6,216

5. STAFF COSTS

The average number of people employed by the Group during the year was nil (2013: nil). D.U.K.E. Real Estate Limited has a management agreement with Valad Management Services Limited, a subsidiary of Valad Property Group. The Directors are executives within Valad Property Group or Lloyds Banking Group. The management charge is invoiced to D.U.K.E. Real Estate Limited and its subsidiaries (note 27). The management charge includes other costs and the Directors' remuneration cannot be separately identified. D.U.K.E. Real Estate Limited does not incur a management charge from Lloyds Banking Group, and the Directors receive no remuneration in respect of D.U.K.E. Real Estate Limited (2013: £nil).

Company

The average number of administration staff employed by the Company during the year, including executive Directors was nil (2013: nil).

6. AUDITORS REMUNERATION

During the year the Group (including overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	116	75
- the audit of the Company's subsidiaries pursuant to legislation	222	283
- taxation compliance services	-	85
- other services pursuant to legislation	-	6
Total auditors remuneration	339	449

7. FINANCE INCOME AND COSTS

Group	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Finance costs:		
- Bank borrowings and overdrafts	(18,018)	(25,850)
- Other interest expense	(65)	99
Finance costs	(18,083)	(25,751)
Finance income:		
- Interest income on short-term bank deposits	22	32
- Interest on loans to joint ventures (note 27)	32	21
- Other interest	5	(2)
Finance income	59	51
Other finance costs in the year		
Amortisation of the issue costs of the bank loans	(9,698)	(18,411)
Accrual of exit fees	(18,421)	(5,263)
Gain on interest rate swaps	6,071	11,735
Net finance costs	(40,072)	(37,639)

8. INCOME TAX CREDIT/(EXPENSE)

Components of income tax expense:

Group	**Year Ended 30 June 2014**	**Year Ended 30 June 2013**
	£'000	**£'0000**
Current tax		
Current tax for current year	3,957	1,541
Adjustments in respect of prior years	(236)	352
Total current tax expense	3,721	1,893
Deferred tax		
Deferred tax for current year	718	(6,501)
Adjustments in respect of prior years	238	1,565
Total deferred tax credit	956	(4,936)
Total income tax credit	**4,677**	**(3,043)**

The tax on the Group's loss before tax for the year is higher (2013: higher) than the average tax rate in the UK of 22.5% (2013: 23.75%). The differences are explained below:

	Year ended 30 June 2014 £'000	**Year ended 30 June 2013 £'000**
Loss before tax	(880)	(141,262)
Tax on loss at standard UK corporation tax rate of 22.5% (2013: 23.75%)	(152)	(33,550)
Tax effects of:		
- Impairment charges not deductible for tax purposes	1,131	9,162
- Non-deductible amortisation of bank loan issue cost	6,327	5,623
- Other non-deductible finance charges	-	308
- Non-deductible loss on sale of business	-	1,610
- Other expenses not deductible for tax	(393)	690
- Non-taxable gain on sale of investment property	(1,650)	-
- Temporary differences for which no deferred tax recognised	5,658	5,706
- Tax losses / (utilisation of tax losses) for which no deferred tax recognised	(5,174)	4,174
- Tax rate differences	(2,124)	2,486
- Tax effect of results of joint ventures	1,052	(1,169)
- Adjustments in respect of prior years	2	1,917
Income tax expense/(credit) for the year	4,677	(3,043)

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

The above changes have been reflected in the financial statements to the extent that they have been substantively enacted. The changes do not have an impact on the Group's deferred tax balances since all temporary differences in respect of which deferred tax has been provided or recognised arise outside the UK.

9. DIVIDENDS PER SHARE

Group
No dividend was declared for the year ended 30 June 2014 (2013: nil).

10. LOSS FOR THE FINANCIAL YEAR OF THE PARENT ENTITY

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included separately in these financial statements. The loss for the financial year was £23,470,000 (2013: £16,054,000).

11. BUSINESS COMBINATIONS

Group – Acquisitions

There is no acquisition during the year or prior year.

12. INTANGIBLE ASSETS

Group	Goodwill £'000
At 30 June 2013	
Cost	13,492
Accumulated amortisation and impairment	(13,492)
Net book amount	-
At 30 June 2014	
Cost	13,538
Accumulated amortisation and impairment	(13,538)
Net book amount	-
Year ended 30 June 2013	
Additions	-
Impairment charge	-
Net book amount	-
Year ended 30 June 2014	
Additions	-
Impairment charge	-
Net book amount	-
As at 30 June 2014	
Net book amount	-

13. INVESTMENT PROPERTIES

Group	2014 £'000	2013 £'000
At the start of year	382,333	588,058
Additions	5	792
Fair value gains/(losses) on investment properties (note 3)	6,957	(110,396)
Disposals	(96,993)	(104,235)
Foreign exchange movement	(49,064)	23,976
Transfer to available for sale financial assets	(19,970)	(15,862)
At the end of the year	223,268	382,333

The fair value of the Group's investment property at 30 June 2014 has been arrived at on the basis of a valuation carried out at that date by suitably qualified executives of the group who are members of the Royal Institution of Chartered Surveyors. The valuation conforms to International Valuation Standards. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The historical cost of the above investment properties is £603,150,000 (2013: £720,109,000).

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2014 are as follows:

	Level 3 £'000	Fair value as at 30 June 2014 £'000
Commercial property units:		
Buildings	223,268	223,268
	223,268	**223,268**

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £34,156,000. Direct operating expenses arising on the investment property, all of which were acquired during the period and which generated rental income in the period, amounted to £11,077,000.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. All properties were included in Level 3 and there were no transfers out during the period.

Information about the fair value measurements using significant unobservable inputs (level 3):

Class of property	Input	Range
Office	ERV per sqf	£5 - £18
Industrial/Other	ERV per sqf	£2 -£4

In the above analysis there are no sensitive inputs that could have a significant impact on fair value.

14. INVESTMENTS

Group

Investments in joint ventures	**2014 £'000**	**2013 £'000**
At the start of year	241	497
Share of profit	516	4,926
Restriction of losses	(651)	-
Disposals	-	(4,080)
Dividends received	-	(1,102)
At the end of the year	**106**	**241**

During the previous year the investments in The Teesland iDG Sutton Unit Trust and CSB House Unit Trust had been disposed.

The Group has a joint venture interest in the following principal entities:

Joint ventures	**Country of incorporation**	**Proportion of ordinary shares held**	**Principal Activities**
Redhouse Holdings Limited	England	50%	Property development
Talbot Green Developments Limited	England	50%	Property development
CSBP Clackmannanshire Developments Limited	Scotland	50%	Property development
Stirling Development Agency Limited	Scotland	50%	Property development
Scarduke Limited	England	20%	Property investment

It is not practical to list every single joint venture entity of the Group in these financial statements and the above represent those that are material in the context of the Group's financial statements. All subsidiary entities of the Group disclose all their joint ventures within their individual statutory financial statements.

The Group's joint ventures have financial year ends which are coterminous with that of D.U.K.E. Real Estate Limited with the exception of the following:

CSBP Clackmannanshire Developments Limited	31 March
Stirling Development Agency Limited	31 March

The Group equity accounts for the non-coterminous joint ventures based on financial information for the year ended 30 June.

14. INVESTMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the share of the assets, liabilities, income and expenses of the jointly controlled entities at 30 June and for the year then ended.

	2014	2013
Share of joint ventures' balance sheets:	£'000	£'000
Non-current assets	4,260	21,271
Current assets	1,481	13,090
Share of gross assets	5,741	34,361
Current liabilities	3,889	27,651
Non-current liabilities	1,746	6,469
Share of gross liabilities	5,635	34,120
Share of net assets	106	241
Revenue	14,128	17,210
Expenses	(13,462)	(12,002)
Finance costs	(71)	(328)
Finance income	32	68
Profit before tax	627	4,948
Income tax charge	(111)	(27)
Non controlling interest	-	5
(Loss)/profit for the year	516	4,926

Expenses above are stated after reversal of impairment charges on investment and development properties and other investments totaling £6,227,000 (2013: impairment of £1,738,000) and a debit for restriction of losses totaling £18,488,000 (2013 credit of £3,785,000).

The Group has not recognised losses amounting to £16,938,292 (2013: £42,942,474) for several joint ventures where the Group's share of the joint ventures' net assets are already at or below zero. The Group has only recognised losses where there is a contractual commitment to fund the joint ventures' losses. To the extent that losses impact recoverability of loans by the Group to the individual joint ventures, provisions have been made against these receivables (note 18).

14. INVESTMENTS (CONTINUED)

Company

	Shares in Group undertakings £'000	Loans £'000	Total £'000
At 30 June 2013			
Cost	9,480	15,000	24,480
Accumulated impairment	(9,480)	(15,000)	(24,480)
Net book amount	-	-	-
At 30 June 2014			
Cost	9,480	15,000	24,480
Accumulated impairment	(9,480)	(15,000)	(24,480)
Net book amount	-	-	-

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.

At 30 June 2014 the following were the principal subsidiaries and each were held directly by the Company's direct subsidiary, D.U.K.E. Property Holdings (UK) Limited, except where indicated by*:

Subsidiary undertakings	Country of incorporation	Principal activity	Type of shares	Holding
D.U.K.E. Property Holdings (UK) Limited *	England and Wales	Holding Company	Ordinary	100%
D.U.K.E. Development Group (UK) Limited	England and Wales	Property development	Ordinary	100%
D.U.K.E. Properties (UK) Limited	Scotland	Property investment	Ordinary	100%
V€uro Holdings B.V.	Netherlands	Property investment	Ordinary	100%
D.U.K.E. Continental Partners Limited	Scotland	Property investment	Ordinary and preference	100%
German Aktiv Property Fund Limited Partnership.*	England and Wales	Property investment	Units	100%

It is not practical to list every single subsidiary within the Group in these financial statements. A list of all subsidiary entities of the Group is available from the Company Secretary.

All of the Group's subsidiaries have a financial year end of 30 June, with the exception of German Aktiv Property Fund Limited Partnership that has a financial year end of 31 December.

15. OTHER INVESTMENTS

Group

	2014 £'000	2013 £'000
At the start of year	16,729	16,404
Fair value gain	2,303	99
Foreign currency movements	2,597	226
At the end of the year	21,629	16,729

The Group holds co-investments in some of the property funds it manages. These co-investments typically have an equity stake of less than 5%. At 30 June 2014, the other investments balance comprised interests in 3 funds known as Osprey Limited Partnership, Nordic Aktiv Property Fund Limited Partnership and Nordic Aktiv Property Fund 2 Limited Partnership.

At the year end the Group calculates the fair value of each co-investment based on the equity proportion held, and the total net asset fair value of each fund. Each fund has an annual audit and where their year end is non-coterminous the net asset value is calculated based on financial information as at 30 June.

A key determinant of the net asset value of the funds is the valuation of its investment property portfolio. These are valued independently and professionally every year end, and where the year end of the fund is not June 30th, the Directors of the funds update their assessment of the fair value of each property, taking into account the most recent independent valuations.

Where an external investor has expressed an interest in purchasing some or all of the Groups co-investment in a fund, the Directors will assess whether this represents a more appropriate fair value due to it being the current bid price in an active market.

The fair value hierarchy at 30 June 2014 and 30 June 2013 is level 3. The valuation technique is consistent with the prior year.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2014		2013	
Group	**Assets £'000**	**Liabilities £'000**	**Assets £'000**	**Liabilities £'000**
Interest rate swaps – cash flow hedges	-	(14,440)	-	(21,409)
Current portion	-	-	-	-
Non-current portion	-	(14,440)	-	(21,409)
	-	(14,440)	-	(21,409)

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 interest rate swap positions are

- £116,025,116 initial notional amount reducing to £26,066,694 by 30 September 2014 at a fixed rate of 5.965%
- €232,352,450 initial notional amount reducing to €69,494,255 by 31 December 2015 at a fixed rate of 2.654%
- €534,905,519 initial notional amount reducing to €95,245,590 by 30 December 2015 at a fixed rate of 3.046%

17. INVENTORIES

Group

	2014 £'000	2013 £'000
Development properties	9,351	9,465

During the year, reversals of impairment of £485,000 were made to the carrying values of development properties (2013: impaired by £3,225,000). The reversal of the impairment charge is within cost of sales in the Income Statement. The cost of inventories recognised as an expense and included in cost of sales amounted to £697,000 (2013: £1,299,000).

18. TRADE AND OTHER RECEIVABLES

Group	2014 £'000	2013 £'000
Trade receivables	3,930	6,945
Less: provision for impairment of trade receivables	(468)	(2,071)
Trade receivables - net	3,462	4,874
Other receivables	899	1,126
Accrued income	813	686
Prepayments	2,073	2,192
Loans to joint ventures (note 27)	1,059	2,687
Loans to related parties (note 27)	300	800
Loans to third parties	102	112
	8,708	12,477
Less non-current portion:		
Loans to joint ventures (note 27)	-	(1,010)
Loans to related parties (note 27)	(300)	(800)
	(300)	(1,810)
Current portion	**8,408**	**10,667**

All non-current receivables are due within five years from the end of the reporting period.

The carrying amount of the Group's trade and other receivables is approximate to their fair value (note 22).

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables as disclosed in note 23. The Group does not hold any collateral as security except loans to third parties where the Group has second charge over the assets of the third party.

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

The loan to related parties of £300,000 (2013: £800,000) as at 30 June 2014 relates to funding provided to Crownstone European Properties Limited, a company engaged in real estate investment in Europe. The amount comprises of ordinary loan notes and preferred loan notes. The loans have been impaired as disclosed below to reflect the Directors' expectation of the recoverable amounts. The Group holds a 14.3% ordinary equity interest in Crownstone European Properties Limited by virtue of owning 17,873 ordinary shares out of a total of 124,992 ordinary shares in issue. The investment has no value.

As of 30 June 2014, trade receivables of £2,178,000 (2013: £3,210,000) were fully performing.

As of 30 June 2014, trade receivables of £1,284,000 (2013: £1,664,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 £'000	2013 £'000
Up to 3 months	1,224	1,555
3 to 6 months	58	84
Over 6 months	2	25
	1,284	1,664

As of 30 June 2014, there were provisions against trade receivables of £468,000 (2013: £2,071,000) which were impaired. The ageing analysis of these provisions is as follows:

	2014 £'000	2013 £'000
Up to 3 months	10	9
3 to 6 months	9	19
Over 6 months	449	2,043
	468	2,071

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

	2014 £'000	2013 £'000
At 1 July	2,071	2,452
Release of provision	(1,603)	(381)
At 30 June	468	2,071

As of 30 June 2014, loans to joint ventures, loans to related parties and loans to third parties were impaired and provided for as summarised in the table below. The individually impaired loans were to property and development companies whose financial position has deteriorated due to falling property values. The impaired amounts are not yet due for payment.

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Group	**2014 £'000**	**2013 £'000**
Loans to joint ventures	39,497	40,432
Provision for impairment of loans to joint ventures	(38,438)	(37,745)
	1,059	2,687
Loans to related parties	121,934	121,934
Provision for impairment of loans to related parties	(117,525)	(117,994)
Foreign exchange movement	(4,109)	(3,140)
	300	800
Loans to third parties	14,351	14,301
Provision for impairment of loans to third parties	(14,249)	(14,189)
	102	112

The total amount of impairment charges recognised during the year as disclosed in "other losses" on the face of the income statement is as follows:

	2014 £'000	**2013 £'000**
Provision for impairment of loans to joint ventures	693	10,882
Provision for impairment of loans to third parties	60	675
Provision/(writeback) for impairment of related parties balance	(468)	5,064
Total impairment charge	285	16,621

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014 £'000	**2013 £'000**
Pounds	4,775	8,043
Euros	3,933	4,434
	8,708	12,477

Company	**2014 £'000**	**2013 £'000**
Other taxes	185	271
Prepayments	19	12
Accrued income	133	166
Amounts due from Group undertakings	4,302	2
Current portion	**4,639**	**451**

The carrying amount of the Company's trade and other receivables is approximate to their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables as disclosed in note 23. The Company does not hold any collateral as security.

As of 30 June 2014, loans to Group undertakings were impaired and provided for as summarised in the table below. The individually impaired loans were to property and development companies whose financial position has deteriorated due to falling property values. The impaired amounts have no set date for repayment.

Company	**2014 £'000**	**2013 £'000**
Loans to Group undertakings	41,278	41,250
Provision for impairment of loans to Group undertakings	(36,976)	(41,248)
	4,302	2

19. TRADE AND OTHER PAYABLES

Group	2014 £'000	2013 £'000
Trade payables	1,327	3,310
Amounts due to associates and joint ventures	2,651	371
Amounts due to related parties	782	782
Amounts due to third parties	266	280
Other taxes	261	120
Other payables	2,697	5,440
Deferred income	225	900
Accrued expenses	83,770	57,988
	91,979	69,191
Less non-current portion:		
Amounts due to third parties	(258)	(272)
Other payables	(314)	(376)
	(572)	(648)
Current portion	**91,407**	**68,543**

Company	2014 £'000	2013 £'000
Trade payables	424	773
Amounts due to Group undertakings	1,141	1,442
Accrued expenses	59,345	31,016
Current portion	**60,910**	**33,231**

20. CASH AND CASH EQUIVALENTS

Group	2014 £'000	2013 £'000
Cash at bank	14,697	20,585
	14,697	20,585

Company	2014 £'000	2013 £'000
Cash at bank	21	-

21. BORROWINGS

Group	2014 £'000	2013 £'000
Current		
Bank borrowings	395,747	832,991
Non-Current		
Bank borrowings	253,524	7,898
Total borrowings	649,271	840,889

Bank borrowings pay interest which comprises of a margin above either LIBOR, EURIBOR or NIBOR rate. The margins on the various facilities is fixed at 1% (2013: 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.

The Group's exposure to changes in interest rates is managed by way of interest rate swaps, details of which are given in note 16.

On 22 March 2012 the Group, including GAF signed new banking facilities with Lloyds Banking Group which provide committed facilities through to 31 December 2016. The cost of the refinancing includes bank arrangement fees and £25.0m exit fee payable as a bullet payment when the facilities are repaid. There is also a 3% interest margin on the facilities which 2% are accrued and repayable at the end of the refinancing term.

On 18 October 2013 Bank of Scotland plc ("the Bank") sold all its interests in the debt owed by the largest subsidiary within the Group, German Aktiv Property Fund (GAF). The debt sold totalled €440,118,296. The Group's board and its management cooperated and assisted fully throughout the sale process with the joint understanding that the residual debt owed to the Bank would be restructured following completion of the sale. The debt sold was cross collateralised with the remainder of the Group's banking facility and was included in the covenant calculations which therefore made future covenants unrealistic. More detail is disclosed in the statement of accounting policies note on page 21.

The exposure of the Group's borrowings to interest rate changes and contractual re-pricing dates at the end of the reporting period are as follows:

Group	2014 £'000	2013 £'000
6 months or less	395,671	832,920
6 to 12 months	76	71
	395,747	832,991

Non-current borrowings mature as follows:

Group	2014 £'000	2013 £'000
Between 1 and 2 years	-	149
Between 2 and 5 years	253,524	506
Over 5 years	-	7,243
	253,524	7,898

All loans with Bank of Scotland plc have been reclassified as current due to a failure to meet some of the loan covenants as at 30 June 2014. However, the facilities were refinanced after the year end. More information is contained in the Basis of Preparation in note 1.

21. BORROWINGS (CONTINUED)

The Group has the following undrawn borrowing facilities:

Group	2014 £'000	2013 £'000
Less than 1 year	17,533	-
Between 2 and 5 years	-	17,533
Over 5 years	-	-
	17,533	17,533

The undrawn facilities are conditional on obtaining the lenders consent and drawings can only be used specifically to finance capital expenditure on existing properties only.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Group	2014 £'000	2013 £'000
Pounds	231,220	259,062
Euros	406,066	567,026
Norwegian Krone	11,985	14,801
	649,271	840,889

Company

The Company had no outstanding bank borrowings at 30 June 2013 (2013: £nil).

22. FINANCIAL INSTRUMENTS

The accounting policies for financial instruments have been applied to the line items below:

	June 2014		June 2013	
Group	**Book value £000**	**Fair value £000**	**Book value £000**	**Fair value £000**
Assets as per balance sheet				
Other investments	21,629	21,629	16,729	16,729
Trade and other receivables	8,708	8,708	12,477	12,477
Cash and cash equivalents	14,697	14,697	20,585	20,585
Total	45,034	45,034	49,791	49,791
Liabilities as per balance sheet				
Borrowings	649,271	649,271	840,889	840,889
Trade and other payables	91,979	91,979	69,191	69,189
Derivative financial instruments	14,440	14,440	21,409	21,409
Total	755,690	755,690	931,489	931,487

22. FINANCIAL INSTRUMENTS (CONTINUED)

	June 2014		June 2013	
Company	**Book value**	**Fair value**	**Book value**	**Fair value**
	£000	**£000**	**£000**	**£000**
Assets as per balance sheet				
Trade and other receivables	4,639	4,639	451	451
Total	4,639	4,639	451	451
Liabilities as per balance sheet				
Trade and other payables	60,910	60,910	33,231	33,231
Total	60,910	60,910	33,231	33,231

In accordance with IAS 39, the Group and Company classifies other investments and derivative financial instruments as 'fair value through profit and loss' and all other assets and liabilities in the above analysis as 'loans and receivables' and 'other financial liabilities', respectively. At the 2014 and 2013 year ends, the Group 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. The carrying value of the Group's external borrowings, which consist of floating rate and fixed rate borrowings approximates to fair value. Details of the maturity profile of these financial liabilities are included in note 21.

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

Under IFRS 7 "Financial Instruments : Disclosures" all derivative Financial Instruments are classed as level 2 as they are not traded in an active market and the fair value is determined through discounting future cash flows.

23. FINANCIAL RISK MANAGEMENT

The Group'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 Group'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 Group 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.

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.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

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 2014 and 2013, 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 2014, the Group had interest rate swaps representing 24% 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 2014 between 2.4% and 5.4% higher than the floating rate.

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 Sterling. 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.

The Group has assets denominated in Euros of approximately €515,000,000 (2013: €669,000,000) and liabilities denominated in Euros of €504,000,000 (2013: €674,000,000). If the exchange rate between Euro and Sterling fluctuated by 10% the Group's net assets, in Sterling, would increase or decrease by £850,000.

The Group has assets denominated in Norwegian Krone of approximately NOK19,000,000 (2013: NOK23,000,000) and liabilities denominated in Norwegian Krone of NOK73,000,000 (2013: NOK74,000,000). If the exchange rate between Norwegian Krone and Sterling fluctuated by 10%, the Group's net liabilities, in Sterling, would increase or decrease by £515,000.

Management considers a maximum of 10% fluctuation in exchange rates as reasonable based on past experience.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

The Group 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 Group's 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	Over 5 years
	£'000	£'000	£'000	£'000
At 30 June 2014				
Bank borrowings	395,747	-	253,524	-
Trade and other payables	91,407	-	572	-
Derivative financial instruments	3,665	693	10,082	-
At 30 June 2013				
Bank borrowings	832,991	149	506	7,243
Trade and other payables	68,543	-	648	-
Derivative financial instruments	4,030	4,260	13,119	-

Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 and to ensure financial covenants contained in the bank facility agreement is met throughout the year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Due to the accumulated losses, the Group is currently unable to pay dividends. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the Group balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Group balance sheet plus net debt.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (continued)

The gearing ratios at 30 June 2014 and 30 June 2013 were as follows:

	2014 £'000	2013 £'000
Total borrowings (note 21)	649,271	840,889
Less: cash and cash equivalents (note 20)	(14,697)	(20,585)
Net debt	634,574	820,304
Total equity	(462,738)	(476,722)
Total capital	171,836	343,582
Gearing ratio	369%	239%

The increase in the gearing ratio in 2014 resulted primarily from the disposal and impairment of investment properties.

24. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Group	2014 £'000	2013 £'000
Deferred tax asset:		
- Deferred tax asset to be recovered after more than 12 months	1,598	1,771
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(4,303)	(3,696)
Deferred tax liabilities - net	(2,705)	(1,925)

The movement on the net deferred income tax account is as follows:

	2014 £'000	2013 £'000
At 1 July	(1,925)	(6,646)
Exchange differences	176	(215)
Credit to income statement (note 8)	(956)	4,936
At 30 June	(2,705)	(1,925)

24. DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax liabilities	Fair value adjustments £'000	Other temporary differences £'000	Total £'000
As at 1 July 2012	(8,277)	(322)	(8,599)
Exchange differences	(317)	(17)	(334)
Credit to the income statement	5,286	49	5,335
Balance sheet reclassifications	(98)	-	(98)
As at 1 July 2013	(3,406)	(290)	(3,696)
Exchange differences	230	55	285
Debit to the income statement	(346)	(546)	(892)
As at 30 June 2014	**(3,522)**	**(781)**	**(4,303)**

Deferred tax assets	Fair value adjustments £'000	Other temporary differences £'000	Total £'000
As at 1 July 2012	1,420	533	1,953
Exchange differences	71	48	119
Charge/(credit) to the income statement	(565)	166	(399)
Balance sheet reclassifications	98	-	98
As at 1 July 2013	1,024	747	1,771
Exchange differences	(48)	(61)	(109)
(Charge)/credit to the income statement	(415)	351	(64)
As at 30 June 2014	**561**	**1,037**	**1,598**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of £33,623,000 (2013: £41,092,000) in respect of losses.

25. ORDINARY SHARES

Group and Company	2014 £'000	2013 £'000
Authorised		
24,480,000 (2012: 24,480,000) 'A' Ordinary Shares of 1p each	245	245
24,480,000 (2012: 24,480,000) 'B' Ordinary Shares of 1p each	245	245
	490	490
Allotted, called up and fully paid:		
24,480,000 (2012: 24,480,000) 'A' Ordinary Shares of 1p each	245	245
24,480,000 (2012: 24,480,000) 'B' Ordinary Shares of 1p each	245	245
	490	490

The 'A' Ordinary shares and the 'B' ordinary shares rank equally in every respect.

26. OTHER RESERVES

	Translation reserve £'000
Balance at 1 July 2012	**21,331**
Currency exchange differences	(9,892)
Balance at 1 July 2013	**11,439**
Currency exchange differences	19,558
Balance at 30 June 2014	**30,997**

The translation reserve is used for recording exchange rate differences which arise on consolidation when subsidiaries with a functional currency different from the presentational currency are translated into the presentational currency.

27. RELATED PARTY TRANSACTIONS

Group

Key management compensation

Key management are the Directors and the Company Secretary. The compensation paid or payable to key management for employee services is shown in Note 5.

Balances and transactions with shareholders

Uberior Europe Limited and Valad Capital Limited are each 50% shareholders of D.U.K.E. Real Estate Limited.

Lloyds Banking Group

Uberior Europe Limited is part of the Lloyds Banking Group. Lloyds Banking Group is the main debt provider to the Group.

The following transactions were carried out with Lloyds Banking Group:

	2014	**2013**
	£'000	**£'000**
Loans advanced	-	505
Loans repaid	(109,108)	(119,715)
Bank interest	17,516	25,334
Monitoring, agency fees and other bank charges	200	274
Deferred interest and exit fees amortised	28,119	23,674

As at 30 June 2014, the Group had the following outstanding balances with Lloyds Banking Group:

	2014	**2013**
	£'000	**£'000**
Bank loans	641,373	832,851
Bank interest accrued	2,608	2,826
Cash balances	(5,548)	(10,373)
Deferred interest and exit fees amortised	49,556	6,579
Outstanding balances due to Lloyds Banking Group	**687,989**	**831,883**

The Group has accrued the full £25,000,000 exit fee payable as a bullet payment when the facilities are repaid (2013: £5,263,000 accrued).

27. RELATED PARTY TRANSACTIONS (CONTINUED)

The Group had the following open derivative positions with Lloyds Banking Group treasury department:

	Notional principal amount £'000	Liability recognised at 30 June 2014 £'000	Notional principal amount £'000	Liability recognised at 30 June 2013 £'000
Interest rate swaps	154,909	14,440	328,722	21,409

Further disclosure around the interest rate swaps is included in note 16.

Valad Property Group

Valad TCL Holdings Limited	**2014 £'000**	**2013 £'000**
Opening/closing balance – payable	782	782

Valad TCL Holdings Limited is the parent Company of Valad Capital Limited, which is a joint venture partner in respect of D.U.K.E. Real Estate Limited.

During the year the Group paid asset and fund management fees to Valad Management Services Limited, a subsidiary of Valad Property Group totalling £3,220,000 (2013: £4,825,000). £1,405,000 (2013: £2,286,000) was accounted for as administrative expenses (see note 4) and £1,815,000 (2013: £2,539,000) was accounted for as cost of sales. At 30 June 2014 £303 (2013: £nil) was outstanding.

27. RELATED PARTY TRANSACTIONS (CONTINUED)

Balances and transactions with joint ventures

	2014	2013
Net loans from/(to) joint ventures:	**£'000**	**£'000**
Beginning of the year	2,316	15,012
Loan repayments received	(3,247)	(1,835)
Interest charged (note 7)	32	21
Reversal of loan impairments (note 18)	(693)	(10,882)
	(1,592)	**2,316**

Loans to joint ventures are unsecured and have been interest free. The majority of the loans have no fixed repayment dates and are unsecured.

During the year, loan impairment provisions of £693,000 (2013: impairment of £10,882,000) were made against loans to joint ventures. The impairment provisions were calculated with reference to the underlying net asset position of the joint ventures.

Balances and transactions with related parties

	2014	2013
Loans to other related parties:	**£'000**	**£'000**
Beginning of the year (note 18)	801	8,055
Loan impairments	468	(5,064)
Currency exchange movements	(969)	(2,190)
	300	**801**

As at 30 June 2014 £300,000 (2013: £801,000) represented loans to Crownstone European Properties Limited, a European real estate fund, in which the Group has an equity interest of 14.3%. The loans accrued interest at 1.12% up to 31 December 2009, when interest stopped being charged.

27. RELATED PARTY TRANSACTIONS (CONTINUED)

Company

The Company had various intercompany loan transactions with Group undertakings during the year, as summarised below:

D.U.K.E. Property Holdings (UK) Limited	**2014 £'000**	**2013 £'000**
Opening loan balances - payable	**-**	**(65)**
Loan repayments	(124)	(2,924)
Reversal of loan impairment	124	2,989
Closing balance – payable	**-**	**-**

D.U.K.E. Property Holdings (UK) Limited is a subsidiary of the Company.

The loan has no fixed repayment date, accrues no interest and is unsecured.

As at June 2014, the loan to D.U.K.E. Property Holdings (UK) Limited, amounting to £21,674,000 (2013: £21,550,000) and corresponding impairment provision of £21,674,000 (2013: £21,550,000) was carried within receivables on the balance sheet (see note 18).

VPT European Investment Trust	**2014 £'000**	**2013 £'000**
Opening loan balances - receivable	**-**	**-**
Reversal of loan impairment	4,283	-
Closing balance – receivable	**4,283**	**-**

VPT European Investment Trust is a subsidiary of D.U.K.E. Property Holdings (UK) Limited.

D.U.K.E. Development Group (UK) Limited	**2014 £'000**	**2013 £'000**
Opening loan balances - payable	**1,399**	**1,909**
Loan repayments	(401)	(510)
Closing balance – payable	**998**	**1,399**

D.U.K.E. Development Group (UK) Limited is a subsidiary of D.U.K.E. Property Holdings (UK) Limited. The loan has no fixed repayment date, accrues no interest and is unsecured.

D.U.K.E. Continental Partners Limited	**£'000**	**£'000**
Opening loan balances - receivable	**-**	**318**
Loan impairment/(reversal of loan impairments)	-	(318)
Closing balance – receivable	**-**	**-**

D.U.K.E. Continental Partners Limited is a subsidiary of D.U.K.E. Property Holdings (UK) Limited. The loan has no fixed repayment date, accrues no interest and is unsecured.

27. RELATED PARTY TRANSACTIONS (CONTINUED)

D.U.K.E. Residential (UK) Limited	2014 £'000	2013 £'000
Opening loan balances - receivable	2	(1)
Loan advance	6	3
Closing balance – receivable	8	2

D.U.K.E. Residential (UK) Limited is a subsidiary of D.U.K.E. Property Holdings (UK) Limited. The loan has no fixed repayment date, accrues no interest and is unsecured.

V€uro International Holdings B.V.	2014 £'000	2013 £'000
Opening loan balances – payable	153	145
Foreign exchange movement	(9)	8
Closing balance – payable	144	153

V€uro Holdings B.V. is a subsidiary of D.U.K.E. Property Holdings (UK) Limited. V€uro International Holdings B.V. is a subsidiary of V€uro Holdings B.V. The loan has no fixed repayment date, accrues no interest and is unsecured.

28. CONTINGENCIES

Group

The Group has no contingent liabilities.

Company

Following the sale of the GAF debt by Bank of Scotland plc on 18 October 2013, the GAF debt is no longer cross collaterallised with the remainder of the Group. The Groups remaining facilities with Bank of Scotland plc totalling £395,598,000 at 30 June 2014 do however contain cross collateralisation and cross default provisions.

29. COMMITMENTS

Capital commitments

The Group and Company has no capital commitments (2013: none).

Operating lease commitments

Group

The Group leases properties under non-cancellable operating lease agreements. The lease terms are between 8 and 224 years. The lease expenditure charge for the year is included within administrative expenses where the Group occupies the property or in cost of sales where the properties are let to third party tenants.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 £'000	2013 £'000
No later than 1 year	287	287
Later than 1 year and no later than 5 years	1,149	1,149
Later than 5 years	55,152	55,439
Total operating lease commitments	**56,587**	**56,875**

The minimum lease payments due to the Group under non cancellable operating lease, all of which relate to property rentals are as follows:

	2014 £'000	2013 £'000
Lease expiring:		
Within 1 year	7,527	13,208
Later than 1 year and no later than 5 years	19,196	31,126
After 5 years	-	862
	24,723	**45,196**

Company

The Company has no operating lease commitments (2013: none).

30. ULTIMATE PARENT UNDERTAKING

As at 30 June 2014, the Company and Group were jointly controlled by Uberior Europe Limited (a subsidiary of Lloyds Banking Group – a UK listed entity) and Valad Capital Limited (a subsidiary of Blackstone Real Estate Partners VI Limited Partnership). After the year end Valad Capital Limited transferred its shares in D.U.K.E. Real Estate Limited to Valad Holdings (UK) Limited whose ultimate parent entity is Cromwell Property Group

31. AVAILABLE FOR SALE ASSETS

Group	2014 £'000	2013 £'000
At the start of year	15,862	18,929
Transfer from investments properties	19,970	15,862
Foreign exchange movement	(685)	1,180
Disposals	(15,176)	(20,109)
At the end of the year	19,970	15,862

Available for sale assets are held at valuation. The assets were valued on an Open Market Value basis, as at 30 June 2014.

Suitably qualified executives of the asset manager who are members of the Royal Institution of Chartered Surveyors valued 100% of the properties held at the year end. In reaching their valuations, the executives referred to available market information for similar properties. The executives have advised the Board based on the valuation performed.

Available for sale assets are denominated in the following currency:

	2014 £'000	2013 £'000
Euro	10,520	10,782
Sterling	9,450	5,080
Total	**19,970**	**15,862**

The assets held as available for sale represents investment properties sales which had exchanged but not completed at 30 June 2014.