PPG Metro 39 Limited

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

Registered Number: SC265768

Report of the Directors

The directors present their report and the financial statements of PPG Metro 39 Limited (the "Company") for the year ended 30 June 2010. This directors' report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Principal activities

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

Directors of the Company

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

Sir D E Murray
I B Tudhope (resigned 30 November 2009)
A Glasgow
L Higgins
M S McGill (appointed 5 March 2010)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

In so far as each of the directors is aware:

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

Report of the Directors (continued)

Auditor

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

BY ORDER OF THE BOARD

D Horne
Secretary
25 October 2010

Report of the Independent Auditor to the member of PPG Metro 39 Limited

We have audited the financial statements of PPG Metro 39 Limited for the year ended 30 June 2010 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of its loss for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Report of the Independent Auditor to the member of PPG Metro 39 Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or

- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime.

Grant Thornton UK LLP

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

Profit and Loss Account

	Notes	Year to 30 June 2010	17 month period to 30 June 2009 Normal	Exceptional	Total
		£	£	£	£
Turnover	2	**1,583,296**	2,627,868	-	2,627,868
Cost of sales		**(1,614,195)**	(2,204,279)	-	(2,204,279)
Impairment losses on development properties	3	**-**	-	(20,620,350)	(20,620,350)
Gross (loss)/profit		**(30,899)**	423,589	(20,620,350)	(20,196,761)
Other operating expenses	4	**1,448**	(12,866)	-	(12,866)
Operating (loss)/profit		**(29,451)**	410,723	(20,620,350)	(20,209,627)
Interest payable and similar charges	6	**(831,256)**	(4,032,104)	-	(4,032,104)
Loss on ordinary activities before taxation	7	**(860,707)**	(3,621,381)	(20,620,350)	(24,241,731)
Tax on loss on ordinary activities	8	**90,057**	660,351	-	660,351
Loss for the financial year/period	13	**(770,650)**	(2,961,030)	(20,620,350)	(23,581,380)

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

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

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

The accompanying notes form part of these financial statements.

Balance Sheet

	Notes	30 June 2010 £	30 June 2009 £
Current assets			
Stock	9	**36,445,000**	36,445,000
Debtors	10	**421,400**	635,002
Cash at bank and in hand		**23,489**	-
		36,889,889	37,080,002
Creditors: amounts falling due within one year	11	**(61,376,164)**	(64,945,545)
Net current liabilities		**(24,486,275)**	(27,865,543)
Net liabilities		**(24,486,275)**	(27,865,543)
Capital and reserves			
Called-up share capital	12	**1**	1
Share premium	13	**4,149,918**	-
Profit and loss account	13	**(28,636,194)**	(27,865,544)
Shareholders' deficit	14	**(24,486,275)**	(27,865,543)

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

M S McGill)
) Directors
L Higgins)

The Company's registration number is SC265768.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

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

(a) Basis of accounting

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

No cash flow statement has been presented as provided by FRS 1 (Revised) as the consolidated financial statements of the ultimate holding company (Note 17) contain a consolidated cash flow statement which include the cash flows of this Company and are publicly available.

The balance sheet at 30 June 2010 shows that the Company is in a net liability position. The directors have reviewed the trading prospects and projected cash flows of the business and have agreed funding from its intermediate parent company based on these projections as part of a refinancing arrangement. Details of the parent company refinancing and new bank facilities are set out in the financial statements of The Premier Property Group Limited. On that basis the directors have a reasonable expectation that there are adequate resources to allow the Company to continue to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future. Accordingly, the directors have determined that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of these financial statements.

(b) Stocks and work in progress

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

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

(c) Capitalised interest

Interest is capitalised from the point at which development expenditure is incurred until the date of practical completion, except where there is a substantial delay between acquisition and commencement of physical construction, where capitalisation will commence at the latter point. Where properties are held for redevelopment, interest is capitalised from the point redevelopment commences.

(d) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are normally recognised in the financial statements of the surrendering undertakings.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

(d) Taxation (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(e) Turnover and revenue recognition

Turnover has been wholly generated in the UK and is net of VAT. Rental income is recognised as it is earned. Income from the sale of development properties is recognised when the transaction is complete.

2. Turnover

Segmental information:

	Year to 30 June 2010	17 months to 30 June 2009
	£	£
Rental income	**1,535,006**	2,615,065
Other income	**48,290**	12,803
	1,583,296	2,627,868

3. Exceptional items

The charge in the prior period of £20,620,350 related to a reduction in the net realisable value of stock during that period.

4. Other operating expenses

The following is included in other operating expenses:

	Year to 30 June 2010	17 months to 30 June 2009
	£	£
Administrative credits/(expenses)	**1,448**	(12,866)

Notes to the Financial Statements (continued)

5. Staff costs

The Company had no employees during the current year or prior period and none of the directors received any remuneration from the Company or from other undertakings in respect of services to it.

6. Interest payable and similar charges

The following are included in interest payable and similar charges:

	Year to 30 June 2010	17 months to 30 June 2009
	£	£
On bank loans and overdrafts	**681,338**	3,579,720
On interest bearing loan notes 2004/2009	**149,918**	452,384
	831,256	4,032,104

7. Loss on ordinary activities before taxation

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

	Year to 30 June 2010	17 months to 30 June 2009
	£	£
Auditor's remuneration for audit services	**1,660**	4,540

8. Tax on loss on ordinary activities

The tax credit comprises:

	Year to 30 June 2010	17 months to 30 June 2009
	£	£
Current tax		
UK corporation tax	-	(660,351)
Adjustment in respect of prior period		
UK corporation tax	**(90,057)**	-
Total current tax	**(90,057)**	(660,351)

Notes to the Financial Statements (continued)

8. Tax on loss on ordinary activities (continued)

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

	Year to 30 June 2010 £	17 months to 30 June 2009 £
Loss on ordinary activities before tax	**(860,707)**	(24,241,731)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2009 – 28.23%)	**(240,998)**	(6,844,061)
Effects of:		
Unrelieved tax losses and other deductions	**226,998**	6,183,710
Adjustments in respect of prior periods	**(90,057)**	-
Other short term timing differences	**14,000**	-
Current tax credit for period	**(90,057)**	(660,351)

The Company suffers its losses in the UK, therefore the tax rate used for tax on loss on ordinary activities is the standard rate for UK corporation tax, currently 28% (2009 – 28.23%).

In the opinion of the directors there is an unprovided deferred tax asset of £6,284,389 (2009 - £6,132,713).

9. Stocks

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

	2010 £	2009 £
Work in progress	**36,445,000**	36,445,000

Cumulative interest included in the cost of work in progress amounts to £1,934,459 (2009 - £1,934,459).

Notes to the Financial Statements (continued)

10. Debtors

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

	2010	2009
	£	£
Trade debtors	**290,297**	252,066
Amounts owed by other group undertakings	-	226,367
Prepayments and accrued income	**119,711**	100,099
Sundry debtors	**11,392**	22,474
VAT	-	33,996
	421,400	635,002

11. Creditors: amounts falling due within one year

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

	2010	2009
	£	£
Trade creditors	**101,021**	72,259
Bank overdraft (secured)	-	25,541,118
Interest bearing loan notes 2004/2009	-	4,000,000
Term bank loan (secured)	-	34,500,000
Amounts owed to other group undertakings	**60,298,977**	-
VAT	**42,293**	-
Other creditors	**95,429**	-
Accruals and deferred income	**838,444**	832,168
	61,376,164	64,945,545

The bank overdraft at 30 June 2009 was secured by a bond and floating charge over the assets of the Company and by a standard security over property.

The interest bearing loan notes 2004/2009 at 30 June 2009 were unsecured and bore interest at commercial rates. The loan notes were converted into ordinary share capital on 18 December 2009 (Note 12).

The term bank loan of £34,500,000 at 30 June 2009 was secured by a bond and floating charge over the assets of the Company and by a standard security over the property.

On 21 April 2010 the Company received inter-company funding from The Premier Property Group Limited as part of a refinancing arrangement. This funding enabled the Company to repay its bank borrowings in full on that date. The inter-company funding has no fixed repayment date, is unsecured and no interest is charged. Details of the refinancing arrangements and new bank facilities are set out in the financial statements of The Premier Property Group Limited.

Notes to the Financial Statements (continued)

12. Called-up share capital

	2010	2009
	£	£
Allotted, called-up and fully paid:		
102 ordinary share of 1p each (2009 – 1 ordinary share of £1 each)	1	1

On 18 December 2009 the 1 ordinary share of £1 was divided into 100 shares of 1p. On that date a further 2 ordinary shares of 1p were issued in conversion of the £4,000,000 interest bearing loan notes 2004/2009 (plus accrued interest to that date). This created a share premium balance of £4,149,918 (Note 13).

This transaction was completed as part of the wider restructure and refinancing of the Murray International Holdings Limited Group (Note 17) and as such has been accounted for as a debt for equity conversion rather than a waiver of debt. This is on the basis that whilst minimal equity was given by the Company on conversion of the loan notes, the value of the equity given by the wider Murray International Holdings Limited Group was sufficient to cover this debt.

13. Reserves

The movements in reserves in the year were as follows:

	Profit and loss account	Share premium
	£	£
Balance at 30 June 2009	(27,865,544)	-
Loss for the financial year	(770,650)	-
Share premium on issue of ordinary shares (Note 12)	-	4,149,918
Balance at 30 June 2010	**(28,636,194)**	**4,149,918**

14. Reconciliation of movements in shareholders' deficit

	2010	2009
	£	£
Loss for the financial period	**(770,650)**	(23,581,380)
Share premium on issue of ordinary shares (Note 12)	**4,149,918**	-
Net addition/(depletion) of shareholders' deficit	**3,379,268**	(23,581,380)
Opening shareholders' deficit	**(27,865,543)**	(4,284,163)
Closing shareholders' deficit	**(24,486,275)**	(27,865,543)

Notes to the Financial Statements (continued)

15. Guarantees and other financial commitments

a) Capital commitments

There were no capital commitments at 30 June 2010 (2009- £Nil).

b) Contingent liabilities

In the prior period the Company guaranteed bank borrowings of its immediate parent and certain fellow subsidiary undertakings by cross guarantees. The total contingency at 30 June 2009 amounted to £308,522,690.

In the current year, the Company has guaranteed bank borrowings of its ultimate holding company, Murray International Holdings Limited and certain fellow subsidiary undertakings by cross guarantees. The total contingency at 30 June 2010 amounts to £600,734,214.

Loans held by The Premier Property Group Limited, an intermediate parent company, are secured by bond and floating charges over the assets of the Company and by standard securities over certain properties.

c) VAT

The Company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group, and failure by other members of the group to meet their VAT liabilities would give rise to additional liabilities for the Company. The directors are of the opinion that no additional liability is likely to arise.

16. Related party transactions

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

In the period to 18 December 2009, prior to the immediate parent company (Note 17) becoming a wholly owned subsidiary, the Company entered into the following transactions:

a) Incurred a management fee from an intermediate parent company, The Premier Property Group Limited, of £302,159 (2009 - £906,417).

b) Incurred interest on the loan notes from an intermediate parent company, The Premier Property Group Limited, of £74,959 (2009 - £226,192).

c) Incurred interest on the loan notes from a former shareholder, Uberior Ventures Limited, of £74,959 (2009 - £226,192).

d) Incurred group tax relief from a fellow group undertaking, Murray Group Management Limited, of £326,025 (2009 - £156,734).

Notes to the Financial Statements (continued)

17. Ultimate holding company

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

The largest group in which the results of the Company are consolidated is that headed by the ultimate holding company whose principal place of business is at 9 Charlotte Square, Edinburgh EH2 4DR. Copies of Murray International Holdings Limited financial statements are available from the above address. The smallest group in which the results of the Company are consolidated is that headed by The Premier Property Group Limited whose principal place of business is at 10 Charlotte Square, Edinburgh, EH2 4DR.

18. Ultimate control

Sir D E Murray, a director of the ultimate holding company (Note 17), and members of his close family control the Company as a result of controlling directly or indirectly 76% of the issued share capital of the ultimate holding company.