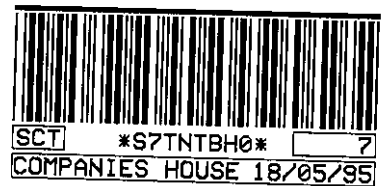


HERMISTON DEVELOPMENTS LIMITED

ACCOUNTS -- 31 JULY 1994

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

REGISTERED NUMBER: 114811



HERMISTON DEVELOPMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 1994

The directors present their annual report on the affairs of the company together with the financial statements and auditors' report for the year ended 31 July 1994.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the company continued to be the holding of an interest in a long term development site at Hermiston, Edinburgh.

RESULTS AND DIVIDENDS:

Results and dividends for the year were as follows:

Accumulated deficit at 31 July 1993	£ (1,906,891)
Loss for the financial year	(294,249)
Accumulated deficit at 31 July 1994	£ (2,201,140)

No dividend was paid or proposed in respect of the year (1993 - £Nil).

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year were:

D E Murray
J MacDonald
J Young (Senior) (Deceased 15 March 1994)
J Young (Junior)
I B Tudhope

At 31 July 1994 none of the directors had any interests in the share capital of the company (31 July 1993 - Nil). The interests of certain directors in the share capital of the ultimate holding company (Note 12) are disclosed in the directors' report accompanying that company's accounts.

HERMISTON DEVELOPMENTS LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JULY 1994

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 7 to the accounts.

In the opinion of the directors there is no material difference between the book value and the current market value of interests in land.

DIRECTORS' RESPONSIBILITIES:

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and its profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which 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 1985. 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.

AUDITORS:

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

Murray House
4 Redheughs Rigg
South Gyle
Edinburgh
EH12 9DQ

BY ORDER OF THE BOARD



S Tahir
Secretary

15 May 1995

ARTHUR ANDERSEN

**Chartered Accountants
18 Charlotte Square
Edinburgh EH2 4DF**

To the Shareholders of **HERMISTON DEVELOPMENTS LIMITED:**

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS:

As described on page 2, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION:

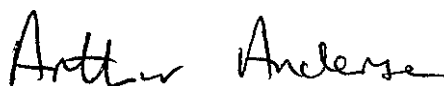
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied, and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Without qualifying our opinion below, we draw attention to the net liability position of the company at 31 July 1994 and Notes 1(a) and 9 which provide important information concerning the basis of preparing the financial statements and the continuing financial support available to the company.

OPINION:

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 July 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ARTHUR ANDERSEN

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

15 May 1995

HERMISTON DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 1994

	<u>Notes</u>	<u>1994</u>	<u>1993</u> <u>(18 Months)</u>
TURNOVER	1(d)	£ 4,047	£ -
Operating expenses (net)	2	(124,746)	(91,457)
OPERATING LOSS		<u>(120,699)</u>	<u>(91,457)</u>
Interest payable and similar charges	3	<u>(302,701)</u>	<u>(525,710)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(423,400)	(617,167)
TAX ON LOSS ON ORDINARY ACTIVITIES	6	129,151	-
LOSS FOR THE FINANCIAL YEAR		<u>(294,249)</u>	<u>(617,167)</u>
RETAINED DEFICIT at 31 July 1993		<u>(1,906,891)</u>	<u>(1,289,724)</u>
RETAINED DEFICIT at 31 July 1994		<u>£ (2,201,140)</u>	<u>£ (1,906,891)</u>

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

The company has no recognised gains or losses in either year other than the loss for each year.

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

The accompanying notes form an integral part of this profit and loss account.

HERMISTON DEVELOPMENTS LIMITED

BALANCE SHEET -- 31 JULY 1994

	<u>Notes</u>	<u>1994</u>	<u>1993</u>
FIXED ASSETS			
Tangible assets	7	£ 2,250,000	£ 2,230,000
CURRENT ASSETS			
Debtors	8	130,750	6,563
CREDITORS: Amounts falling due within one year	9	(4,580,890)	(4,142,454)
NET CURRENT LIABILITIES		<u>(4,450,140)</u>	<u>(4,135,891)</u>
NET LIABILITIES		<u>£ (2,200,140)</u>	<u>£ (1,905,891)</u>
CAPITAL AND RESERVES			
Called-up share capital	10	£ 1,000	£ 1,000
Profit and loss account		(2,201,140)	(1,906,891)
TOTAL CAPITAL DEFICIT		<u>£ (2,200,140)</u>	<u>£ (1,905,891)</u>

SIGNED ON BEHALF OF THE BOARD ON 15 MAY 1995

D E Murray)

) Directors

J MacDonald)

The accompanying notes form an integral part of this balance sheet.

HERMISTON DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES:

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

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. Reliance is placed on the continuing financial support, described in Note 9, in preparing the financial statements on a going concern basis.

No cash flow statement has been presented as provided by FRS1 as the ultimate holding company has prepared a consolidated cash flow statement.

b) Tangible fixed assets:

Development properties are those properties in respect of which construction and development have not been completed at the balance sheet date, and are reflected at cost including, where appropriate, an allocation of overheads and interest charges on external borrowings which are related to the properties where recoverability is reasonably certain. Profit is accrued on a conservative basis as developments proceed when the realisation of profits is reasonably certain.

c) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured.

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

Deferred tax (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

d) Turnover

Turnover comprises rental income of £4,047 (1993 - £Nil).

2. OPERATING EXPENSES (NET):

	<u>1994</u>	<u>1993</u> <u>(18 Months)</u>
Administrative expenses	£ 124,746	£ 91,457
	<u> </u>	<u> </u>

HERMISTON DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

3. INTEREST PAYABLE AND SIMILAR CHARGES:

On bank loans and overdrafts, and other loans:

	<u>1994</u>	<u>1993</u> <u>(18 Months)</u>
- repayable within five years, not by instalments	£ 302,701	£ 525,710
	<u> </u>	<u> </u>

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

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

	<u>1994</u>	<u>1993</u> <u>(18 Months)</u>
Staff costs (Note 5)	£ 16,667	£ 60,000
Auditors' remuneration	2,000	1,500
Management charges paid inter group	98,629	-
	<u> </u>	<u> </u>

5. STAFF COSTS:

The company has no employees other than the directors.

Directors remuneration was paid in respect of directors of the company as follows:

	<u>1994</u>	<u>1993</u> <u>(18 Months)</u>
Fees as directors	£ 16,667	£ 60,000
	<u> </u>	<u> </u>

The directors' remuneration shown above (excluding pensions and pension contributions) included:

	<u>1994</u>	<u>1993</u> <u>(18 Months)</u>
Chairman	£ -	£ -
	<u> </u>	<u> </u>
Highest paid director	£ 13,333	£ 30,000
	<u> </u>	<u> </u>

HERMISTON DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

5. STAFF COSTS (Continued):

The directors received emoluments in the following ranges:

	<u>1994</u> <u>Number</u>	<u>1993</u> <u>Number</u>
Up to £5,000	4	3
£10,001 - £15,000	1	-
£25,001 - £30,000	-	2

Mr D E Murray and Mr J MacDonald are remunerated by a company within the Murray International Holdings Limited group. Mr I B Tudhope is remunerated by the ultimate holding company (Note 12).

6. TAX ON LOSS ON ORDINARY ACTIVITIES:

The tax credit is based on the loss for the year and comprises:

	<u>1994</u>	<u>1993</u> <u>(18 Months)</u>
Corporation tax at 33% (1993 - 33%)	£ 129,151	£ -

7. TANGIBLE FIXED ASSETS:

The movement in development land during the year was as follows:

	<u>Development</u> <u>land</u>
At 31 July 1993, cost	£2,230,000
Additions	20,000
At 31 July 1994, cost	£2,250,000

D M Hall & Son, Chartered Surveyors, valued this land as at 31 January 1989 on an open market, existing use basis at £2,000,000. Other acquisition costs of £250,000 have been capitalised, of which £230,000 is in respect of the extension of call options for sites adjacent to the existing area of land owned by the company.

In the opinion of the directors the carrying value of development land at 31 July 1994 is not materially different from market value.

HERMISTON DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

8. DEBTORS:

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

	<u>1994</u>	<u>1993</u>
Amounts falling due within one year:		
Amounts owed by group undertakings	£ 129,151	£ 3,155
VAT recoverable	-	3,408
Other debtors	1,599	-
	<u>£ 130,750</u>	<u>£ 6,563</u>

9. CREDITORS: Amounts falling due within one year:

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

	<u>1994</u>	<u>1993</u>
Bank overdraft (secured)	£4,430,171	£4,082,014
Accruals and deferred income	58,515	60,440
Amounts owed to group undertakings	92,204	-
	<u>£4,580,890</u>	<u>£4,142,454</u>

The loans and overdrafts to the company, its ultimate holding company, The Premier Property Group Limited ("PPG") and its fellow subsidiary undertakings from Bank of Scotland are secured by a bond and floating charge over the assets of the company and a standard security over certain properties.

Murray Group Management Limited holds as security for the loan granted to the company, its ultimate holding company, PPG, and its fellow subsidiary undertakings, a bond and floating charge over the assets of the company, and a standard security over certain properties. These securities are postponed to those of Bank of Scotland.

The company has received a letter of continuing financial support from the ultimate holding company, PPG. This undertaking has been given until such time as the company is no longer in a net liability position or the company is disposed of outwith the PPG group. Accordingly, the directors are of the opinion that the company can continue to operate as a going concern and can meet its liabilities as they fall due.

HERMISTON DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS (continued)

10. CALLED-UP SHARE CAPITAL:

	<u>1994</u>	<u>1993</u>
Authorised:		
10,000 ordinary shares of £1 each	£ 10,000	£ 10,000
	<u> </u>	<u> </u>
Issued and fully paid:		
1,000 ordinary shares of £1 each	£ 1,000	£ 1,000
	<u> </u>	<u> </u>

11. GUARANTEES, CONTINGENCIES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments

There were no capital commitments outstanding at 31 July 1994 (1993 - £Nil).

b) Contingent liabilities

The company has guaranteed bank borrowings of the company, its ultimate holding company, The Premier Property Group Limited ("PPG"), and certain fellow subsidiary undertakings by cross guarantees. The total contingency at 31 July 1994 amounts to £20,844,787 (1993 - £21,260,054).

The company has guaranteed the loan by Murray Group Management Limited to the company, its ultimate holding company, PPG and certain fellow subsidiary undertakings by cross guarantees. The total contingency at 31 July 1994 amounts to £14,164,889 (1993 - £13,281,593).

Under the terms of the agreement to purchase the land shown in Note 7 above the company has agreed to pay to the vendor 20% of any net gain which it makes on the subsequent sale or development of the land.

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 would give rise to additional liabilities for the company. The directors are of the opinion that no liability is likely to arise from the failure of those companies.

12. ULTIMATE HOLDING COMPANY:

The ultimate holding company is The Premier Property Group Limited which is registered in Scotland. The largest and smallest group in which the results of the company are consolidated is that headed by the ultimate holding company whose principal place of business is at Murray House, 4 Redheughs Rigg, South Gyle, Edinburgh, EH12 9DQ.