

HERMISTON DEVELOPMENTS LIMITED

ACCOUNTS -- 30 APRIL 1996

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

REGISTERED NUMBER: 114811





**HERMISTON DEVELOPMENTS LIMITED**

**DIRECTORS' REPORT**

**FOR THE PERIOD ENDED 30 APRIL 1996**

The directors present their annual report on the affairs of the company together with the financial statements and auditors' report for the nine-month period ended 30 April 1996.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW:**

The principal activity of the company throughout the period to 22 November 1995 continued to be the holding of an interest in a long term development site at Hermiston, Edinburgh.

On 22 November 1995, arrangements were completed for a re-organisation of the group of which the company is a member and of which the ultimate holding company is The Premier Property Group Limited. As part of the reorganisation, a substantial proportion of the company's property assets was transferred to a fellow group undertaking.

Subsequent to the period end the remainder of the Company's property assets were disposed of.

**RESULTS AND DIVIDENDS:**

Results and dividends for the period were as follows:

Accumulated deficit at 31 July 1995	£ (2,455,913)
Profit for the financial period	2,297,497
Accumulated deficit at 30 April 1996	<u>£ (158,416)</u>

No dividend was paid or proposed in respect of the period (1995 - £Nil).

**DIRECTORS AND THEIR INTERESTS:**

The directors who served during the period were:

D E Murray  
J MacDonald  
J Young (Junior) (Resigned 15 April 1996)  
I B Tudhope

At 30 April 1996 none of the directors had any interests in the share capital of the company (31 July 1995 - 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 financial statements.

**HERMISTON DEVELOPMENTS LIMITED**

**DIRECTORS' REPORT (continued)**

**FOR THE PERIOD ENDED 30 APRIL 1996**

**FIXED ASSETS:**

Information relating to 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 judgements 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.

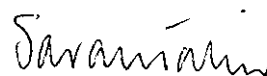
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets 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

21 February 1997

**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.

**OPINION:**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 April 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Arthur Andersen*

**ARTHUR ANDERSEN**

**CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS**

21 February 1997

**HERMISTON DEVELOPMENTS LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE PERIOD ENDED 30 APRIL 1996**

	<u>Notes</u>	<u>1996</u> (9 months)	<u>1995</u> (12 months)
TURNOVER	1(d)	£ 1,312	£ 5,251
Operating expenses (net)	2	(21,605)	(21,666)
OPERATING LOSS		<u>(20,293)</u>	<u>(16,415)</u>
Gain on sale of tangible fixed asset		2,385,278	-
Profit/(loss) on ordinary activities before interest		<u>2,364,985</u>	<u>(16,415)</u>
Interest payable and similar charges	3	(138,682)	(357,089)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	2,226,303	(373,504)
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	6	71,194	118,731
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		<u>£ 2,297,497</u>	<u>£ (254,773)</u>

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

The company has no recognised gains or losses in either period other than the profit/(loss) for each period.

The reported profit/(loss) on ordinary activities before taxation equates to the historical cost profit/(loss) on ordinary activities before taxation.

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

**HERMISTON DEVELOPMENTS LIMITED**

**BALANCE SHEET -- 30 APRIL 1996**

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
FIXED ASSETS			
Tangible assets	7	£ 194,691	£ 2,250,000
CURRENT ASSETS			
Debtors	8	61,554	122,045
CREDITORS: Amounts falling due within one year	9	(413,661)	(4,826,958)
NET CURRENT LIABILITIES		<u>(352,107)</u>	<u>(4,704,913)</u>
NET LIABILITIES		<u>£ (157,416)</u>	<u>£ (2,454,913)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	10	£ 1,000	£ 1,000
Profit and loss account		(158,416)	(2,455,913)
TOTAL CAPITAL DEFICIT		<u>£ (157,416)</u>	<u>£ (2,454,913)</u>

SIGNED ON BEHALF OF THE BOARD ON 21 FEBRUARY 1997

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 period and with the preceding year 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 where 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 period 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 financial statements 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 £1,312 (1995 - £5,251).

### 2. OPERATING EXPENSES (NET):

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
Administrative expenses	£ 21,605	£ 21,666
	<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>1996</u> (9 months)	<u>1995</u> (12 months)
- repayable within five years, not by instalments	£ 138,682	£ 357,089
	<u>                    </u>	<u>                    </u>

4. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION:

The profit/(loss) on ordinary activities before taxation is stated after charging:

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
Auditors' remuneration	£ 1,500	£ 1,000
Management charges from a fellow group undertaking	3,000	16,723
	<u>                    </u>	<u>                    </u>

5. STAFF COSTS:

The company has no employees other than the directors.

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

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES:

The tax credit is based on the profit/(loss) for the period and comprises:

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
Corporation tax at 33% (1995 - 33%)	£ 71,221	£ 117,783
Adjustment of current tax in respect of prior years	(27)	948
	<u>£ 71,194</u>	<u>£ 118,731</u>

**HERMISTON DEVELOPMENTS LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

7. TANGIBLE FIXED ASSETS:

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

	<u>1996</u>	<u>1995</u>
Development properties	£ 194,691	£2,250,000
	<u>                    </u>	<u>                    </u>

The movement in the year was as follows:

	<u>Development properties</u>
COST:	
At 31 July 1995	£ 2,250,000
Disposals	(2,055,309)
	<u>                    </u>
At 30 April 1996	£ 194,691
	<u>                    </u>
DEPRECIATION:	
At 31 July 1995	
and 30 April 1996	£ -
	<u>                    </u>
NET BOOK VALUE:	
At 31 July 1995	£ 2,250,000
	<u>                    </u>
At 30 April 1996	£ 194,691
	<u>                    </u>

In the opinion of the directors the carrying value of development properties at 30 April 1996 is not materially different from market value.

8. DEBTORS:

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

	<u>1996</u>	<u>1995</u>
Amounts falling due within one year:		
Amounts owed from other group undertakings	£ 61,211	£ 117,783
Amounts owed from related parties	113	948
Other debtors	230	3,314
	<u>                    </u>	<u>                    </u>
	£ 61,554	£ 122,045
	<u>                    </u>	<u>                    </u>

**HERMISTON DEVELOPMENTS LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

9. CREDITORS: Amounts falling due within one year:

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

	<u>1996</u>	<u>1995</u>
Bank overdraft (secured)	£ 406,156	£4,732,088
Accruals and deferred income	7,505	76,601
Amounts owed to other group undertakings	-	16,957
Other creditors	-	1,312
	<u>£ 413,661</u>	<u>£ 4,826,958</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.

Murray Group Management Limited ("MGM"), a subsidiary of Murray International Holdings Limited and a related party, held 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 were postponed to those of Bank of Scotland. As part of the reorganisation of the group of which the company is a member, a significant proportion of its property assets have been transferred to a fellow group undertaking and PPG has repaid loan principal and accrued interest due to MGM. The balance of principal has been repaid by the issue to MGM of fully paid cumulative preference shares in PPG and all related securities have been discharged.

The company has received a letter of continuing financial support from 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 EQUITY SHARE CAPITAL:

Authorised:	<u>1996</u>	<u>1995</u>
10,000 ordinary shares of £1 each	£ 10,000	£ 10,000
Issued and fully-paid:	<u>          </u>	<u>          </u>
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 30 April 1996 (31 July 1995 - £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 30 April 1996 amounts to £19,727,033 (31 July 1995 - £17,396,152).

The company guaranteed the loan by Murray Group Management Limited ("MGM"), a subsidiary of Murray International Holdings Limited and a related party, to the company, its ultimate holding company, PPG, and certain fellow subsidiary undertakings by cross guarantees. As part of the reorganisation of the group of which the company is a member, certain of its property assets have been transferred to a fellow group undertaking and PPG has repaid loan principal and accrued interest due to MGM. The balance of principal has been repaid by the issue to MGM of fully paid cumulative preference shares in PPG and all related securities have been discharged. The total contingency at 31 July 1995 amounted to £13,514,584.

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.