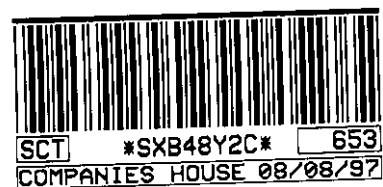


THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1997
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS
REGISTERED NUMBER: 139902



THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 1997

The directors present their annual report on the affairs of the group together with the financial statements and auditors' report for the year ended 30 April 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the group continued to be the investment in and development of land and property within the UK for medium and long term performance.

RESULTS AND DIVIDENDS:

Results for the year were as follows:

Accumulated deficit at 30 April 1996	£ (8,600,281)
Profit for the financial year	413,969
Accumulated deficit at 30 April 1997	£ (8,186,312)

No dividend was paid or proposed in respect of the year (1996 - £Nil).

DIRECTORS AND THEIR INTERESTS:

The directors who held office during the year were:

D E Murray
J MacDonald
I B Tudhope
A M M Grossart

DIRECTORS AND THEIR INTERESTS:

The directors interests in the share capital of the company were as follows:

	<u>Ordinary shares of 10p each</u> <u>At 30 April 1997</u>	<u>Ordinary shares of 10p each</u> <u>At 30 April 1996</u>
D E Murray	1,121,050	1,121,050
J MacDonald	30,000	30,000
I B Tudhope	Nil	Nil
A M M Grossart	Nil	Nil

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 APRIL 1997

FIXED ASSETS:

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

CLOSE COMPANY STATUS:

The company is a close company as defined by the Income and Corporation Taxes Act 1988.

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 the group and of the profit or loss of the group 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 group 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 the group 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 the group 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 reappoint 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

1 August 1997

ARTHUR ANDERSEN

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

To the Shareholders of **THE PREMIER PROPERTY GROUP LIMITED:**

We have audited the financial statements on pages 4 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

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 financial 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 and of the group, 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 and of the group as at 30 April 1997 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ARTHUR ANDERSEN

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

1 August 1997

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 APRIL 1997

	<u>Notes</u>	<u>1997</u> (12 months)	<u>1996</u> (9 months)
TURNOVER			
Existing operations		£ 3,638,954	£ 1,251,330
Discontinued operations		-	1,737,698
	1(f)	<hr/> 3,638,954	<hr/> 2,989,028
Cost of sales	2(a)	(1,149,299)	(349,188)
GROSS PROFIT		<hr/> 2,489,655	<hr/> 2,639,840
Other operating expenses (net)	2(b)	(507,658)	(1,434,791)
OPERATING PROFIT			
Existing operations		1,981,997	701,298
Discontinued operations		-	503,751
		<hr/> 1,981,997	<hr/> 1,205,049
Exceptional items	3	(2,000)	(695,727)
Profit on ordinary activities before interest		<hr/> 1,979,997	<hr/> 509,322
Investment income	4	5,156	4,125
		<hr/> 1,985,153	<hr/> 513,447
Interest payable and similar charges	5	(1,568,796)	(1,643,990)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	416,357	(1,130,543)
Tax on profit/(loss) on ordinary activities	8	-	76,757
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<hr/> 416,357	<hr/> (1,053,786)
Minority Interests	17	(2,388)	-
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		<hr/> £ 413,969	<hr/> £ (1,053,786)

The group 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 loss on ordinary activities before taxation.

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

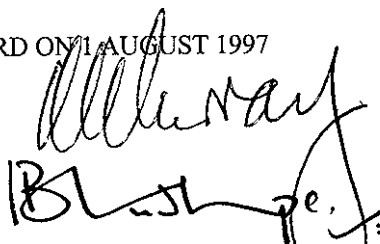
THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET -- 30 APRIL 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
FIXED ASSETS			
Tangible assets	10	£ 25,297,245	£ 25,009,866
CURRENT ASSETS			
Debtors	12	785,152	766,378
Cash at bank and in hand		-	4,640,845
		<hr/> 785,152	<hr/> 5,407,223
CREDITORS: Amounts falling due within one year	13	(4,796,694)	(9,571,398)
		<hr/> (4,011,542)	<hr/> (4,164,175)
NET CURRENT LIABILITIES			
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 21,285,703	<hr/> 20,845,691
CREDITORS: Amounts falling due after more than one year	14	(19,622,675)	(19,622,675)
		<hr/> £ 1,663,028	<hr/> £ 1,223,016
NET ASSETS			
CAPITAL AND RESERVES			
Called-up share capital			
- Equity	15	£ 140,113	£ 140,113
- Non-equity	15	9,828,027	9,828,027
Capital reserve	16	1,251,000	1,251,000
Goodwill reserve	16	(2,622,188)	(2,645,843)
Profit and loss account	16	(8,186,312)	(8,600,281)
		<hr/> 410,640	<hr/> (26,984)
SHAREHOLDERS' FUNDS	18		
Minority interests	17	1,252,388	1,250,000
		<hr/> £ 1,663,028	<hr/> £ 1,223,016
TOTAL CAPITAL EMPLOYED			

SIGNED ON BEHALF OF THE BOARD ON 1 AUGUST 1997

D E Murray)
) Directors
 I B Tudhope)



The accompanying notes are an integral part of this consolidated balance sheet.

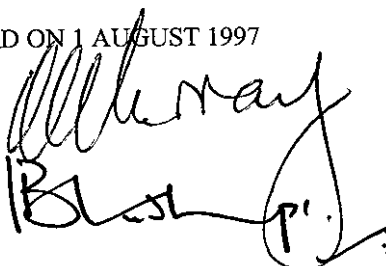
THE PREMIER PROPERTY GROUP LIMITED

BALANCE SHEET -- 30 APRIL 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
FIXED ASSETS			
Tangible assets	10	£ 9,834,877	£ 9,829,162
Investments	11	5,904,029	5,904,029
		<u>15,738,906</u>	<u>15,733,191</u>
CURRENT ASSETS			
Debtors	12	2,888,046	6,217,310
Cash at bank and in hand		3,028,262	8,013,152
		<u>5,916,308</u>	<u>14,230,462</u>
CREDITORS: Amounts falling due within one year	13	(925,898)	(8,941,393)
NET CURRENT ASSETS		<u>4,990,410</u>	<u>5,289,069</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>20,729,316</u>	<u>21,022,260</u>
CREDITORS: Amounts falling due after more than one year	14	(17,122,675)	(17,122,675)
NET ASSETS		<u>£ 3,606,641</u>	<u>£ 3,899,585</u>
CAPITAL AND RESERVES			
Called-up share capital			
- Equity	15	£ 140,113	£ 140,113
- Non-equity	15	9,828,027	9,828,027
Profit and loss account	16	(6,361,499)	(6,068,555)
TOTAL CAPITAL EMPLOYED		<u>£ 3,606,641</u>	<u>£ 3,899,585</u>

SIGNED ON BEHALF OF THE BOARD ON 1 AUGUST 1997

D E Murray)
) Directors
I B Tudhope)



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

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 APRIL 1997

	<u>Notes</u>	<u>1997</u> (12 months)	<u>1996</u> (9 months)
Cash flow from operating activities	19(a)	£ 1,150,806	£ 1,307,411
Returns on investments and servicing of finance	19(b)	(1,508,026)	(2,670,326)
Taxation		17,918	(273,702)
Capital expenditure and financial investment	19(b)	137,193	(331,146)
Acquisitions and disposals	19(b)	-	2,960,066
		<hr/>	<hr/>
Cash (outflow)/inflow before financing		(202,109)	992,303
Financing	19(b)	(7,757,325)	4,492,369
		<hr/>	<hr/>
(Decrease)/increase in cash in the period		£ (7,959,434)	£ 5,484,672
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt		<u>1997</u> (12 months)	<u>1996</u> (9 months)
(Decrease)/increase in cash in the period		£ (7,959,434)	£ 5,484,672
Cash outflow/(inflow) from movement in debt		7,757,325	(1,992,369)
		<hr/>	<hr/>
Movement in net debt in the period		(202,109)	3,492,303
Net debt at start of period		(22,824,157)	(26,316,460)
Net debt at end of period	19(c)	£ (23,026,266)	£ (22,824,157)
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this consolidated cash flow statement.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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.

(b) Basis of consolidation

The consolidated accounts include the results of The Premier Property Group Limited and all of its subsidiary undertakings made up to 30 April 1997.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition and up to the date of disposal respectively.

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired) is written off against reserves on acquisition, or capitalised and amortised over an appropriate period depending upon the circumstances of the acquired company. Any excess of the aggregate of the fair value of the identifiable assets and liabilities acquired over the fair value of the consideration given (negative goodwill) is credited directly to reserves. On disposal of previously acquired property interests, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off. Only dividends received and receivable are credited to the company's profit and loss account.

As provided by s230 of the Companies Act 1985, no profit and loss account is presented for The Premier Property Group Limited. The company's loss for the financial year, determined in accordance with the Act, was £292,944 (1996 loss - £3,808,107).

(c) 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 an allocation of overheads and interest charges on external borrowings which are related to the properties, where recoverability is reasonably certain. Interest is capitalised from the point at which development sites or properties are acquired except where there is a substantial delay between acquisition and commencement of physical construction, when capitalisation will commence at the latter point. Profit is accrued on a conservative basis as developments proceed where the realisation of profit is reasonably certain. In the opinion of the directors, the residual value of those development properties currently being operated for business purposes is sufficient to eliminate the requirement for depreciation. Provisions are made against the carrying value of development properties when the directors consider book value to exceed recoverable value. The directors consider that these policies are necessary to provide a true and fair view.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued):

(c) Tangible fixed assets (continued)

Development properties are classified within tangible fixed assets or stocks according to their likely date of realisation. The proceeds and costs on disposal of such properties are reflected in turnover and cost of sales respectively.

In accordance with SSAP 19, investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, unless a deficit (or its reversal) is expected to be permanent, in which case it is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties or leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy (which represents a departure from the statutory accounting rules) is necessary to provide a true and fair view.

Other fixed assets are shown at cost as set out in Note 10. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant, equipment and vehicles - 5 years (20% per annum)

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

(d) Intangible fixed assets

Consolidation goodwill, as described in (b) above, has been written off against reserves on acquisition.

(e) 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. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

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 taxation (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.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued):

(f) Turnover

Group turnover includes rental and fee income and the sale of development properties (excluding VAT and intra-group transactions) amounting to £3,638,954 (1996 - £1,251,330) and proceeds from sales in hotel operations of £Nil (1996 - £1,737,698).

(g) Pensions

The group participates in the Murray International Holdings Limited ("MIH") group pension scheme which provides benefits based on final pensionable pay. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Contributions are determined by a qualified actuary on the basis of triennial valuations. The most recent valuation was at 1 October 1995. At 30 April 1997, the scheme was considered to be adequately funded.

The group also participates in a defined contribution scheme operated by MIH with regard to certain employees under which all benefits are restricted to the funds available. The assets of the scheme are held independently of the group by an insurance company. All contributions are charged in the profit and loss account in the period in which they were incurred.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. COST OF SALES AND OTHER OPERATING EXPENSES (NET):

	<u>1997</u> (12 months)	<u>1996</u> (9 months)
(a) Cost of sales:		
Discontinued operations	£ -	£ 349,188
Continuing operations	1,149,299	-
	<u>£ 1,149,299</u>	<u>£ 349,188</u>
 (b) Net operating expenses		
Hotel operating costs:		
Discontinued operations	£ -	£ 884,759
	<u>£ 507,658</u>	<u>£ 585,880</u>
Administrative expenses:		
Existing operations	£ 507,658	£ 585,880
	<u>£ -</u>	<u>£ (35,848)</u>
Other operating income:		
Existing operations	£ -	£ (35,848)
	<u>£ 507,658</u>	<u>£ 550,032</u>
Total:		
Existing operations	£ 507,658	£ 550,032
Discontinued operations	-	884,759
	<u>£ 507,658</u>	<u>£ 1,434,791</u>

3. EXCEPTIONAL ITEMS:

	<u>1997</u> (12 months)	<u>1996</u> (9 months)
Loss on disposal of investment properties	£ (2,000)	£ -
Provision against carrying values of group properties	-	(672,045)
Loss on sale of discontinued operations	-	(23,682)
	<u>£ (2,000)</u>	<u>£ (695,727)</u>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INVESTMENT INCOME:

The following is included in investment income:

	<u>1997</u> (12 months)	<u>1996</u> (9 months)
Interest receivable and similar income:		
- other interest	£ 5,156	£ 4,125
	<hr/>	<hr/>

5. INTEREST PAYABLE AND SIMILAR CHARGES:

The following are included in interest payable and similar charges:

	<u>1997</u> (12 months)	<u>1996</u> (9 months)
On bank loans and overdrafts, and other loans	£ 1,558,323	£ 1,318,217
All other lenders:		
- on 10.5% unsecured loan stock	11,640	10,860
- on secured loan from related party	-	313,531
- other interest	(1,167)	1,754
	<hr/> 1,568,796	<hr/> 1,644,362
Less: capitalised on development properties	-	(372)
	<hr/> £ 1,568,796	<hr/> £ 1,643,990
	<hr/>	<hr/>

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

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

	<u>1997</u> (12 months)	<u>1996</u> (9 months)
Auditors' remuneration for audit services	£ 18,000	£ 18,800
Depreciation and amounts written off:		
- owned tangible fixed assets	6,157	3,539
Hire and lease of plant, equipment and vehicles	18,584	10,021
Staff costs (Note 7)	364,009	971,538
	<hr/>	<hr/>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. STAFF COSTS:

Particulars of employees (including executive directors) are shown below.

Employee costs during the year amounted to:

	<u>1997</u> (12 months)	<u>1996</u> (9 months)
Wages and salaries	£ 304,527	£ 870,444
Social security costs	28,372	64,094
Other pension costs	31,110	37,000
	<u>£ 364,009</u>	<u>£ 971,538</u>

The average monthly number of persons employed by the group during the year was as follows:

	<u>1997</u> <u>Number</u>	<u>1996</u> <u>Number</u>
Operation of hotel	-	98
Administration	5	9
	<u> </u>	<u> </u>

Directors' remuneration:

The remuneration of the directors was as follows:

	<u>1997</u> (12 months)	<u>1996</u> (9 months)
Emoluments	£ 121,727	£ 92,938
Company contributions to money purchase pension schemes	20,970	19,083
	<u>142,697</u>	<u>112,021</u>
Fees paid to third parties in respect of directors' services	21,171	24,033
	<u>£ 163,868</u>	<u>£ 136,054</u>

Pensions

The number of directors who were members of pension schemes was as follows:

	<u>1997</u>	<u>1996</u>
Money purchase schemes	<u>1</u>	<u>1</u>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

	<u>1997</u> (12 months)	<u>1996</u> (9 months)
Corporation tax at 32.8% (1996 - 33%)	£ -	£ (1,615)
Deferred taxation arising from capital gains	-	59,105
	<hr/>	<hr/>
	-	57,490
Adjustment of current tax in respect of prior years	-	19,267
	<hr/>	<hr/>
	£ -	£ 76,757
	<hr/>	<hr/>

9. TANGIBLE FIXED ASSETS:

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

	<u>Group</u> <u>1997</u>	<u>Group</u> <u>1996</u>	<u>Company</u> <u>1997</u>	<u>Company</u> <u>1996</u>
Investment properties	£ 17,590,382	£ 17,627,382	£ 9,787,614	£ 9,824,614
Cost of development properties	7,515,080	7,191,938	-	-
Capitalised interest on development properties	144,520	185,998	-	-
Plant, equipment and vehicles	47,263	4,548	47,263	4,548
	<hr/>	<hr/>	<hr/>	<hr/>
	£ 25,297,245	£ 25,009,866	£ 9,834,877	£ 9,829,162
	<hr/>	<hr/>	<hr/>	<hr/>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TANGIBLE FIXED ASSETS:

Group:

The movement in the year was as follows:

	<u>Investment properties</u>	<u>Cost of development properties</u>	<u>Capitalised interest on properties</u>	<u>Plant equipment and vehicles</u>	<u>Total</u>
COST					
At 30 April 1996	£ 17,627,382	£ 7,191,938	£ 185,998	£ 6,273	£ 25,011,591
Additions	-	1,315,816	-	48,872	1,364,688
Disposals	(37,000)	(992,674)	(41,478)	-	(1,071,152)
At 30 April 1997	<u>£ 17,590,382</u>	<u>£ 7,515,080</u>	<u>£ 144,520</u>	<u>£ 55,145</u>	<u>£ 25,305,127</u>
DEPRECIATION					
At 30 April 1996	£ -	£ -	£ -	£ 1,725	£ 1,725
Charge for the year	-	-	-	6,157	6,157
At 30 April 1997	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>	<u>£ 7,882</u>	<u>£ 7,882</u>
NET BOOK VALUE					
At 30 April 1996	<u>£ 17,627,382</u>	<u>£ 7,191,938</u>	<u>£ 185,998</u>	<u>£ 4,548</u>	<u>£ 25,009,866</u>
At 30 April 1997	<u>£ 17,590,382</u>	<u>£ 7,515,080</u>	<u>£ 144,520</u>	<u>£ 47,263</u>	<u>£ 25,297,245</u>

Investment properties, which are all freehold, were valued on an open-market existing-use basis, by the directors as at 30 April 1997.

In accordance with SSAP 19, the investment properties are not depreciated (Note 1 (c)). It is not possible to quantify the depreciation which would otherwise have been charged.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TANGIBLE FIXED ASSETS (continued):

Company:

The movement in the year was as follows:

	<u>Investment properties</u>	<u>Plant equipment and vehicles</u>	<u>Total</u>
COST:			
At 30 April 1996	£ 9,824,614	£ 6,273	£ 9,830,887
Additions	-	48,872	48,872
Disposals	(37,000)	-	(37,000)
At 30 April 1997	<u>£ 9,787,614</u>	<u>£ 55,145</u>	<u>£ 9,842,759</u>
DEPRECIATION:			
At 30 April 1996	£ -	£ 1,725	£ 1,725
Charges for the year	-	6,157	6,157
At 30 April 1997	<u>£ -</u>	<u>£ 7,882</u>	<u>£ 7,882</u>
NET BOOK VALUE:			
At 30 April 1996	<u>£ 9,824,614</u>	<u>£ 4,548</u>	<u>£ 9,829,162</u>
NET BOOK VALUE:			
At 30 April 1997	<u>£ 9,787,614</u>	<u>£ 47,263</u>	<u>£ 9,834,877</u>

Certain investment properties held by the company are let at market rentals to related parties within the Murray International Holdings Limited group.

Investment properties, which are all freehold, were valued on an open-market existing-use basis, by the directors as at 30 April 1997.

In accordance with SSAP 19, the investment properties are not depreciated (Note 1 (c)). It is not possible to quantify the depreciation which would otherwise have been charged.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. **FIXED ASSET INVESTMENTS:**

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

	<u>1997</u>	<u>1996</u>
Investment in subsidiary undertakings	£ 5,904,029	£ 5,904,029
The movement in the year was as follows:		
COST:		
At 30 April 1996 and 30 April 1997		£ 6,044,140
AMOUNTS WRITTEN OFF:		
At 30 April 1996 and 30 April 1997		£ (140,111)
NET BOOK VALUE:		
At 30 April 1996 and 30 April 1997		£ 5,904,029

Principal group investments

The subsidiary undertakings at 30 April 1997 comprise:

	<u>Country of registration</u>	<u>Principal activity</u>	<u>Percentage holding</u>
MIM Properties Limited	Scotland	Property investment and development	100%
PPG (Edinburgh) Limited	Scotland	Property investment and development	100%
PPG (Lothian) Limited	Scotland	Property investment and development	75%
Hermiston Developments Limited	Scotland	Property investment and development	100%
Keith David Hotels Limited	Scotland	Holding company	100%
St Andrew Hotel Limited	Scotland	Non-trading	100%
PPG (Baird Road) Limited	Scotland	Property investment	100%

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. DEBTORS

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

	<u>Group</u> <u>1997</u>	<u>Group</u> <u>1996</u>	<u>Company</u> <u>1997</u>	<u>Company</u> <u>1996</u>
Amounts falling due within one year:				
Amounts due from other group undertakings	£ -	£ -	£ 216,382	£ 3,365,917
Amounts due from related parties	155,554	140,792	107,791	44,601
Other debtors	21,893	23,837	12,086	14,804
Prepayments and accrued income	407,043	421,998	380,834	370,488
Trade debtors	140,162	108,251	42,778	-
	<hr/> 724,652	<hr/> 694,878	<hr/> 759,871	<hr/> 3,795,810
Amounts falling due after more than one year:				
Zero coupon loan notes 1995/2002	-	-	2,067,675	2,350,000
Other debtors	60,500	71,500	60,500	71,500
	<hr/> £ 785,152	<hr/> £ 766,378	<hr/> £ 2,888,046	<hr/> £ 6,217,310
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

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

	<u>Group</u> <u>1997</u>	<u>Group</u> <u>1996</u>	<u>Company</u> <u>1997</u>	<u>Company</u> <u>1996</u>
Accruals and deferred income	£ 1,039,144	£ 1,085,038	£ 585,772	£ 742,047
Amounts due to other group undertakings	-	-	43,572	85,988
Amounts due to related parties (unsecured)	53,825	104,711	4,447	54,314
Bank overdrafts (secured)	3,318,589	-	-	-
Bank loans (secured)	-	7,727,325	-	7,727,325
Hire purchase obligations at various flat rates	30,856	-	30,856	-
Corporation tax payable	-	32,500	-	-
Other taxes and social security	10,550	8,506	10,550	6,603
Other creditors	238,821	497,635	230,794	324,435
10.5% unsecured loan stock	85,002	115,002	-	-
VAT	19,907	681	19,907	681
	<hr/> £ 4,796,694	<hr/> £ 9,571,398	<hr/> £ 925,898	<hr/> £ 8,941,393
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued):

The bank overdraft is secured by a bond and floating charge over the assets of the company and its subsidiary undertakings and by cross guarantees. In addition, certain properties are subject to standard securities.

Under the terms of the group's banking facilities the existing loan and overdraft facilities will continue to be made available for the foreseeable future, and in particular, for the next 12 months. Accordingly, the directors are of the opinion that the group can continue in business as a going concern and can meet its liabilities as they fall due.

Redemption of the 10.5% unsecured loan stock can take place at any time between 30 April 1997 and 2000 at the option of the stockholders.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

The following amounts are included in creditors falling due after more than one year:

	Group <u>1997</u>	Group <u>1996</u>	Company <u>1997</u>	Company <u>1996</u>
Bank loans (secured)	£ 17,122,675	£ 17,122,675	£ 17,122,675	£ 17,122,675
Interest bearing loan notes 1995/2002	2,500,000	2,500,000	-	-
	<u>£ 19,622,675</u>	<u>£ 19,622,675</u>	<u>£ 17,122,675</u>	<u>£ 17,122,675</u>

The loan from Bank of Scotland of £17,122,675 at 30 April 1997 is secured by a bond and floating charge over the assets of the company and of its subsidiary undertakings and by standard securities over certain properties. The loan is repayable in two instalments being one of £15,055,000 on 22 November 2000 and one of £2,067,675 on 22 November 2002. It bears interest at normal commercial rates.

Subject to certain conditions being met all or part of the interest bearing loan notes are repayable on or before, but in any event no later than, 31 December 2002. The loan notes bear interest at commercial rates subject to certain conditions regarding the profitability of a subsidiary undertaking being met. As at 30 April 1997 such conditions had not wholly been met and accordingly no further interest charges have been accrued.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. CALLED-UP SHARE CAPITAL:

Authorised, issued and fully paid:

	Company <u>1997</u>	Company <u>1996</u>
Equity:		
1,401,130 Ordinary shares of 10p each	£ 140,113	£ 140,113
	<hr/>	<hr/>
Non-equity:		
9,828,027 Cumulative redeemable preference ("CRP") shares of £1 each	£ 9,828,027	£ 9,828,027
	<hr/>	<hr/>

The CRP shares carry an entitlement to a cumulative preferential cash dividend at the rate per annum to provide the holders of the CRP shares the same after tax rate of return as would have been achieved if interest at 1.25% above Bank of Scotland base rate from time to time fluctuating therewith had been paid on a loan of the same amount as the nominal value of each CRP share. At 30 April 1997 the directors considered that due to the lack of distributable profits available to the company the possibility of such dividends becoming payable was low. On this basis no charge has been recorded in the profit and loss account for the period to 30 April 1997 for these dividends. In the event that sufficient distributable profits are earned in the future, a liability of £690,906 in respect of the dividends accumulated over the period 22 November 1995 to 30 April 1997 would then crystallise.

The CRP shares are to be redeemed at par on 31 December 2002 at the latest, although the company may redeem at any time prior to that date. Holders of the CRP shares have the right on a winding-up to receive, in priority to other classes of shares, the sum of £1 per CRP share plus any arrears of accumulated CRP share dividends. The CRP shares carry no voting rights.

16. RESERVES:

	<u>Capital reserve</u>	<u>Goodwill</u>	<u>Profit and loss account</u>
Group:			
Balance at 30 April 1996	£ 1,251,000	£ (2,645,843)	£ (8,600,281)
Profit for the financial year	-	-	413,969
Goodwill reversal on disposal of property interests	-	23,655	-
	<hr/>	<hr/>	<hr/>
Balance at 30 April 1997	£ 1,251,000	£ (2,622,188)	£ (8,186,312)
	<hr/>	<hr/>	<hr/>
			<u>Profit and loss account</u>
Company:			
Balance at 30 April 1996			£ (6,068,555)
Loss for the financial year			(292,944)
			<hr/>
Balance at 30 April 1997			£ (6,361,499)
			<hr/>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. MINORITY INTERESTS

Equity minority interests	
Balance at 30 April 1996	£ 1,250,000
Retained profit for year	2,388
	<hr/>
Balance at 30 April 1997	£ 1,252,388
	<hr/>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS:

	<u>Group</u>		<u>Company</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
Profit/(loss) for the financial period	£ 413,969	£ (1,053,786)	£ (292,944)	£ (3,808,107)
Issue of preference share capital (Note 15)	-	9,828,027	-	9,828,027
Capital reserve arising on acquisition of subsidiary undertaking (Note 16)	-	1,250,000	-	-
Capital reserve arising on acquisition of subsidiary undertaking	-	1,000	-	-
Goodwill reversal on disposal of property	23,655	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition/(depletion) to shareholders' funds	437,624	10,025,241	(292,944)	6,019,920
Opening shareholders' funds	(26,984)	(10,052,225)	3,899,585	(2,120,335)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	£ 410,640	£ (26,984)	£ 3,606,641	£ 3,899,585
	<hr/>	<hr/>	<hr/>	<hr/>

19. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT:

(a) Reconciliation of operating profit to operating cash flows:

	<u>1997</u>	<u>1996</u>
	(12 months)	(9 months)
Operating profit	£ 1,981,997	£ 1,205,049
Depreciation charges	6,157	3,539
Gain on sale of property interests	(483,277)	-
Increase in stocks	-	(1,948)
Decrease/(increase) in debtors	(154,438)	256,459
Decrease in creditors	(199,633)	(155,688)
	<hr/>	<hr/>
Net cash inflow from operating activities	£ 1,150,806	£ 1,307,411
	<hr/>	<hr/>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued):

(b) Analysis of cash flows for headings netted in the cash flow statement:

	<u>1997</u> (12 months)	<u>1996</u> (9 months)
Returns on investment and servicing of finance		
Interest received	£ -	£ 4,125
Interest paid - bank interest	(1,408,145)	(2,674,451)
- other interest	(99,881)	-
	<hr/>	<hr/>
Net cash outflow for returns on investment and servicing of finance	£ (1,508,026)	£ (2,670,326)
	<hr/>	<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	£ (1,440,407)	£ (331,146)
Sale of property interests	1,577,600	-
	<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment	£ 137,193	£ (331,146)
	<hr/>	<hr/>
Acquisitions and disposals		
Purchase of subsidiary undertaking	£ -	£ (5,024,537)
Sale of business	-	7,984,603
	<hr/>	<hr/>
Net cash inflow for acquisitions and disposals	£ -	£ 2,960,066
	<hr/>	<hr/>
Financing		
Issue of share capital	£ -	£ 2,500,000
Debt due beyond one year:		
Repayment of secured loan	(7,727,325)	-
Repayment of 10.5% unsecured loan stock	(30,000)	-
New secured term loan	-	2,350,000
Issue of interest bearing loan notes 1995/2002	-	2,500,000
Repayment of loan to related party	-	(2,857,631)
	<hr/>	<hr/>
Net cash (outflow)/inflow from financing	£ (7,757,325)	£ 4,492,369
	<hr/>	<hr/>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued):

(c) Analysis and reconciliation of net debt

	At 30 April 1996	Cashflow	At 30 April 1997
Cash at hand and in bank	£ 4,640,845	£ (4,640,845)	£ -
Overdrafts	-	(3,318,589)	(3,318,589)
	<u>£ 4,640,845</u>	<u>£ (7,959,434)</u>	<u>£ (3,318,589)</u>
Debt due after 1 year	(27,465,002)	7,757,325	(19,707,677)
TOTAL	<u>£ (22,824,157)</u>	<u>£ (202,109)</u>	<u>£ (23,026,266)</u>

20. GUARANTEES, CONTINGENCIES AND FINANCIAL COMMITMENTS:

a) Capital commitments

Capital commitments contracted for but not provided for at 30 April 1997 totalled £6,146,453 (1996-£341,700). A separate bank facility has been negotiated to fund the development costs of which these commitments form a part.

b) Contingent liabilities

The company has guaranteed bank borrowings of the company and its subsidiary undertakings by cross guarantees. The total contingency at 30 April 1997 amounts to £6,346,850 (1996 - £3,297,745).

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.

21. RELATED PARTY TRANSACTIONS

The group leases property to Murray Property Holdings Limited and Mimtec Limited both of which are related parties of the group. Rentals of £1,315,000 were charged during the year.

The amounts due from or to related parties at 30 April 1997 are shown in notes 12 and 13 respectively.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. CONTROLLING PARTY

Mr D E Murray, a director of The Premier Property Group Limited, controls the company as a result of a majority shareholding of the issued equity share capital of the company.