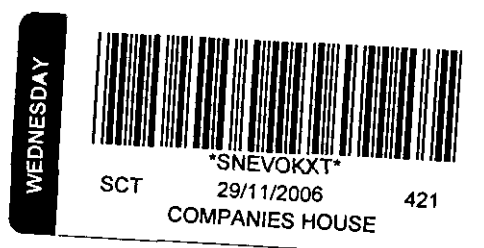


**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2006**  
**TOGETHER WITH DIRECTORS' AND INDEPENDENT AUDITORS' REPORTS**  
**REGISTERED NUMBER: SC139902**



**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 JANUARY 2006**

The directors present their annual report on the affairs of the Group, together with the financial statements and independent auditors' report for the year ended 31 January 2006

**PRINCIPAL ACTIVITY**

The principal activity of the Group is 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

	£'000
Retained profit at 31 January 2005	23,849
Profit for the financial year transferred to reserves	7,932
Redemption of cumulative redeemable preference shares	(3,300)
Realisation of surplus on property disposal	500
Retained profit at 31 January 2006	<u>28,981</u>

Dividends paid to the shareholders in respect of the year were £Nil (2005 £Nil)

**DIRECTORS AND THEIR INTERESTS**

The directors who held office during the year and to the date of this report were

D E Murray  
I B Tudhope  
A Glasgow  
L Higgins  
J R Davies  
C J Mitchell (appointed 1 May 2006)  
A M M Grossart

The interests of the directors in the share capital of the Company were as follows

	10p Ordinary Shares held	
	<u>31 January 2006</u>	<u>31 January 2005</u>
J R Davies	4,156	4,156

The interests of the directors in the share capital of the ultimate holding company (Note 23) are disclosed in the directors' report accompanying that company's financial statements

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 JANUARY 2006**

**SHARE OPTIONS**

Two of the directors have share options in the Company as part of a long term incentive plan. Mr A Glasgow has an option to subscribe for up to 14,153 ordinary shares at a price of £3.75 per share. The option is exercisable on or after 31 January 2006 and expires on 25 May 2013. Mr I B Tudhope has an option to subscribe for up to 73,744 ordinary shares at a price of £12.20 per share. The option is exercisable on or after 8 July 2004 and expires on 7 July 2014.

**FINANCIAL RISK MANAGEMENT**

The Group's operations expose it to a variety of financial risks. The Group has a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring the following areas of risk:

**Credit Risk**

The Group has implemented a policy that requires credit checks on prospective tenants and regular monitoring of existing tenancies.

**Liquidity Risk**

The Group maintains a mixture of short and long term debt finance to ensure a mix of funding to match the needs of the Group.

**Interest Rate Risk**

The Group's policy is to arrange core debt, bank loans and overdrafts with a floating rate of interest plus an agreed margin. The Group uses interest rate swaps together with non speculative hedging instruments to manage its exposure to interest rate movements on its bank borrowings. Information on the fair value of the Group's hedging instruments is set out in Note 21(d).

**SUPPLIER PAYMENT POLICY**

The Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

**POST BALANCE SHEET EVENTS**

Events subsequent to the year end are disclosed in Note 25.

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 JANUARY 2006**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and the financial statements. The directors have chosen to prepare the financial statements for the Company and the Group in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Company and Group and of the profit or loss of the Group for that period and comply with United Kingdom Generally Accepted Accounting Practice and the Companies Act 1985. 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 and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office and a resolution to re-appoint them as Auditors of the Company will be proposed at the forthcoming Annual General Meeting.

9 Charlotte Square  
Edinburgh  
EH2 4DR

BY ORDER OF THE BOARD



D Horne  
Company Secretary

28 July 2006

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PREMIER PROPERTY GROUP LIMITED**

We have audited the financial statements of The Premier Property Group Limited and Subsidiaries for the year ended 31 January 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses, the balance sheets of the Group and the Company, the consolidated cash flow statement, the statement of accounting policies and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PREMIER PROPERTY GROUP LIMITED**  
(continued)

**Opinion**

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and individual Company's affairs as at 31 January 2006 and of the Group's profit for the year then ended, and

the financial statements have been properly prepared in accordance with the Companies Act 1985

*Deloitte & Touche LLP*

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Edinburgh

United Kingdom

*8<sup>th</sup> August 2006*

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 JANUARY 2006**

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
		£'000	£'000
TURNOVER GROUP AND SHARE OF JOINT VENTURES		48,941	52,127
Less share of joint ventures' turnover		(5,089)	(141)
		<hr/>	<hr/>
GROUP TURNOVER	1	43,852	51,986
Cost of sales		(23,013)	(32,042)
		<hr/>	<hr/>
GROSS PROFIT		20,839	19,944
Other operating expenses	2	(5,955)	(4,776)
		<hr/>	<hr/>
OPERATING PROFIT		14,884	15,168
Share of operating profit/(loss) in joint ventures		519	(224)
		<hr/>	<hr/>
TOTAL OPERATING PROFIT		15,403	14,944
Gains on sale of fixed assets		11,215	4,413
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		26,618	19,357
Investment income	3	564	444
Interest payable and similar charges	4	(16,925)	(10,627)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	10,257	9,174
Tax on profit on ordinary activities group	7	121	(2,687)
joint ventures	7	(29)	51
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		10,349	6,538
Minority interests		(2,417)	(1,689)
		<hr/>	<hr/>
PROFIT TRANSFERRED TO RESERVES	17	7,932	4,849
		<hr/>	<hr/>

The current year and prior year results relate wholly to continuing operations

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

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 JANUARY 2006**

	<u>Notes</u>	<u>2006</u> £'000	<u>2005</u> £'000
Profit for the financial year		7,932	4,849
Unrealised surplus on revaluation of investment properties	9, 17	3,868	1,000
		<hr/>	<hr/>
Total recognised gains for the year		11,800	5,849
		<hr/>	<hr/>

**CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
**FOR THE YEAR ENDED 31 JANUARY 2006**

	<u>Notes</u>	<u>2006</u> £'000	<u>2005</u> £'000
Reported profit on ordinary activities before taxation		10,257	9,174
Realisation of property revaluation gains of prior year	17	500	
		<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation		10,757	9,174
		<hr/>	<hr/>
Historical cost profit for the year retained after taxation and minority interests		8,432	4,849
		<hr/>	<hr/>



**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET – 31 JANUARY 2006**

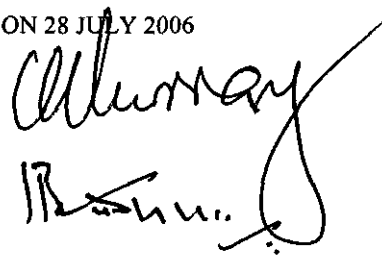
	Notes	<u>2006</u>	<u>2005</u>
		£'000	£'000
<b>FIXED ASSETS</b>			
Intangible assets	8	92	893
Tangible assets	9	321,088	350,167
Investments in subsidiary undertakings	10		115
Investments in joint ventures			
Loans		506	506
Goodwill		312	596
Share of gross assets		15,991	13,363
Share of gross liabilities		(13,683)	(11,281)
	10	3,126	3,184
		<u>324,306</u>	<u>354,359</u>
<b>CURRENT ASSETS</b>			
Stocks	11	17,318	15,460
Debtors			
due within one year	12	18,352	14,903
due after more than one year	12	6,528	9,828
Cash at bank and in hand		2,234	1,556
		<u>44,432</u>	<u>41,747</u>
<b>CREDITORS</b> Amounts falling due within one year	13	(104,521)	(45,470)
<b>NET CURRENT LIABILITIES</b>		<u>(60,089)</u>	<u>(3,723)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>264,217</u>	<u>350,636</u>
<b>CREDITORS</b> Amounts falling due after more than one year	14	(208,459)	(303,807)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	(622)	(1,170)
<b>NET ASSETS</b>		<u>55,136</u>	<u>45,659</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	6,668	9,968
Capital redemption reserve	17	3,300	
Revaluation reserve	17	4,168	2,550
Profit and loss account	17	28,981	23,849
<b>SHAREHOLDERS' FUNDS</b>	19	43,117	36,367
Minority interests	18	12,019	9,292
<b>TOTAL CAPITAL EMPLOYED</b>		<u>55,136</u>	<u>45,659</u>

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

APPROVED AND SIGNED ON BEHALF OF THE BOARD ON 28 JULY 2006

D E Murray ) Director

I B Tudhope ) Director



**THE PREMIER PROPERTY GROUP LIMITED**

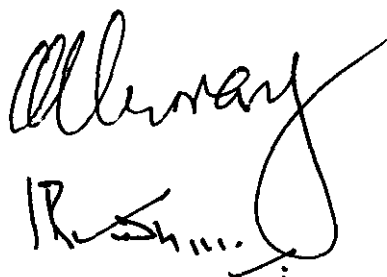
**BALANCE SHEET 31 JANUARY 2006**

	<u>Notes</u>	<u>2006</u> £'000	<u>2005</u> £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	330	823
Investments	10	20,028	20,028
		<u>20,358</u>	<u>20,851</u>
<b>CURRENT ASSETS</b>			
Debtors			
due within one year	12	9,113	9,045
due after more than one year	12	21,528	24,828
Cash at bank and in hand		571	1
		<u>31,212</u>	<u>33,874</u>
<b>CREDITORS</b> Amounts falling due within one year	13	(22,161)	(25,946)
<b>NET CURRENT ASSETS</b>		<u>9,051</u>	<u>7,928</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		29,409	28,779
<b>CREDITORS</b> Amounts falling due after more than one year	14	(2,519)	(2,510)
<b>NET ASSETS</b>		<u>26,890</u>	<u>26,269</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	6,668	9,968
Capital redemption reserve	17	3,300	
Profit and loss account	17	16,922	16,301
<b>SHAREHOLDERS' FUNDS</b>	19	<u>26,890</u>	<u>26,269</u>

The accompanying notes are an integral part of this balance sheet

APPROVED AND SIGNED ON BEHALF OF THE BOARD ON 28 JULY 2006

D E Murray            )  
                              ) Directors  
I B Tudhope            )



**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 JANUARY 2006**

	<u>Notes</u>	<u>2006</u> £'000	<u>2005</u> £'000
Cash inflow/(outflow) from operating activities	20(a)	12,467	(2,847)
Returns on investments and servicing of finance	20(b)	(18,891)	(9,406)
Taxation	20(c)	(933)	(316)
Capital expenditure and financial investment	20(d)	42,982	(189,850)
Acquisitions and disposals	20(e)		(765)
		<hr/>	<hr/>
Cash inflow/(outflow) before financing		35,625	(203,184)
Financing	20(f)	(51,468)	186,073
		<hr/>	<hr/>
Decrease in cash in the year		(15,843)	(17,111)
		<hr/>	<hr/>

**Reconciliation of net cash outflow to movement in net debt**

	<u>2006</u> £'000	<u>2005</u> £'000
Decrease in cash in the year	(15,843)	(17,111)
Cash outflow/(inflow) from movements in debt financing	51,468	(185,218)
	<hr/>	<hr/>
Change in net debt resulting from cash flows	35,625	(202,329)
New finance leases	(48)	
	<hr/>	<hr/>
Movement in net debt in year	35,577	(202,329)
Net debt at start of year	(330,988)	(128,659)
	<hr/>	<hr/>
Net debt at end of year	20(g) (295,411)	(330,988)
	<hr/>	<hr/>

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

## **THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

### **STATEMENT OF ACCOUNTING POLICIES**

The principal accounting policies, which have been applied consistently throughout the year and the preceding year are

#### **(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards, unless otherwise stated

As provided by s 230 of the Companies Act 1985, no profit and loss account is presented for the Company. The Company's profit for the financial year, determined in accordance with the Act, was £3,921,000 (2005 – £1,603,000)

#### **(b) Basis of consolidation**

The consolidated financial statements include the results of the Company and all of its subsidiary undertakings drawn up to 31 January 2006.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from or to the date on which control passed.

#### **(c) Intangible assets – goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses (representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired) is capitalised and amortised on a straight line basis over an appropriate period depending upon the circumstances of the acquired company, but not greater than twenty years. Goodwill in respect of joint ventures is also amortised on a straight line basis over an appropriate period but not greater than twenty years.

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 included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Goodwill arising on acquisitions in the year ended 30 April 1998 and earlier periods was written off to reserves in accordance with accounting standards then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal of a previously acquired property interest, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

#### **(d) Investments**

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for impairment.

## **THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

### **STATEMENT OF ACCOUNTING POLICIES (continued)**

#### **(e) Tangible fixed assets**

In accordance with SSAP 19, investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the revaluation reserve, unless a deficit (or its reversal) is expected to be permanent and is in excess of any previously recognised surplus over cost related to the same property, 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 Companies Act, is necessary to provide a true and fair view.

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. 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.

Development properties are classified within tangible fixed assets or stocks according to the specific disposal or realisation strategy for each property. The proceeds and costs on disposal of development properties which have been classified as stocks are reflected in turnover and cost of sales respectively. Where there is a fundamental change in the nature of an investment property such as commencement of development activity with a view to short or medium term disposal, it will be classified within tangible fixed assets, or transferred to stocks in line with the above criteria.

Freehold properties which are neither development properties nor investment properties and are not depreciated, with the exception of capitalised improvements and fit out costs, are subject to annual impairment reviews.

Other fixed assets are shown at cost net of depreciation and any provision for impairment. 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	4-5 years
-------------------------------	-----------

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

#### **(f) Stocks and work in progress**

Current development projects, and properties for 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 with no addition of overheads. Work in progress on development properties is valued at the cost of labour and materials with no addition of overheads, plus interest incurred on borrowings for development expenditure until the date of practical completion.

#### **(g) 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 re-development interest is capitalised from the point re-development commences.

## **THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

### **STATEMENT OF ACCOUNTING POLICIES (continued)**

#### **(h) Associates and joint ventures**

In the Group financial statements, investments in associates and joint ventures are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' and joint ventures' profits less losses, while the Group's share of the net assets of the associates and joint ventures is shown in the consolidated balance sheet.

Goodwill arising on the acquisition of associates and joint ventures is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates and joint ventures.

#### **(i) 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.

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 group undertakings' taxable profits and their 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 revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax 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.

#### **(j) Turnover and revenue recognition**

Group turnover includes rental income, fee income and the sale of development properties (excluding VAT and intra-group transactions) and was generated wholly within the United Kingdom. Rental and management fee income is recognised as it becomes receivable. Income from the sale of development properties is recognised when the transaction is complete.

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**STATEMENT OF ACCOUNTING POLICIES (continued)**

**(k) Pensions**

The Company participates in the Murray International Holdings Limited ("MIH") group pension scheme which provides benefits based on final pensionable pay. Details are disclosed in Note 6.

Further details on the MIH scheme are contained in that company's financial statements.

**(l) Leases**

Assets held under leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of lease term and estimated useful life. The capital elements of future finance lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the agreement to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**1 TURNOVER**

Segmental information

	<u>2006</u> £'000	<u>2005</u> £'000
Property sales	19,031	37,178
Rental income	24,361	14,608
Management fees	460	200
	<hr/> 43,852	<hr/> 51,986
	<hr/>	<hr/>

All turnover was sourced and derived from the United Kingdom during the year

**2 OTHER OPERATING EXPENSES**

Other operating expenses comprise

	<u>2006</u> £'000	<u>2005</u> £'000
Administrative expenses	5,955	4,776
	<hr/>	<hr/>

**3 INVESTMENT INCOME**

The following are included in investment income

	<u>2006</u> £'000	<u>2005</u> £'000
Bank interest receivable	240	88
Interest receivable on loans to joint ventures	306	318
Other interest receivable	18	38
	<hr/> 564	<hr/> 444
	<hr/>	<hr/>



**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**4 INTEREST PAYABLE AND SIMILAR CHARGES**

The following are included in interest payable and similar charges

	<u>2006</u> £'000	<u>2005</u> £'000
On bank loans and overdrafts	17,728	10,564
On loan notes 1999/2006	2	4
On loan notes 2000/2009	984	374
On loans from joint venture	84	-
On other loans	2	103
Share of joint venture bank interest payable	21	-
	<hr/> 18,821	<hr/> 11,045
Less capitalised on development properties	(1,521)	(230)
Less added to the cost of work in progress	(375)	(188)
	<hr/> <hr/> 16,925	<hr/> <hr/> 10,627

Interest capitalisation is based on commercial rates. The cumulative interest capitalised is shown in Notes 9 and 11.

**5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:**

The profit on ordinary activities before taxation is stated after charging

	<u>2006</u> £'000	<u>2005</u> £'000
Auditors' remuneration for audit services	39	34
Auditors' remuneration for non audit services		17
Depreciation and amounts written off tangible fixed assets owned	119	56
held under finance lease agreements	19	28
Amortisation of goodwill and goodwill written off	916	22
Amortisation of goodwill in joint venture investments	168	
Management fee	1,080	808
Operating lease rentals		
plant, equipment & vehicles	32	31
	<hr/> <hr/>	<hr/> <hr/>

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6 STAFF COSTS**

Particulars of employees (including executive directors) are shown below

Employee costs during the year amounted to

	<u>2006</u> £'000	<u>2005</u> £'000
Wages and salaries	2,242	1,226
Contributions to remuneration trust		985
Social security costs	263	136
Pension costs	108	81
	<u>2,613</u>	<u>2,428</u>

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

	<u>2006</u> Number	<u>2005</u> Number
Administration	28	26

Directors' remuneration

The remuneration of the directors was as follows

	<u>2006</u> £'000	<u>2005</u> £'000
Emoluments	735	262
Pension contributions	37	28
Fees paid to third parties in respect of directors' services	49	45
	<u>821</u>	<u>335</u>

The aggregate emoluments of the highest paid director during the year were £450,000 (2005 £162,000) including pension contributions of £18,000 (2005 £15,000)

Directors' pensions

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

	<u>2006</u> Number	<u>2005</u> Number
Defined benefit schemes	3	3

## **THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **6 STAFF COSTS (continued)**

The Company participates in the Murray International Holdings Limited Staff Pension and Life Assurance Plan pension scheme. This is a defined benefit multi employer scheme, the assets and liabilities of which are held independently from Murray International Holdings Limited. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme, determined in consultation with a qualified actuary on the basis of triennial valuations, for the year to 31 January 2006 were £108,000 (2005 £81,000). The agreed employer contribution rate was 10% of pensionable salary.

The most recent valuation of the scheme at 1 October 2004 indicated that the scheme was adequately funded in accordance with statutory minimum funding requirements.

D E Murray and I B Tudhope, as directors of the ultimate holding company (Note 23), were remunerated by Murray Group Management Limited, a fellow subsidiary undertaking of the Company and their remuneration is disclosed in that company's financial statements. It is not considered practicable to apportion this remuneration to reflect services provided to the Company or Group for either of the directors.

There were no contributions to money purchase pension schemes in the year as these were paid by a fellow subsidiary undertaking.

The fees paid to third parties in respect of directors' services represent payments in respect of a non executive director.

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7 TAX ON PROFIT ON ORDINARY ACTIVITIES**

The tax credit/(charge) comprises

	<u>2006</u>	<u>2005</u>
	£'000	£'000
Current tax		
UK corporation tax	(694)	(1,748)
Adjustment in respect of prior years	293	(354)
Total current tax	<u>(401)</u>	<u>(2,102)</u>
Deferred tax		
Origination and reversal of timing differences		
current year	522	(556)
prior year		(29)
Total deferred tax	<u>522</u>	<u>(585)</u>
Total tax on profit on ordinary activities	121	(2,687)
Attributable to joint ventures	(29)	51
	<u>92</u>	<u>(2,636)</u>

The effect of the gain on sale of fixed assets of £11,215,000 (2005 £4,413,000) on the amount charged to the profit and loss account for taxation is £1,049,000 (2005 £946,000)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	<u>2006</u>	<u>2005</u>
	£'000	£'000
Profit on ordinary activities before tax (excluding joint ventures)	9,738	9,398
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005 – 30%)	<u>2,921</u>	<u>2,819</u>
Effects of		
Non taxable income	(2,463)	(1,415)
Non deductible expense	1,192	56
Capital gains	(1,418)	946
Utilisation of tax losses	(15)	(576)
Depreciation in excess of/(less than) capital allowances	387	(571)
Adjustment in respect of prior year	(293)	354
Unrelieved tax losses and other deductions	90	
Short term timing differences		30
Adjustments for long accounting periods/acquisitions		459
	<u>401</u>	<u>2,102</u>

The Group earns its profits in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30% (2005 – 30%)

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8 INTANGIBLE ASSETS**

The movement in the year was as follows

	Goodwill
Group	<u>2006</u>
	£'000
<b>COST</b>	
At 31 January 2005	915
Additions (Note 10)	115
At 31 January 2006	<u>1,030</u>
<b>AMORTISATION</b>	
At 31 January 2005	22
Charge for the year	188
Amounts written off	728
At 31 January 2006	<u>938</u>
<b>NET BOOK VALUE</b>	
At 31 January 2006	<u>92</u>
At 31 January 2005	<u>893</u>

During the year Glenbrook Limited sold its sole property, namely Shoe Lane, London. Consequently the goodwill balance of £728,000 relating to Glenbrook Limited and its immediate parent company, Brogue Properties Limited, was written off in the year and included in gains on disposal of properties of £11,215,000.

**9 TANGIBLE FIXED ASSETS**

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

	Group <u>2006</u> £'000	Company <u>2006</u> £'000	Group <u>2005</u> £'000	Company <u>2005</u> £'000
Investment properties	199,547		265,251	
Freehold properties			699	699
Cost of development properties	121,124		84,080	
Plant, equipment and vehicles	417	330	137	124
	<u>321,088</u>	<u>330</u>	<u>350,167</u>	<u>823</u>

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

9 TANGIBLE FIXED ASSETS (continued)

The movement in the year for the Group was as follows

Group	Investment properties £'000	Freehold properties £'000	Development properties £'000	Plant, equipment and vehicles £'000	Total £'000
<b>COST OR VALUATION</b>					
At 31 January 2005	265,251	796	84,080	411	350,538
Additions	5,567		37,044	411	43,022
Revaluations	3,868				3,868
Disposals	(71,426)	(796)		(91)	(72,313)
Transferred to work in progress	(3,713)				(3,713)
At 31 January 2006	199,547		121,124	731	321,402
<b>DEPRECIATION</b>					
At 31 January 2005		97	-	274	371
Charge for the year		15		123	138
Disposals		(112)	-	(83)	(195)
At 31 January 2006	-		-	314	314
<b>NET BOOK VALUE</b>					
At 31 January 2006	199,547	-	121,124	417	321,088
At 31 January 2005	265,251	699	84,080	137	350,167

The Group recognised gains on the disposal of properties of £11,215,000 (2005 £4,413,000) during the year. The sale of one of the properties, Cloth Hall Court, was effected by the disposal of the Group's shareholding in PPG Metro CHC Limited which had acquired the property earlier in the year. As the substance of the transaction was that of a sale of fixed assets, the Group's short term holding of the share capital of PPG Metro CHC Limited has not been treated as an investment during the year.

Freehold and leasehold investment properties were valued on an open market, existing use basis, by the directors as at 31 January 2006. The valuations were undertaken by an officer of the Company who is a qualified chartered surveyor. The valuation was made in full compliance with the RICS Appraisal and Valuation Manual. In addition, the Group policy is for all properties to be externally valued on acquisition and on a regular cycle thereafter.

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

Cumulative interest included in the cost of development properties, after adjustments for sales during the year, amounts to £1,904,000 (2005 £760,000).

The net book value of assets held under finance lease agreements was £52,000 (2005 £33,000).

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9 TANGIBLE FIXED ASSETS (continued)**

The movement in the year for the Company was as follows

Company	Freehold properties £'000	Plant, equipment and vehicles £'000	Total £'000
<b>COST OR VALUATION</b>			
At 31 January 2005	810	437	1,247
Additions		318	318
Disposals	(810)	(88)	(898)
At 31 January 2006		667	667
<b>DEPRECIATION</b>			
At 31 January 2005	111	313	424
Charge for the year	15	104	119
Disposals	(126)	(80)	(206)
At 31 January 2006		337	337
<b>NET BOOK VALUE</b>			
At 31 January 2006		330	330
At 31 January 2005	699	124	823

The net book value of assets held under finance lease agreements was £44,000 (2005 - £33,000)

# **THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **10 FIXED ASSET INVESTMENTS**

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

	<u>Group</u> <u>2006</u> £'000	<u>Company</u> <u>2006</u> £'000	<u>Group</u> <u>2005</u> £'000	<u>Company</u> <u>2005</u> £'000
Investments in subsidiary undertakings		19,022	115	19,022
Investments in joint ventures	3,126	1,006	3,184	1,006
	<u>3,126</u>	<u>20,028</u>	<u>3,299</u>	<u>20,028</u>

The movement in the year was as follows

	<u>Group</u> £'000
NET BOOK VALUE	
At 31 January 2005	3,299
Share of profit for the year	469
Amortisation of goodwill	(168)
Dividend received from joint venture	(359)
Transfer of investment to goodwill	(115)
At 31 January 2006	<u>3,126</u>

Principal trading subsidiary undertakings at 31 January 2006 were

	<u>Principal activity</u>	<u>Holding</u>
PPG Developments Limited	Property investment and development	100%
PPG (Edinburgh) Limited	Property investment and development	100%
PPG Lightning Limited	Property investment and development	100%
PPG Residential Limited	Property development	100%
PPG Southern Limited	Property investment and development	100%
PPG Land Limited	Property investment and development	95%
PPG Land (Grangefields) Limited	Property investment and development	95%*†
PPG Land (Lowfields 2 West) Limited	Property investment and development	95%*



# **THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### 10 FIXED ASSET INVESTMENTS (continued)

#### **Principal trading subsidiary undertakings at 31 January 2006 (continued)**

	<u>Principal activity</u>	<u>Holding</u>
Brogue Properties Limited	Property investment and development	77.5%
Glenbrook Limited	Property investment and development	77.5%*†
PPG Metro Limited	Property investment and development	52.5%
PPG Metro Aberdeen Limited	Property investment and development	52.5%*†
PPG Metro Franborough Limited	Property investment and development	52.5%*
PPG Metro Greenock Limited	Property investment and development	52.5%*
PPG Metro 39 Limited	Property investment and development	52.5%*
PPG Metro Lime Street Limited	Property investment and development	52.5%*
PPG Metro 500 Limited	Property investment and development	52.5%*
PPG Metro Mansfield Limited	Property investment and development	52.5%*
Eleven Haymarket Limited	Property investment and development	52.5%*

#### **Principal joint venture undertakings at 31 January 2006 were**

	<u>Principal activity</u>	<u>Holding</u>
PPG (Lothian) Limited	Property investment and development	50%
Port Royal Golf Limited	Leisure	50%**
Premier Burrell Limited	Property development	50%*
Bretton Street Developments Limited	Property development	47.5%*†

Unless noted otherwise all subsidiary and joint venture undertakings are registered in Scotland

\*Held indirectly through subsidiary undertakings

\*\*Held indirectly through joint venture undertakings

† Registered in England

‡ Registered in Isle of Man

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10 FIXED ASSET INVESTMENTS (continued)**

Investments in the joint ventures comprise

	Group <u>2006</u> £'000	Company <u>2006</u> £'000	Group <u>2005</u> £'000	Company <u>2005</u> £'000
Cost of investment		500		500
Share of net assets	2,308		2,082	
Goodwill	312		596	
Loans to joint ventures	506	506	506	506
	<u>3,126</u>	<u>1,006</u>	<u>3,184</u>	<u>1,006</u>

The loans are repayable upon the disposal of certain development properties

**11 STOCKS**

The following are included in the net book value of stocks

	Group <u>2006</u> £'000	Group <u>2005</u> £'000
Work in progress	17,318	15,460

Cumulative interest included in the cost of work in progress, after adjustments for sales during the year, amounts to £477,000 (2005 £229,000)

**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

	Group <u>2006</u> £'000	Company <u>2006</u> £'000	Group <u>2005</u> £'000	Company <u>2005</u> £'000
Amounts falling due within one year				
Trade debtors	1,143		1,065	17
Amounts due from other group undertakings	910	6,883	1,140	6,492
Amounts due from joint ventures	5,111		4,438	2
Other debtors	5,988	1,977	7,094	2,481
VAT	1,442	130	744	53
Prepayments and accrued income	3,758	123	422	
	<u>18,352</u>	<u>9,113</u>	<u>14,903</u>	<u>9,045</u>
Amounts falling due after more than one year				
Amounts due from other group undertakings	6,528	21,528	9,828	24,828
	<u>24,880</u>	<u>30,641</u>	<u>24,731</u>	<u>33,873</u>

**Company**

Within amounts due from other group undertakings after more than one year is a balance of £15,000,000 which earns interest at a commercial rate and is repayable in one instalment by 31 July 2009

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

13 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

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

	Group <u>2006</u> £'000	Company <u>2006</u> £'000	Group <u>2005</u> £'000	Company <u>2005</u> £'000
Bank overdrafts (secured)	89,160		28,667	2,675
Interest bearing loan notes 1999/2006 (Note 14)	10	10	70	70
Obligations under finance lease agreements	16	16		
Trade creditors	1,352	15	237	14
Amounts due to other group undertakings	3,030	19,795	2,297	21,212
Amounts due to joint ventures		-	99	
Corporation tax payable	83		2,540	
VAT	44		118	
Other taxes and social security	59	59	91	91
Other creditors	828	141	518	57
Accruals and deferred income	9,939	2,125	10,833	1,827
	<u>104,521</u>	<u>22,161</u>	<u>45,470</u>	<u>25,946</u>

The bank overdrafts are secured by bonds and floating charges over the assets of the Company and its subsidiary undertakings and in certain cases by cross guarantees. In addition, certain properties are subject to standard securities or fixed charges.

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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>2006</u> £'000	Company <u>2006</u> £'000	Group <u>2005</u> £'000	Company <u>2005</u> £'000
Bank loans (secured)	2,500	2,500	2,500	2,500
Term loans (secured)	190,940		239,825	
Bank overdrafts (secured)			43,972	
Interest bearing loan notes 1999/2006			10	10
Interest bearing loan notes 2000/2009	15,000		15,000	
Obligations under finance lease agreements	19	19	-	
Amounts due to joint ventures			2,500	
	<u>208,459</u>	<u>2,519</u>	<u>303,807</u>	<u>2,510</u>

The bank loan of £2,500,000 at 31 January 2006 is secured by a bond and floating charge over the assets of the Company and of its subsidiary undertakings and by standard securities or fixed charges over certain properties. The loan is repayable in one instalment by 31 January 2009. It bears interest at commercial rates.

Term loans of £190,940,000 at 31 January 2006 are secured by bonds and floating charges over the assets of the relevant companies and by standard securities or fixed charges over certain properties. The loans are repayable in one instalment by 31 July 2009 or earlier dependent on the disposal of certain investment properties. The loans bear interest at commercial rates.

The interest bearing loan notes 2000/2009 are unsecured and bear interest at a commercial rate. The loan notes are repayable in one instalment by 31 July 2009.

The Company and certain subsidiary undertakings have entered into financial instruments to manage interest rate risk arising from borrowings (Note 21(d)). The Group does not enter into financial instruments for speculative purposes.

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

14 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Borrowings are repayable as follows

	Group <u>2006</u> £'000	Company <u>2006</u> £'000	Group <u>2005</u> £'000	Company <u>2005</u> £'000
Bank loans				
Between two and five years	208,440	2,500	257,325	2,500
	<hr/>	<hr/>	<hr/>	<hr/>
Bank overdrafts				
Between one and two years			43,972	-
	<hr/>	<hr/>	43,972	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
Other loans				
Between one and two years			10	10
After more than five years			2,500	
	<hr/>	<hr/>	2,510	10
	<hr/>	<hr/>	<hr/>	<hr/>
Obligation under finance lease agreements				
Between one and two years	9	9		
Between two and five years	10	10		
	<hr/>	<hr/>	<hr/>	<hr/>
	19	19		
	<hr/>	<hr/>	<hr/>	<hr/>
Total borrowings:				
Between one and two years	9	9	43,982	10
Between two and five years	208,450	2,510	257,325	2,500
After more than five years	-		2,500	
	<hr/>	<hr/>	<hr/>	<hr/>
	208,459	2,519	303,807	2,510
	<hr/>	<hr/>	<hr/>	<hr/>

The borrowings payable on demand or within one year are disclosed in Note 13

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15 PROVISIONS FOR LIABILITIES AND CHARGES**

Deferred taxation has been provided to the extent that the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that the liability will be realised. There was no deferred tax provision in the Company at 31 January 2006 (2005: £Nil).

	Group <u>2006</u> £'000	Group <u>2005</u> £'000
Deferred taxation	622	1,170
<hr/>		
The movement on net deferred tax assets/liabilities during the year was	<u>2006</u> £'000	
At 31 January 2005	1,144	
Credited to profit and loss account (Note 7)	(522)	
At 31 January 2006	<u>622</u>	

Included in other debtors (Note 12) is a deferred tax asset of £Nil (2005: £26,000).

Deferred taxation provided as at 31 January 2005 and 31 January 2006 was:

	Amounts provided <u>2006</u> £'000	Amounts provided <u>2005</u> £'000
Accelerated capital allowances	664	1,104
Other timing differences	(13)	85
Losses carried forward	(29)	(19)
	<u>622</u>	<u>1,170</u>

**16 CALLED UP SHARE CAPITAL**

	<u>2006</u> £'000	<u>2005</u> £'000
Authorised		
1,510,000 ordinary shares of 10p each	151	151
9,828,027 cumulative redeemable preference ("CRP") shares of £1 each	9,828	9,828
	<u>9,979</u>	<u>9,979</u>
Issued and fully paid		
1,401,130 ordinary shares of 10p each	140	140
9,528,027 cumulative redeemable preference ("CRP") shares of £1 each	6,528	9,828
	<u>6,668</u>	<u>9,968</u>

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

16 CALLED UP SHARE CAPITAL (continued)

During the year the Company redeemed 3,300,000 £1 CRP shares at par and accordingly created a capital redemption reserve of £3,300,000. The terms of the residual 6,528,027 CRP shares were amended such that the redemption is solely at the discretion of the Company. The CRP shares carry no right to a dividend.

17 RESERVES

	Capital redemption <u>reserve</u> £'000	Revaluation <u>reserve</u> £'000	Profit and loss <u>account</u> £'000
Group			
Balance at 31 January 2005		2,550	23,849
Profit for the financial year			7,932
Surplus on property revaluations		3,868	
Realisation of surplus on property disposal		(500)	500
Redemption of CRP shares	3,300		(3,300)
Minority interest share of surplus on property revaluations		(1,750)	
Balance at 31 January 2006	<u>3,300</u>	<u>4,168</u>	<u>28,981</u>

	Capital redemption <u>reserve</u> £'000	Profit and loss <u>account</u> £'000
Company		
Balance at 31 January 2005		16,301
Profit for the financial year		3,921
Redemption of CRP shares	3,300	(3,300)
Balance at 31 January 2006	<u>3,300</u>	<u>16,922</u>



**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**18 MINORITY INTERESTS**

	<u>Minority interests</u> £'000
Group	
Balance at 31 January 2005	9,292
Share of profit on ordinary activities after taxation	2,417
Dividends received by minority interests	(1,440)
Minority interest share of surplus on property revaluations	1,750
Balance at 31 January 2006	<u>12,019</u>

The effect of the gains on sale of fixed assets of £11,215,000 (2005 £4,413,000) on the amount charged to the profit and loss account for minority interests is £2,692,000 (2005 £1,646,000)

**19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>Group 2006</u> £'000	<u>Company 2006</u> £'000	<u>Group 2005</u> £'000	<u>Company 2005</u> £'000
Profit transferred to reserves	7,932	3,921	4,849	1,603
Surplus on property revaluations	3,868		1,000	
Redemption of CRP shares	(3,300)	(3,300)		
Minority interest share of surplus on property revaluations	(1,750)		(469)	
Net addition to shareholders' funds	<u>6,750</u>	<u>621</u>	<u>5,380</u>	<u>1,603</u>
Opening shareholders' funds	36,367	26,269	30,987	24,666
Closing shareholders' funds	<u>43,117</u>	<u>26,890</u>	<u>36,367</u>	<u>26,269</u>

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	<u>2006</u>	<u>2005</u>
	£'000	£'000
Operating profit	14,884	15,168
Depreciation charges	138	84
Goodwill amortisation charges impacting operating profit	356	22
Gain on sale of development properties		(7,095)
Decrease/(increase) in stocks	1,855	(4,325)
Increase in debtors	(3,548)	(318)
Decrease in creditors	(1,218)	(6,383)
Net cash inflow/(outflow) from operating activities	<u>12,467</u>	<u>(2,847)</u>

(b) Returns on investment and servicing of finance

Interest received	654	590
Interest paid	(18,464)	(9,996)
Dividends paid to minority interests	(1,440)	
Dividends received from joint ventures	359	
Net cash outflow	<u>(18,891)</u>	<u>(9,406)</u>

(c) Taxation

UK corporation tax paid	<u>(933)</u>	<u>(316)</u>
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(d) Capital expenditure and financial investment

Purchase of tangible fixed assets	(41,079)	(248,303)
Sale of tangible fixed assets	84,061	58,453
Net cash inflow/(outflow)	<u>42,982</u>	<u>(189,850)</u>

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(e) Acquisitions and disposals

	<u>2006</u> £'000	<u>2005</u> £'000
Purchase of subsidiary undertaking		(765)
Net cash outflow	<u>-</u>	<u>(765)</u>

(f) Financing

	<u>2006</u> £'000	<u>2005</u> £'000
Repayment of secured loans	(48,885)	-
Repayment of interest bearing loan notes	(70)	(70)
New term loans		170,800
New loan notes		12,000
Repayment of finance lease obligations	(13)	(12)
Loan from joint ventures		2,500
Loan repayment to joint ventures	(2,500)	
Issue of shares of subsidiary undertaking to minority interests		855
Net cash (outflow)/inflow	<u>(51,468)</u>	<u>186,073</u>

(g) Analysis and reconciliation of net debt

	<u>At</u> <u>31 January 2005</u> £'000	<u>Cashflow</u> £'000	<u>Other non cash</u> <u>Changes</u> £'000	<u>At</u> <u>31 January 2006</u> £'000
Cash at bank and in hand	1,556	678		2,234
Bank overdrafts within 1 year	(28,667)	(16,521)	(43,972)	(89,160)
Bank overdrafts after more than 1 year	(43,972)	-	43,972	
	<u>(71,083)</u>	<u>(15,843)</u>		<u>(86,926)</u>
Debt due after more than 1 year	(259,835)	51,395		(208,440)
Debt due within 1 year	(70)	60		(10)
Finance lease obligations		13	(48)	(35)
Total	<u>(330,988)</u>	<u>35,625</u>	<u>(48)</u>	<u>(295,411)</u>

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**21 GUARANTEES AND OTHER FINANCIAL COMMITMENTS**

**a) Capital commitments**

Capital commitments contracted for, but not provided for, at 31 January 2006 totalled £7,370,000 (2005 £Nil)

**b) Contingent liabilities**

The Company has guaranteed bank borrowings of the Company, certain of its subsidiary undertakings and fellow subsidiary undertakings by cross guarantees. The total contingency at 31 January 2006 amounts to £154,923,000 (2005 £229,391,000)

**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 that group of companies and failure by other members of that group of companies 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.

**d) Fair values**

The Group holds derivative financial instruments to manage interest rate risks. The total debt subject to interest rate derivative instruments at 31 January 2006 amounts to £105,000,000 (2005 £75,000,000) with the fair value of these instruments amounting to a liability of £622,000 (2005 £583,000)

**e) Operating lease commitments**

Annual commitments under non-cancellable operating leases for the Group are as follows

	<b>Vehicles <u>2006</u> £'000</b>	<b>Vehicles <u>2005</u> £'000</b>
Group		
Expiry within two to five years	<b>33</b>	<b>24</b>

## **THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **22 RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption available under FRS 8 not to disclose transactions with group undertakings and fellow group undertakings of the ultimate holding company where 90% or more of the voting rights are controlled by the ultimate holding company

The amounts due to and from other group undertakings at 31 January 2006 are shown in Notes 12 and 13

During the year the Group traded with Bretton Street Developments Limited, Premier Burrell Limited and PPG (Lothian) Limited as joint venture undertakings of the Group. The main transactions during the year were as follows

- (a) The Group made loans to joint ventures of £468,000 (2005 £126,000). The balance due from joint ventures at 31 January 2006 is £4,594,000 (2005 £4,126,000)
- (b) The Group repaid loans from joint ventures of £2,500,000 (2005 – received loans from joint ventures of £2,500,000). The balance due to joint ventures at 31 January 2006 is £Nil (2005 - £2,500,000)
- (c) The Group paid and received interest at commercial rates on loans to and from joint ventures. Interest receivable was £279,000 (2005 £316,000) and interest payable was £84,000 (2005 £99,000). At 31 January 2006 interest due from joint ventures was £114,000 (2005 £124,000) and interest due to joint ventures was £Nil (2005 £99,000)
- (d) The Group charged fees to joint ventures of £460,000 (2005 £231,000) with a balance due at 31 January 2006 of £403,000 (2005 £188,000)

#### **23 ULTIMATE HOLDING COMPANY**

The immediate parent company is Murray Group Holdings Limited and the ultimate holding company is Murray International Holdings Limited, both of which are 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 9 Charlotte Square, Edinburgh, EH2 4DR. Copies of Murray International Holdings Limited financial statements are available from the above address

#### **24 ULTIMATE CONTROL**

D E Murray, a director of the ultimate holding company (Note 23) and members of his close family control the Group and the Company as a result of controlling directly or indirectly 81% of the issued share capital of the ultimate holding company

#### **25 POST BALANCE SHEET EVENTS**

Subsequent to the year end, the Group entered into the following significant transactions

- the disposal of development properties for a total cash consideration of £34,142,000
- the acquisition of a significant development property for a total cash consideration of £22,800,000
- the acquisition of a fully let investment property for a total cash consideration of £120,000,000