THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2004

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

REGISTERED NUMBER: SC139902

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2004

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report for the year ended 31 January 2004.

PRINCIPAL ACTIVITY:

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:

	£'000
Retained profit at 31 January 2003	10,620
Profit transferred to reserves	6,745
Goodwill reversal on disposals	495
Realisation of surplus on investment property	1,265
Movement on disposal of investment in subsidiary	25
Movement on disposal of subsidiary	(150)
Retained profit at 31 January 2004	19,000

Dividends paid to the shareholders in respect of the year were £1,530,016 (2003 - £1,530,016).

DIRECTORS AND THEIR INTERESTS:

The directors who held office during the year were:

D E Murray
I B Tudhope
A Glasgow
L Higgins
J R Davies
A M M Grossart

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

	Ordinary 10p Shares held	
	31 January 2004	31 January 2003
J R Davies	4,156	4,156

The interests of the directors in the share capital of the ultimate holding company (Note 24) are disclosed in the directors' report accompanying that company's financial statements.

SUPPLIER PAYMENT POLICY:

The company's policy, which is also applied to the group, 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.

DIRECTORS' RESPONSIBILITIES:

United Kingdom 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 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 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS:

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

9 Charlotte Square
Edinburgh
EH2 4DR

BY ORDER OF THE BOARD

David Horne

D Horne
Company Secretary

30 July 2004

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

We have audited the financial statements of The Premier Property Group Limited for the year ended 31 January 2004 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets of the company and the group, the consolidated cash flow statement, the statement of accounting policies and the related notes 1 to 26. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 company's circumstances, 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 the company's and group's affairs as at 31 January 2004 and the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh
30 July 2004

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2004

	Notes	2004 Group £'000	2004 Interests in joint ventures £'000	2004 Total £'000	2003 Group £'000	2003 Interests in joint ventures £'000	2003 Total £'000
TURNOVER	1	28,792	-	**28,792**	69,581	-	**69,581**
Cost of sales		(17,317)	-	**(17,317)**	(48,980)	-	**(48,980)**
GROSS PROFIT		11,475	-	**11,475**	20,601	-	**20,601**
Other operating expenses	2	(10,421)	(276)	**(10,697)**	(3,609)	10	**(3,599)**
OPERATING PROFIT/(LOSS)		*1,054*	*(276)*	**778**	*16,992*	*10*	**17,002**
Gain on sale of subsidiary	11	6,765	-	**6,765**	-	-	-
Gain on sale of investment in subsidiary	11	11,022	-	**11,022**	-	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST & TAXATION		18,841	(276)	**18,565**	16,992	10	**17,002**
Investment income	3	77	-	**77**	5	6	**11**
Interest payable and similar charges	4	(5,474)	-	**(5,474)**	(5,793)	(91)	**(5,884)**
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	13,444	(276)	**13,168**	11,204	(75)	**11,129**
Tax on profit/(loss) on ordinary activities	7	(4,191)	119	**(4,072)**	(2,962)	72	**(2,890)**
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		9,253	(157)	**9,096**	8,242	(3)	**8,239**
Minority interests	19			**(821)**			**(1,935)**
PROFIT FOR THE FINANCIAL YEAR				**8,275**			**6,304**
Dividends paid and proposed	8			**(1,530)**			**(1,530)**
PROFIT TRANSFERRED TO RESERVES				**6,745**			**4,774**

The current year and prior year results relate wholly to continuing operations.
The reported profit/(loss) on ordinary activities before taxation equates to the historical cost profit/(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 STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 JANUARY 2004

	Notes		2004 £'000		2003 £'000
Profit for the financial year		£	8,275	£	6,304
Unrealised surplus on revaluation of investment properties	11		1,101		-
		£	9,376	£	6,304

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET – 31 JANUARY 2004

	Notes	2004 £'000	2003 £'000
FIXED ASSETS			
Goodwill	9	165	168
Tangible assets	10	158,324	106,752
Investments	11	3,471	1,118
		161,960	108,038
CURRENT ASSETS			
Stocks	12	286	915
Debtors	13	24,545	14,745
Cash at bank and in hand		2	18,133
		24,833	33,793
CREDITORS: Amounts falling due within one year	14	(60,451)	(33,391)
NET CURRENT (LIABILITIES)/ASSETS		(35,618)	402
TOTAL ASSETS LESS CURRENT LIABILITIES		126,342	108,440
CREDITORS: Amounts falling due after more than one year	15	(88,517)	(80,055)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(559)	(630)
NET ASSETS		37,266	27,755
CAPITAL AND RESERVES			
Called-up share capital	17	9,968	9,968
Revaluation reserve	18	2,019	918
Profit and loss account	18	19,000	10,620
SHAREHOLDERS' FUNDS	20	30,987	21,506
Minority interests	19	6,279	6,249
TOTAL CAPITAL EMPLOYED		37,266	27,755
Shareholders' funds may be analysed as:			
Equity interests		21,159	11,678
Non-equity interests		9,828	9,828
		30,987	21,506

APPROVED AND SIGNED ON BEHALF OF THE BOARD ON 30 JULY 2004

D E Murray) Director
)
I B Tudhope) Director

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

THE PREMIER PROPERTY GROUP LIMITED

BALANCE SHEET - 31 JANUARY 2004

	Notes	2004	2003
		£'000	£'000
FIXED ASSETS			
Tangible assets	10	866	948
Investments	11	17,083	9,962
		17,949	10,910
CURRENT ASSETS			
Debtors	13	19,616	16,006
Cash at bank and in hand		14,806	1
		34,422	16,007
CREDITORS: Amounts falling due within one year	14	(25,125)	(10,393)
NET CURRENT ASSETS		9,297	5,614
TOTAL ASSETS LESS CURRENT LIABILITIES		27,246	16,524
CREDITORS: Amounts falling due after more than one year	15	(2,580)	(2,662)
NET ASSETS		24,666	13,862
CAPITAL AND RESERVES			
Called-up share capital	17	9,968	9,968
Profit and loss account	18	14,698	3,894
SHAREHOLDERS' FUNDS	20	24,666	13,862
Shareholders' funds may be analysed as:			
Equity interests		14,838	4,034
Non-equity interests		9,828	9,828
		24,666	13,862

APPROVED AND SIGNED ON BEHALF OF THE BOARD ON 30 JULY 2004

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 31 JANUARY 2004

	Notes	2004	2003
		£'000	£'000
Cash (outflow)/inflow from operating activities	21(a)	(11,306)	6,422
Returns on investments and servicing of finance	21(b)	(8,556)	(8,053)
Taxation	21(c)	(476)	(405)
Capital expenditure and financial investment	21(d)	(49,328)	36,128
Acquisitions and disposals	21(e)	21,602	-
Cash (outflow)/inflow before financing		(48,064)	34,092
Financing	21(f)	8,131	(18,565)
(Decrease)/increase in cash in the year		(39,933)	15,527

Reconciliation of net cash (outflow)/inflow to movement in net debt

		2004	2003
		£'000	£'000
(Decrease)/increase in cash in the year		(39,933)	15,527
Cash (outflow)/inflow from net debt financing		(8,131)	18,565
Change in net debt resulting from cash flows		(48,064)	34,092
Net debt at start of year		(80,595)	(114,687)
Net debt at end of year	21(g)	(128,659)	(80,595)

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

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, unless otherwise stated, have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

As provided by s.230 of the Companies Act 1985, no profit and loss account is presented for The Premier Property Group Limited. The company's profit for the financial year, determined in accordance with the Act, was £12,334,230 (2003 – £5,880,448).

(b) Basis of consolidation

The consolidated financial statements include the results of The Premier Property Group Limited and all of its subsidiary undertakings drawn up to 31 January 2004.

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 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 project - specific joint ventures is not amortised and is subject to annual impairment reviews. Provision is made for any impairment.

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. Only dividends received and receivable are credited to the company's profit and loss account.

(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 statutory accounting rules, 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. 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. 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 their likely date of realisation. The proceeds and costs on disposal of such properties are reflected in turnover and cost of sales respectively.

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:

Leasehold land and buildings	-	over the lease term
Plant, equipment and vehicles	-	5 years (20% per annum)
Computer equipment	-	4 years (25% per annum)

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

(f) 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.

STATEMENT OF ACCOUNTING POLICIES (continued)

(g) Taxation

Current tax, including UK corporation tax and foreign 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's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

Deferred tax is not recognised when fixed assets are 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.

(h) Turnover

Group turnover includes rental and fee income, the sale of investment and development properties and income from the operation of leisure activities (excluding VAT and intra-group transactions). Turnover was generated wholly within the United Kingdom.

(i) Pensions

The company 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 actuarial valuation was at 1 October 2001.

The pension charge for the year is disclosed in Note 6. Further details on the schemes operated by MIH are contained in that company's financial statements.

(j) Leases

Assets held under hire purchase agreements, 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 hire purchase 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.

(k) Stocks

Stocks are stated at the lower of cost and net realisable value, cost is computed on the first in first out basis. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

(l) Long term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provisions for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

NOTES TO THE FINANCIAL STATEMENTS

1. TURNOVER:

Segmental information:

	2004 £'000	2003 £'000
Property development and investment	28,792	69,581

All turnover was sourced and derived from the United Kingdom during the year. Included within turnover is £8,670,661 (2003 - £9,111,887) relating to rental income. The remaining turnover represents net sale proceeds from the disposal of investment and development properties, fee income and the operation of leisure activities.

2. OTHER OPERATING EXPENSES:

Other operating expenses comprise:

	2004 £'000	2003 £'000
Administrative expenses	10,421	3,609

3. INVESTMENT INCOME:

The following is included in investment income:

	2004 £'000	2003 £'000
Interest receivable	77	5

4. INTEREST PAYABLE AND SIMILAR CHARGES:

The following are included in interest payable and similar charges:

	2004 £'000	2003 £'000
On bank loans and overdrafts	5,424	5,796
All other lenders:		
- on loan notes 1998/2005	-	13
- on loan notes 1999/2005	-	13
- on loan notes 1999/2006	7	18
- on loan notes 2000/2009	240	240
- other interest	76	6
	5,747	6,086
Less: capitalised on development properties	(273)	(283)
added to the cost of long-term contracts	-	(10)
	5,474	5,793

Interest is based on normal commercial rates. The cumulative interest capitalised is shown in Note 10.

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

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

	2004 £'000	2003 £'000
Auditors' remuneration for audit services	30	27
Auditors' remuneration for non-audit services	5	-
Depreciation and amounts written off tangible fixed assets:		
- owned	89	89
- held under hire purchase agreements	28	32
Amortisation of goodwill	8	20
Goodwill reversal on disposal of property interests	495	13
Management fee	4,500	-
Operating lease rentals		
- plant, equipment & vehicles	19	31
Loss on disposal of plant, equipment and vehicles	-	5

6. STAFF COSTS:

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

Employee costs during the year amounted to:	2004 £'000	2003 £'000
Wages and salaries	1,010	793
Contributions to remuneration trust	160	197
Social security costs	106	82
Other pension costs	65	48
	1,341	1,120

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

	2004 Number	2003 Number
Administration	26	26

Directors' remuneration:

The remuneration of the directors was as follows:	2004 £'000	2003 £'000
Emoluments	218	202
Fees paid to third parties in respect of directors' services	41	37
	259	239

The aggregate emoluments of the highest paid director during the year were £129,579 (2003 - £119,946).

Directors' pensions:

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

	2004 Number	2003 Number
Defined benefit schemes	3	3

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 the group. 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 for the year to 31 January 2004 were £64,665. The agreed contribution rate to 30 September 2003 was 9.75%. With effect from 1 October 2003 the rate was increased to 10%.

A valuation of the scheme at 1 October 2001 indicated that the scheme was adequately funded.

The highest paid director had accrued entitlements under a defined benefit scheme of £30,793 at 31 January 2004 (2003 - £17,914).

D E Murray and I B Tudhope were remunerated by a fellow subsidiary undertaking. J R Davies was remunerated partly by the company and partly by fellow subsidiary undertakings.

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.

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

The tax charge comprises:

	2004	2003
	£'000	£'000
Current tax		
UK Corporation tax	4,254	2,999
Adjustment in respect of prior years	8	(26)
Total current tax	4,262	2,973
Deferred tax		
Origination and reversal of timing differences		
- current year	(71)	120
- prior year	-	(131)
Total deferred tax (see note 16)	(71)	(11)
Total tax on profit/(loss) on ordinary activities	4,191	2,962

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:

	2004	2003
	£'000	£'000
Profit on ordinary activities before tax	13,444	11,204
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2003 – 30%)	4,033	3,361
Effects of:		
Non-taxable income	(7,948)	(7,576)
Non-deductible expense	2,581	4,484
Capital gains	5,662	3,095
Utilisation of tax losses	(105)	(191)
Capital allowances in excess of depreciation	(291)	(224)
Adjustment in respect of prior year	8	(26)
Movement in unrecognised deferred tax asset	-	36
Short term timing differences	250	14
Adjustments for long accounting periods/acquisitions	72	-
	4,262	2,973

The company 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%.

8. DIVIDENDS PAID AND PROPOSED:

	2004	2003
	£'000	£'000
Non–equity shares:		
Preference dividend paid of 15.6p (2003 – 15.6p) per share	1,530	1,530

9. GOODWILL:

The movement in the year was as follows:

	£'000
COST:	
At 31 January 2003	256
Additions	165
Disposals	(256)
At 31 January 2004	165
AMORTISATION:	
At 31 January 2003	88
Charge for the year	8
Disposals	(96)
At 31 January 2004	-
NET BOOK VALUE:	
At 31 January 2004	165
At 31 January 2003	168

10. TANGIBLE FIXED ASSETS:

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

	Group 2004	Company 2004	Group 2003	Company 2003
	£'000	£'000	£'000	£'000
Investment properties	126,262	-	90,255	-
Freehold properties	704	704	689	726
Cost of development properties	29,809	-	14,192	-
Capitalised interest on development properties	1,365	-	1,370	-
Plant, equipment and vehicles	184	162	246	222
	158,324	866	106,752	948

10. TANGIBLE FIXED ASSETS (continued):

The movement in the year was as follows:

	Investment properties £'000	Freehold properties £'000	Cost of development properties £'000	Capitalised interest on development properties £'000	Plant, equipment and vehicles £'000	Total £'000
Group						
COST OR VALUATION:						
At 31 January 2003	90,255	800	14,192	1,370	462	107,079
Additions	76,858	1	29,996	273	52	107,180
Revaluations	1,101	-	-	-	-	1,101
Disposals	(45,893)	(191)	(10,398)	(132)	(135)	(56,749)
Transfers	3,941	186	(3,981)	(146)	-	-
At 31 January 2004	126,262	796	29,809	1,365	379	158,611
DEPRECIATION:						
At 31 January 2003	-	111	-	-	216	327
Charge for the year	-	29	-	-	88	117
Disposals	-	(48)	-	-	(109)	(157)
At 31 January 2004	-	92	-	-	195	287
NET BOOK VALUE:						
At 31 January 2004	126,262	704	29,809	1,365	184	158,324
At 31 January 2003	90,255	689	14,192	1,370	246	106,752

Freehold and leasehold investment properties were valued on an open market, existing-use basis, by the directors as at 31 January 2004. In accordance with SSAP19, the investment properties are not depreciated. It is not possible to quantify the depreciation which would otherwise have been charged.

The net book value of assets held under hire purchase agreements was £61,634 (2003 - £89,990).

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.

10. TANGIBLE FIXED ASSETS (continued):

The movement in the year was as follows:

	Freehold properties £'000	Plant, equipment and vehicles £'000	Total £'000
Company			
COST OR VALUATION:			
At 31 January 2003	810	393	1,203
Additions	-	13	13
At 31 January 2004	810	406	1,216
DEPRECIATION:			
At 31 January 2003	84	171	255
Charge for the year	22	73	95
At 31 January 2004	106	244	350
NET BOOK VALUE:			
At 31 January 2004	704	162	866
At 31 January 2003	726	222	948

The net book value of assets held under hire purchase agreements was £61,634 (2003 - £89,990).

11. FIXED ASSET INVESTMENTS:

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

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £,000
Investment in subsidiary undertakings	115	16,077	-	8,919
Investment in joint ventures	3,356	1,006	1,118	1,043
	3,471	17,083	1,118	9,962

The movement in the year was as follows:

	Group £'000	Company £'000
COST:		
At 31 January 2003	1,118	9,962
Additions	3,789	10,991
Disposals	(1,234)	(3,833)
Repayment of loan	(37)	(37)
Share of loss for the year	(165)	-
At 31 January 2004	3,471	17,083
NET BOOK VALUE:		
At 31 January 2004	3,471	17,083
At 31 January 2003	1,118	9,962

Principal subsidiary undertakings at 31 January 2004 were:

	Principal activity	Holding
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%
Take Two Developments Limited	Property 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%

11. FIXED ASSET INVESTMENTS (continued):

Principal subsidiary undertakings at 31 January 2004 (continued):

	Principal activity	Holding
Kingsgate (Dunfermline) Limited	Property investment and development	78.75%
PPG Metro Limited	Property investment and development	52.5%
PPG Metro Aberdeen Limited	Property investment and development	52.5%*†
PPG Metro Apex Limited	Property investment and development	52.5%*
PPG Metro (Charles II Street 1) Limited	Property investment and development	52.5%*†
PPG Metro (Charles II Street 2) 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%*

Principal joint venture undertakings at 31 January 2004 were:

	Principal activity	Holding
PPG (Lothian) Limited	Property investment and development	50%
Port Royal Golf Limited	Leisure	50%**
Premier Burrell Limited	Property development	50%*

Unless noted otherwise all companies are registered in Scotland.

*Held indirectly through subsidiary undertakings

**Held indirectly through joint venture undertakings

† Registered in England

11. FIXED ASSET INVESTMENTS (continued):

Sales and acquisitions of subsidiary undertakings:

(a) On 28 February 2003, the Group acquired 100% of the ordinary share capital of Teesmartin (Aberdeen) Limited. The company subsequently changed its name to PPG Metro Aberdeen Limited. The fair value of the net assets acquired was not materially different from book value. The net assets acquired and related purchase consideration are as follows:

	£'000
Tangible assets	7,000
Current assets	14
Current liabilities	(6,490)
Net assets acquired	524
Purchase consideration	524

The purchase consideration was satisfied by cash.

PPG Metro Aberdeen Limited's result after taxation for the period from 8 February 2002 to the date of acquisition was £212,202.

(b) On 10 July 2003 the company disposed of 25% of the ordinary share capital of PPG (Lothian) Limited for a total consideration of £12,500,000, giving rise to a profit on disposal of £11,022,462. The profit after tax of PPG (Lothian) Limited up to the date of disposal was £11,936 and for its last financial year was £2,681,011. Net assets on the date of disposal were £5,000,000.

(c) On 23 September 2003 the company acquired the remaining 50% of the ordinary share capital of Take Two Developments Limited. The fair value of the net liabilities acquired was not materially different from book value. The net liabilities acquired and related purchase consideration are as follows:

	£'000
Tangible assets	20,822
Current assets	284
Creditors due within one year	(21,340)
Net liabilities acquired	(234)
Goodwill on acquisition	904
Legal and professional fees incurred in connection with the purchase	(20)
Purchase consideration	650

The purchase consideration was satisfied by cash.

Net cash outflows in respect of the purchase were:

Cash consideration	(650)
Bank overdraft acquired	(20,953)
	(21,603)

Take Two Developments Limited's result for the year ended 29 March 2003 was a loss after taxation of £380,078. The loss after taxation for the period from 30 March 2003 to the date of acquisition was £440,980.

(d) On 12 December 2003 the company disposed of the whole of its interest, being 78.75%, in the share capital of PPG Kingsgate Limited for a total consideration of £10,316,920, giving rise to a profit on disposal of £6,764,570. On 28 January 2004 the company reacquired 78.75% of the ordinary share capital of PPG Kingsgate Limited which had changed its name to Kingsgate (Dunfermline) Limited in the intervening period. The fair value of the net assets acquired was not materially different from book value. The net assets acquired and related purchase consideration are as follows:

	£'000
Current assets	13,208
Creditors due within one year	(29)
Creditors due after more than one year	(282)
Net assets acquired	12,897
Minority interests acquired	(2,741)
Goodwill on acquisition	165
Purchase consideration	10,321

There was no net cash outflow in respect of the acquisition as the purchase consideration was settled by the assumption of a debt due to Kingsgate (Dunfermline) by the seller.

11. FIXED ASSET INVESTMENTS (continued):

Investments in the joint ventures comprise:

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Cost of investment	-	500	-	500
Share of net assets	2,254	-	95	-
Goodwill	596	-	480	-
Loans to joint ventures	506	506	543	543
	3,356	1,006	1,118	1,043

The loans are repayable upon the disposal of certain development properties.

The following information is given in respect of the group's share of all joint ventures:

	2004 £'000	2003 £'000
Fixed assets	3,960	508
Current assets	2,809	10,925
Liabilities due within one year	(2,645)	(10,757)
Liabilities due after more than one year	(1,745)	(585)

12. STOCKS:

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

	2004 £'000	2003 £'000
Group		
Consumables and goods held for resale	-	1
Long-term contract balances	286	914
	286	915
Long-term contract balances:		
Net cost less foreseeable losses	286	924
Less: applicable payments on account	-	(10)
	286	914

The company held no stocks at 31 January 2004 (2003 - £nil)

13. DEBTORS:

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

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Amounts falling due within one year:				
Trade debtors	1,360	19	691	14
Amounts recoverable on contracts	59	-	423	-
Amounts due from other group undertakings	2,567	3,314	3,180	3,090
Amounts due from associated undertakings	4,020	-	-	-
Other debtors	6,549	2,527	408	8
VAT	110	928	-	-
Prepayments and accrued income	52	-	215	66
	14,717	6,788	4,917	3,178
Amounts falling due after more than one year:				
Amounts due by other group undertakings	9,828	12,828	9,828	12,828
	24,545	19,616	14,745	16,006

Company:

Within amounts due by other group undertakings after more than one year is a balance of £3,000,000 which earns interest at a commercial rate and is repayable by 31 July 2009.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

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

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Trade creditors	1,751	12	1,116	23
Amounts due to other group undertakings	10,499	23,468	4,385	5,368
Obligations under hire purchase agreements	12	12	24	24
Bank overdrafts (secured)	44,062	-	22,479	4,270
Interest bearing loan notes 1999/2006 (Note 15)	70	70	70	70
Other taxes and social security	72	72	70	68
Other creditors	794	122	588	-
Corporation tax payable	41	-	536	-
VAT	-	-	46	22
Accruals and deferred income	3,150	1,369	4,077	548
	60,451	25,125	33,391	10,393

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 and/or fixed charges.

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.

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

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

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Bank loans (secured)	2,500	2,500	2,500	2,500
Term loans (secured)	69,025	-	60,700	-
Bank overdrafts	9,912	-	9,693	-
Interest bearing loan notes 1999/2006	80	80	150	150
Interest bearing loan notes 2000/2009	3,000	-	3,000	-
Obligations under hire purchase agreements	-	-	12	12
Deferred purchase consideration	4,000	-	4,000	-
	88,517	2,580	80,055	2,662

The bank loan of £2,500,000 at 31 January 2004 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 by 31 January 2009. It bears interest at normal commercial rates.

The term loan of £69,025,000 at 31 January 2004 are secured by bonds and floating charges over the assets of the relevant companies and by standard securities over certain properties. The loan is repayable by 31 July 2009 or earlier dependent on the disposal of certain investment properties. The loans bear interest at normal commercial rates.

The interest bearing loan notes 1999/2006 are secured by a bank guarantee and bear interest at a commercial rate. Of these loan notes £70,000 are repayable within one year and £80,000 are repayable within 2-5 years but in any event no later than 31 December 2006.

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

The deferred purchase consideration is in respect of the acquisition of an investment property made during a prior period. This outstanding consideration is not payable by the company before 23 November 2006 unless the current tenants vacate the property earlier in which case, the deferred payment becomes due. Payment may be deferred further, at the Group's option, subject to certain terms and conditions.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued):

Borrowings are repayable as follows:

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Bank loans				
Between two and five years	5,500	2,500	63,700	-
After five years	69,025	-	2,500	2,500
	74,525	2,500	66,200	2,500
Bank overdrafts				
Between one and two years	9,912	-	9,693	-
	9,912	-	9,693	-
Other loans				
Between one and two years	4,000	-	4,000	-
Between two and five years	80	80	150	150
	4,080	80	4,150	150
Hire purchase				
Between one and two years	-	-	12	12
	-	-	12	12
Total borrowings				
Between one and two years	13,912	-	13,705	12
Between two and five years	5,580	2,580	63,850	150
After five years	69,025	-	2,500	2,500
	88,517	2,580	80,055	2,662

The borrowings payable on demand or within one year are disclosed in Note 14.

Bank overdrafts are classified as being repayable between one and two years in accordance with the terms agreed with the group's bankers.

16. 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 2004 (2003 - £Nil).

	Group 2004 £'000	Group 2003 £'000
Deferred taxation	559	630

The movement on deferred tax during the year was:

	2004 £'000
At 31 January 2003	630
Charged to profit and loss account in respect of provision	(71)
At 31 January 2004	559

Included in debtors is a deferred tax asset of £43,490 (2003 – £39,341).

Deferred taxation provided as at 31 January 2003 and 31 January 2004 was:

	Amounts provided 2004 £'000	Amounts provided 2003 £'000
Accelerated capital allowances	595	284
Capital gains	-	346
Other timing differences	(15)	-
Losses carried forward	(21)	-
	559	630

17. CALLED-UP SHARE CAPITAL:

	2004 £'000	2003 £'000
Authorised:		
1,451,130 ordinary shares of 10p each - equity	145	140
9,828,027 cumulative redeemable preference ("CRP") shares of £1 each - non-equity	9,828	9,828
	9,973	9,968
Issued and fully paid:		
1,401,130 ordinary shares of 10p each - equity	140	140
9,828,027 cumulative redeemable preference ("CRP") shares of £1 each - non-equity	9,828	9,828
	9,968	9,968

17. CALLED-UP SHARE CAPITAL (continued):

On 3 May 2003, an option was granted over ordinary shares to A Glasgow, a director of the company. The option to subscribe for up to 14,153 ordinary shares at a price of £3.75 per share is exercisable on or after 31 January 2006 and expires on 2 May 2013.

On 8 July 2004, an option was granted over ordinary shares to I B Tudhope, a director of the company. The option to subscribe for up to 73,744 ordinary shares at a price of £12.20 per share is exercisable on or after 8 July 2004 and expires on 7 July 2014.

The amount of dividends accumulated over the period 22 November 1995 to 31 January 2004 was £3,060,032. On each of 15 January 2003 and 15 January 2004 the company paid a dividend of £1,530,016. Other than these dividends the CRP shares carry no further right to dividend. The CRP shares are to be redeemed on 31 December 2009 but may be redeemed earlier at the company's option.

18. RESERVES:

	Revaluation reserve £'000	Profit and loss account £'000
Group:		
Balance at 31 January 2003	918	10,620
Profit for the financial year	-	6,745
Goodwill reversal on disposals	-	495
Surplus on property valuations	1,101	-
Realisation of surplus on investment property	-	1,265
Movement on disposal of investment in subsidiary		25
Movement on disposal of subsidiary		(150)
Balance at 31 January 2004	2,019	19,000

In accordance with Financial Reporting Standard 10, the goodwill reserve and capital reserve created on consolidation have been transferred to the profit and loss account. The amount of positive goodwill written off against the group's reserves, net of goodwill relating to properties disposed of, is £243,795 (2003 - £738,383). The amount of negative goodwill added to reserves is £1,000 (2003 - £1,401,000).

	Profit and loss account £'000
Company:	
Balance at 31 January 2003	3,894
Profit transferred to reserves	10,804
Balance at 31 January 2004	14,698

19. MINORITY INTERESTS:

Equity minority interests:

	£'000
Balance at 31 January 2003	6,249
Share of profit on ordinary activities after taxation	821
Dividends paid or proposed	(1,518)
Reserve movements allocated to minority interests	686
Goodwill on acquisition	(44)
Goodwill reversal on disposal	85
Balance at 31 January 2004	6,279

20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS:

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Profit transferred to reserves	6,745	10,804	4,774	4,351
Goodwill reversal on disposals	495	-	13	-
Surplus on property revaluations	1,101	-	-	-
Realisation of surplus on investment property	1,265	-	-	-
Movement on disposal of investment in subsidiary	25	-	-	-
Movement on disposal of subsidiary	(150)	-	-	-
Net addition to shareholders' funds	9,481	10,804	4,787	4,351
Opening shareholders' funds	21,506	13,862	16,719	9,511
Closing shareholders' funds	30,987	24,666	21,506	13,862

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT:

(a) Reconciliation of operating profit to operating cash flows

	2004 £'000	2003 £'000
Operating profit	1,054	16,992
Depreciation charges	117	121
Write back of property impairment	-	(336)
Goodwill amortisation charges	-	20
Loss on disposal of plant, equipment and motor vehicles	-	5
Write back of goodwill on disposal of properties	495	13
Write back of goodwill on acquisition of subsidiary	904	-
Decrease/(increase) in stocks	629	(914)
Increase in debtors	(18,372)	(8,747)
Increase/(decrease) in creditors	3,867	(732)
Net cash inflow from operating activities	(11,306)	6,422

(b) Returns on investment and servicing of finance

	2004	2003
Interest received	225	3
Interest paid - bank interest	(5,733)	(6,276)
Dividends paid to minority interests	(1,518)	(250)
Dividends paid to shareholders	(1,530)	(1,530)
Net cash outflow	(8,556)	(8,053)

(c) Taxation

	2004	2003
UK corporation tax paid	(476)	(405)

(d) Capital expenditure and financial investment

	2004	2003
Purchase of tangible fixed assets	(107,180)	(9,856)
Other non-cash movement	1,175	-
Sale of tangible fixed assets	56,640	45,942
Loan repayment from joint venture undertaking	37	42
Net cash outflow	(49,328)	36,128

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

(e) Acquisitions and disposals

	2004 £'000	2003 £'000
Purchase of subsidiary undertaking	(524)	-
Purchase of associated undertaking	(670)	-
Sale of subsidiary undertakings	10,439	-
Sale of investment in subsidiary undertaking	12,357	-
	21,602	-

(f) Financing

	2004 £'000	2003 £'000
Repayment of secured loan	(37,450)	(17,750)
Repayment of interest bearing loan notes	(170)	(870)
New term loans	45,775	-
Repayment of hire purchase obligations	(24)	(45)
Loan from joint venture	-	100
Net cash inflow/(outflow)	8,131	(18,565)

(g) Analysis and reconciliation of net debt

	At 31 January 2003 £'000	Cashflow £'000	Acquisitions and disposals £'000	At 31 January 2004 £'000
Cash at bank and in hand	18,133	(18,131)	-	2
Bank overdrafts within 1 year	(22,479)	(630)	(20,953)	(44,062)
Bank overdrafts after 1 year	(9,693)	(219)	-	(9,912)
	(14,039)	(18,980)	(20,953)	(53,972)
Debt due after 1 year	(66,350)	(8,255)	-	(74,605)
Debt due within 1 year	(170)	100	-	(70)
Hire purchase obligations	(36)	24	-	(12)
Total	(80,595)	(27,111)	(20,953)	(128,659)

22. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments

Capital commitments contracted for, but not provided for at 31 January 2004 totalled £4,243,934 (2003 - £3,266,833).

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 2004 amounts to £137,626,204 (2003 - £94,911,091).

The company has given a guarantee of £6,000,000 to Bank of Scotland in respect of one of its subsidiaries.

c) VAT

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

d) Operating lease commitments

Annual commitments under non-cancellable operating leases for the group and company are as follows:

	Vehicles 2004 £'000	Vehicles 2003 £'000
Group		
Expiry within one year	12	24
Expiry within two to five years	-	12
	12	36

	Vehicles 2004 £'000	Vehicles 2003 £'000
Company		
Expiry within two to five years	-	12

23. RELATED PARTY TRANSACTIONS:

The amounts due to and from other group undertakings at 31 January 2004 are shown in Notes 13 and 14.

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with fellow group undertakings whose financial statements are consolidated herein.

24. ULTIMATE HOLDING COMPANY:

The ultimate holding company is Murray International Holdings Limited, which is registered in Scotland.

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

25. ULTIMATE CONTROL:

D E Murray, a director of the ultimate holding company (Note 24), and members of his close family control the group and the company as a result of controlling directly or indirectly 82% of the issued share capital of the ultimate holding company.

26. POST BALANCE SHEET EVENTS:

Subsequent to the year end, the group entered into the following transactions:

- the disposal of development properties for a total consideration of £1,887,000;
- the purchase of development properties for a total consideration of £36,700,000;
- the purchase of an investment property for a total consideration of £3,560,000;
- the purchase of land for a total consideration of £1,700,000.
- the purchase of Glenbrook Limited for a consideration of £100.