


THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2000
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS
REGISTERED NUMBER: SC139902



THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2000

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 2000.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

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

RESULTS AND DIVIDENDS:

Results for the year were as follows:

Accumulated deficit at 31 January 1999	£ (2,747,535)
Profit for the financial year	1,980,375
Goodwill reversal on disposal of property interests	961,325
Realisation of revaluation surplus on disposal of investment property	988,193
Retained profit at 31 January 2000	<u>£ 1,182,358</u>

No dividends were proposed or paid in respect of the year (31 January 1999 - £Nil).

DIRECTORS AND THEIR INTERESTS:

The directors who held office during the year were:

D E Murray
I B Tudhope
J R Davies
A Glasgow (appointed 31 May 1999)
A M M Grossart
J MacDonald (resigned 31 January 2000)

DIRECTORS AND THEIR INTERESTS:

At 31 January 2000 none of the directors had any interest in the share capital of the company. 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 2000

SUPPLIER PAYMENT POLICY

The company's policy, which is also applied to the group, is to settle the terms of payments 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:

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

AUDITORS:

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

9 Charlotte Square
Edinburgh
EH2 4DR

BY ORDER OF THE BOARD



S Tahir
Secretary

3 October 2000

ARTHUR ANDERSEN

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

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

We have audited the financial statements on pages 4 to 26 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 9 to 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS:

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

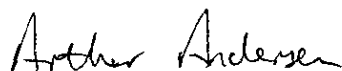
BASIS OF OPINION:

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

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

OPINION:

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 January 2000 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ARTHUR ANDERSEN

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

3 October 2000

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</u> (9 months)
TURNOVER	1	£ 21,175,964	£ 18,924,083
Cost of sales		(16,571,361)	(11,684,068)
Exceptional items	2	2,330,541	-
		<hr/>	<hr/>
GROSS PROFIT		6,935,144	7,240,015
Other operating expenses (net)	3	(1,877,328)	(1,330,289)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		5,057,816	5,909,726
Investment income	4	7,953	4,125
Interest payable and similar charges	5	(628,221)	(701,194)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	4,437,548	5,212,657
Tax on profit on ordinary activities	8	(2,469,794)	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,967,754	5,212,657
Minority interests	18	12,621	(1,091,800)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL PERIOD		£ 1,980,375	£ 4,120,857
		<hr/> <hr/>	<hr/> <hr/>

The current year results relate wholly to continuing operations.

The reported profit on ordinary activities before taxation equates to the historical cost profit 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 2000

	<u>2000</u>	<u>1999</u> (9 months)
Profit for the financial period	£ 1,980,375	£ 4,120,857
Unrealised surplus on revaluation of properties	-	250,000
	<hr/>	<hr/>
Total gains and losses recognised since previous financial statements	£ 1,980,375	£ 4,370,857
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - 31 JANUARY 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
FIXED ASSETS			
Goodwill	9	£ 228,725	£ 249,065
Tangible assets	10	18,027,064	25,387,838
Investments	11	2,972,297	-
		<u>£ 21,228,086</u>	<u>£ 25,636,903</u>
CURRENT ASSETS			
Stocks	12	2,570	4,000
Debtors	13	448,306	846,826
Cash at bank and in hand		-	2,537,935
		<u>450,876</u>	<u>3,388,761</u>
CREDITORS: Amounts falling due within one year	14	<u>(4,324,394)</u>	<u>(5,526,822)</u>
NET CURRENT LIABILITIES		<u>(3,873,518)</u>	<u>(2,138,061)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>17,354,568</u>	<u>23,498,842</u>
CREDITORS: Amounts falling due after more than one year	15	<u>(3,826,647)</u>	<u>(12,900,000)</u>
NET ASSETS		<u>£ 13,527,921</u>	<u>£ 10,598,842</u>
CAPITAL AND RESERVES			
Called-up share capital	16	£ 9,968,140	£ 9,968,140
Revaluation reserve	17	568,480	1,556,673
Profit and loss account	17	1,182,358	(2,747,535)
SHAREHOLDERS' FUNDS	19	<u>11,718,978</u>	<u>8,777,278</u>
Minority interests	18	<u>1,808,943</u>	<u>1,821,564</u>
TOTAL CAPITAL EMPLOYED		<u>£ 13,527,921</u>	<u>£ 10,598,842</u>
Shareholders' funds may be analysed as:			
Equity interests		£ 1,890,951	£ (1,050,749)
Non-equity interests		9,828,027	9,828,027
		<u>£ 11,718,978</u>	<u>£ 8,777,278</u>

APPROVED AND SIGNED ON BEHALF OF THE BOARD ON 3 October 2000

D E Murray)
) Directors
 I B Tudhope)

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

THE PREMIER PROPERTY GROUP LIMITED

BALANCE SHEET - 31 JANUARY 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
FIXED ASSETS			
Tangible assets	10	£ 2,853,475	£ 13,291,581
Investments	11	6,866,022	5,904,029
		<u>9,719,497</u>	<u>19,195,610</u>
CURRENT ASSETS			
Debtors	13	306,343	3,645,138
Cash at bank and in hand		6,308,133	-
		<u>6,614,476</u>	<u>3,645,138</u>
CREDITORS: Amounts falling due within one year	14	(5,780,413)	(4,036,572)
NET CURRENT ASSETS/(LIABILITIES)		<u>834,063</u>	<u>(391,434)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,553,560</u>	<u>18,804,176</u>
CREDITORS: Amounts falling due after more than one year	15	(3,015,467)	(12,500,000)
NET ASSETS		<u>£ 7,538,093</u>	<u>£ 6,304,176</u>
CAPITAL AND RESERVES			
Called-up share capital	16	£ 9,968,140	£ 9,968,140
Revaluation reserve	17	678	988,871
Profit and loss account	17	(2,430,725)	(4,652,835)
TOTAL CAPITAL EMPLOYED	19	<u>£ 7,538,093</u>	<u>£ 6,304,176</u>
Shareholders' funds may be analysed as:			
Equity interests		£ (2,289,934)	£ (3,523,851)
Non-equity interests		9,828,027	9,828,027
		<u>£ 7,538,093</u>	<u>£ 6,304,176</u>

APPROVED AND SIGNED ON BEHALF OF THE BOARD ON 3 October 2000

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 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
			(9 months)
Cash inflow from operating activities	20(a)	£ 19,469,496	£ 13,507,805
Returns on investments and servicing of finance	20(b)	(1,446,496)	(1,268,259)
Taxation		(865,752)	-
Capital expenditure and financial investment	20(c)	(11,971,851)	(105,986)
Acquisitions and disposals	20(d)	-	(388,195)
		<hr/>	<hr/>
Cash inflow before financing		5,185,397	11,745,365
Financing	20(e)	(9,125,786)	(7,430,072)
		<hr/>	<hr/>
(Decrease) increase in cash in the period		£ (3,940,389)	£ 4,315,293
		<hr/>	<hr/>
Reconciliation of net cash (outflow) inflow to movement in net debt		<u>2000</u>	<u>1999</u>
			(9 months)
(Decrease) increase in cash in the period		£ (3,940,389)	£ 4,315,293
Cash flow from financing		9,125,786	7,430,072
		<hr/>	<hr/>
Change in net debt resulting from cash flows		5,185,397	11,745,365
New hire purchase agreements		(60,816)	-
		<hr/>	<hr/>
Movement in net debt in the period		5,124,581	11,745,365
Net debt at start of year		(10,456,923)	(22,202,288)
		<hr/>	<hr/>
Net debt at end of year	20(f)	£ (5,332,342)	£ (10,456,923)
		<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 - 31 JANUARY 2000

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

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

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 period, determined in accordance with the Act, was £1,233,917 (1999 - £1,675,494).

(b) Basis of consolidation

The consolidated accounts include the results of The Premier Property Group Limited and all of its subsidiary undertakings made up to 31 January 2000.

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 of acquisition and up to the date of disposal respectively.

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired) is capitalised and amortised over an appropriate period depending upon the circumstances of the acquired company, but not greater than twenty years. 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.

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

(c) Tangible fixed assets

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

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

STATEMENT OF ACCOUNTING POLICIES (continued)

(c) Tangible fixed assets (continued)

Properties held for long term rental to other group undertakings are classified within tangible fixed assets. These properties have the characteristics of investment properties and are revalued annually and the revaluation surplus or deficit is treated in the same way as for investment properties. No depreciation is provided on these properties, which have a useful economic life exceeding 100 years. It is the group's policy to maintain the properties in such a condition that the value of the properties is not impaired by the passage of time. As a consequence, any element of depreciation would, in the opinion of the directors, be immaterial. Provision is made for any impairment.

Development properties are those properties in respect of which construction and development have not been completed at the balance sheet date, and are reflected at cost, including an allocation of overheads and interest charges on external borrowings which are related to the properties, where recoverability is reasonably certain. Interest is capitalised from the point at which development sites or properties are acquired except where there is a substantial delay between acquisition and commencement of physical construction, when capitalisation will commence at the latter point. Profit is accrued on a conservative basis as developments proceed where the realisation of profit is reasonably certain. In the opinion of the directors, the residual value of those development properties currently being operated for business purposes is sufficient to eliminate the requirement for depreciation. Provisions are made against the carrying value of development properties when the directors consider book value to exceed recoverable value. The directors consider that these policies are necessary to provide a true and fair view.

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.

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

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

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

(d) Associates and joint ventures

In the group accounts, 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' profits less losses, while the group's share of the net assets of the associates is shown in the consolidated balance sheet.

(e) Taxation

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

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

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

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

STATEMENT OF ACCOUNTING POLICIES (continued)

(f) Turnover

Group turnover includes rental and fee income, the sale of properties and income from the operation of leisure activities (excluding VAT and intra-group transactions).

(g) 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 valuation was at 1 October 1998. At 31 January 2000, the scheme was considered to be adequately funded.

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

(h) 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 their useful lives. 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.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

1. TURNOVER:

Segmental information:

	<u>2000</u>	<u>1999</u> (9 months)
Property development and investment	£21,175,964	£18,924,083
	<hr/>	<hr/>

All turnover was sourced and derived from the United Kingdom during the period.

2. EXCEPTIONAL ITEMS:

	<u>2000</u>	<u>1999</u> (9 months)
Release of dilapidation provisions on disposal of property interests	£ 3,530,541	£ -
Provision for impairment of property interest	(1,200,000)	-
	<hr/>	<hr/>
	£ 2,330,541	£ -
	<hr/>	<hr/>

3. OTHER OPERATING EXPENSES (NET):

Other operating expenses (net) comprise:

	<u>2000</u>	<u>1999</u> (9 months)
Administrative expenses	£ 1,877,328	£ 1,330,289
	<hr/>	<hr/>

4. INVESTMENT INCOME:

The following is included in investment income:

	<u>2000</u>	<u>1999</u> (9 months)
Other interest receivable	£ 7,953	£ 4,125
	<hr/>	<hr/>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES:

The following are included in interest payable and similar charges:

	<u>2000</u>	<u>1999</u> (9 months)
On bank loans and overdrafts	£ 814,035	£ 684,976
All other lenders:		
- on loan notes 1995/2002	-	61,169
- on 10.5% unsecured loan stock	8,925	6,714
- other interest	1,544	855
	<hr/> 824,504	<hr/> 753,714
Less: capitalised on development properties	(196,283)	(52,520)
	<hr/> £ 628,221	<hr/> £ 701,194
	<hr/> <hr/>	<hr/> <hr/>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

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

	<u>2000</u>	<u>1999</u> (9 months)
Auditors' remuneration for audit services	£ 21,100	£ 17,000
Auditor's remuneration for other services	3,295	-
Depreciation and amounts written off:		
- owned tangible fixed assets	37,959	10,779
- held under hire purchase agreements	14,515	-
Amortisation of goodwill	20,340	6,777
Goodwill reversal on disposal of property interests	961,325	410,821
Hire of plant, equipment and vehicles	34,916	20,154
	<hr/> £ 1,033,450	<hr/> £ 465,936
	<hr/> <hr/>	<hr/> <hr/>

7. STAFF COSTS:

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

Employee costs during the year amounted to:

	<u>2000</u>	<u>1999</u> (9 months)
Wages and salaries	£ 745,249	£ 385,615
Social security	85,460	37,561
Other pension costs	80,760	37,924
	<hr/> £ 911,469	<hr/> £ 461,100
	<hr/> <hr/>	<hr/> <hr/>

During the year £14,425 of employee costs were capitalised in respect of properties under development (1999 - £16,037).

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. STAFF COSTS (continued)

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

	<u>2000</u> <u>Number</u>	<u>1999</u> <u>Number</u> (9 months)
Administration	24	14

Directors' remuneration:

The remuneration of the directors was as follows:

	<u>2000</u>	<u>1999</u> (9 months)
Emoluments	£ 347,368	£ 204,119
Company contributions to money purchase pension schemes	37,713	20,976
	<u>385,081</u>	<u>225,095</u>
Fees paid to third parties in respect of directors' services	21,535	19,000
	<u>£ 406,616</u>	<u>£ 244,095</u>

The aggregate emoluments of the highest paid director during the year were £163,658 (1999 - £109,324).

Contributions to money purchase pension schemes in respect of the highest paid director were £37,713 (1999 - £20,976).

Pensions

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

	<u>2000</u> <u>Number</u>	<u>1999</u> <u>Number</u> (9 months)
Money purchase schemes	1	1
Defined benefit schemes	4	2
	<u>5</u>	<u>3</u>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax charge is based on the profit for the period and comprises:

	<u>2000</u>	<u>1999</u> (9 months)
Corporation tax at 30%	£2,469,794	£ -
	<u> </u>	<u> </u>

9. GOODWILL:

The movement in the year was:

COST:

At 31 January 1999 and
31 January 2000

£ 255,842

DEPRECIATION:

At 31 January 1999
Charge for the year

£ 6,777
20,340

At 31 January 2000

£ 27,117

NET BOOK VALUE:

At 31 January 1999

£ 249,065

At 31 January 2000

£ 228,725

10. TANGIBLE FIXED ASSETS:

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

	<u>Group</u> <u>2000</u>	<u>Group</u> <u>1999</u>	<u>Company</u> <u>2000</u>	<u>Company</u> <u>1999</u>
Investment properties	£ 3,382,397	£ 9,188,641	£ -	£ 2,018,071
Freehold properties	2,528,043	11,034,279	2,731,211	11,235,907
Cost of development properties	11,650,385	5,015,340	-	-
Capitalised interest on development properties	292,111	95,828	-	-
Plant, equipment and vehicles	174,128	53,750	122,264	37,603
	<u>£ 18,027,064</u>	<u>£ 25,387,838</u>	<u>£ 2,853,475</u>	<u>£ 13,291,581</u>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TANGIBLE FIXED ASSETS (continued):

Group:

The movement in the year was as follows:

	<u>Investment properties</u>	<u>Freehold properties</u>	<u>Cost of development properties</u>	<u>Capitalised interest on development properties</u>	<u>Plant, equipment and vehicles</u>	<u>Total</u>
COST:						
At 31 January 1999	£ 9,188,641	£ 11,035,049	£ 5,015,340	£ 95,828	£ 82,779	£ 25,417,637
Additions	965,535	1,224,991	6,516,975	196,283	156,586	9,060,370
Disposals	(6,653,709)	(8,512,624)	-	-	(2,337)	(15,168,670)
Provision for impairment	-	(1,200,000)	-	-	-	(1,200,000)
Transfer	(118,070)	-	118,070	-	-	-
 At 31 January 2000	 £ 3,382,397	 £ 2,547,416	 £ 11,650,385	 £ 292,111	 £ 237,028	 £ 18,109,337
DEPRECIATION:						
At 31 January 1999	£ -	£ 770	£ -	£ -	£ 29,029	£ 29,799
Charge for the year	-	18,603	-	-	33,871	52,474
 At 31 January 2000	 £ -	 £ 19,373	 £ -	 £ -	 £ 62,900	 £ 82,273
NET BOOK VALUE:						
At 31 January 1999	£ 9,188,641	£ 11,034,279	£ 5,015,340	£ 95,828	£ 53,750	£ 25,387,838
 At 31 January 2000	 £ 3,382,397	 £ 2,528,043	 £ 11,650,385	 £ 292,111	 £ 174,128	 £ 18,027,064

Investment properties, which are all freehold, and freehold properties were valued on an open-market existing-use basis, by the directors as at 31 January 2000. 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 £66,565 (1999 - £37,003).

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TANGIBLE FIXED ASSETS (continued):

Company:

The movement in the year was as follows:

	<u>Investment properties</u>	<u>Freehold properties</u>	<u>Plant, equipment and vehicles</u>	<u>Total</u>
COST:				
At 31 January 1999	£ 2,018,071	£11,235,907	£ 65,608	£ 13,319,586
Additions	-	5,124,991	112,521	5,237,512
Disposals	(2,018,071)	(12,412,624)	(2,337)	(14,433,032)
Provision for impairment	-	(1,200,000)	-	(1,200,000)
At 31 January 2000	£ -	£ 2,748,274	£ 175,792	£ 2,924,066
DEPRECIATION:				
At 31 January 1999	£ -	£ -	£ 28,005	£ 28,005
Charges for the year	-	17,063	25,523	42,586
At 31 January 2000	£ -	£ 17,063	£ 53,528	£ 70,591
NET BOOK VALUE:				
At 31 January 1999	£ 2,018,071	£11,235,907	£ 37,603	£ 13,291,581
NET BOOK VALUE:				
At 31 January 2000	£ -	£ 2,731,211	£ 122,264	£ 2,853,475

Investment properties, which are all freehold, and freehold properties were valued on an open-market existing use basis, by the directors as at 31 January 2000.

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.

The net book value of assets held under hire purchase agreements was £41,870 (1999 - £37,003).

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. **FIXED ASSET INVESTMENTS:**

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

	<u>2000</u>		<u>1999</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
Investment in subsidiary undertakings	£ -	£ 5,904,030	£ -	£5,904,029
Investment in joint ventures	2,972,297	961,992	-	-
	<u>£ 2,972,297</u>	<u>£ 6,866,022</u>	<u>£ -</u>	<u>£5,904,029</u>

The movement in the year was as follows:

	<u>Group</u>	<u>Company</u>
COST:		
At 31 January 1999	£ -	£ 6,044,140
Addition	2,972,297	961,993
At 31 January 2000	<u>2,972,297</u>	<u>7,006,133</u>
AMOUNTS WRITTEN OFF:		
At 31 January 1999 and 31 January 2000	£ -	£ (140,111)
NET BOOK VALUE:		
At 31 January 1999	£ -	£ 5,904,029
At 31 January 2000	<u>£ 2,972,297</u>	<u>£ 6,866,022</u>

The subsidiary undertakings at 31 January 2000 were:

	<u>Country of registration</u>	<u>Principal activity holding</u>	<u>Percentage</u>
MIM Properties Limited	Scotland	Property investment and development	100%
PPG (Edinburgh) Limited	Scotland	Property investment and development	100%
PPG (Lothian) Limited	Scotland	Property investment and development	75%
Hermiston Developments Limited	Scotland	Property investment and development	100%*
Keith David Hotels Limited	Scotland	Holding company	100%*
PPG (Baird Road) Limited	Scotland	Property investment	100%
PPG (City) Limited	Scotland	Property investment and development	100%
Port Royal Golf Limited	Scotland	Leisure	75%*
PPG Land Limited	Scotland	Property investment and development	100%

* Indirectly held through subsidiary undertakings.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. FIXED ASSET INVESTMENTS (continued):

The joint venture undertakings at 31 January 2000 were:

	<u>Country of registration</u>	<u>Principal activity</u>	<u>Percentage holding</u>
Haymarket Court Limited	Scotland	Property development	50%
Kilmartin PPG (Strand) Limited	Scotland	Property development	50%

The investments in the joint ventures comprise:

	<u>Group</u>	<u>Company</u>
Share of net assets	£ 510,305	£ 500,000
Loans to joint ventures	2,461,992	461,992
	<u>£2,972,297</u>	<u>£ 961,992</u>

The loans are repayable upon the disposal of development properties.

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

	<u>2000</u>	<u>1999</u>
Fixed assets	£5,491,226	£ -
Current assets	1,430	-
Current liabilities	(4,992,656)	-
	<u></u>	<u></u>

12. STOCKS

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

	<u>Group 2000</u>	<u>Group 1999</u>
Consumables and goods held for resale	£ 2,570	£ 4,000
	<u></u>	<u></u>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. DEBTORS

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

	<u>Group</u> <u>2000</u>	<u>Group</u> <u>1999</u>	<u>Company</u> <u>2000</u>	<u>Company</u> <u>1999</u>
Amounts falling due within one year:				
Trade debtors	£ 92,937	£ 196,344	£ -	£ 13,024
Amounts due by other group undertakings	40,956	-	33,204	3,188,244
Amounts due from related parties	-	-	12,691	-
Other debtors	14,318	14,391	14,318	13,960
VAT	71,276	242,275	71,276	242,275
Prepayments and accrued income	198,569	352,566	144,604	146,385
	<u>£ 418,056</u>	<u>£ 805,576</u>	<u>£ 276,093</u>	<u>£ 3,603,888</u>
Amounts falling due after more than one year:				
Other debtors	30,250	41,250	30,250	41,250
	<u>£ 448,306</u>	<u>£ 846,826</u>	<u>£ 306,343</u>	<u>£ 3,645,138</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

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

	<u>Group</u> <u>2000</u>	<u>Group</u> <u>1999</u>	<u>Company</u> <u>2000</u>	<u>Company</u> <u>1999</u>
Trade creditors	£ 532	£ 87,800	£ -	£ 82,295
Amounts due to other group undertakings	1,735,224	166,375	4,518,215	496,315
Amounts due to related parties	-	-	899,333	-
Obligations under hire purchase agreements	18,239	9,856	9,294	9,856
Bank overdrafts (secured)	1,402,454	-	-	3,014,704
Other taxes and social security	52,890	16,102	51,727	14,802
Other creditors	-	95,610	-	95,398
10.5% unsecured loan stock	85,002	85,002	-	-
VAT	53	166	-	-
Accruals and deferred income	1,030,000	4,440,911	301,844	323,202
Dividends payable to minorities	-	625,000	-	-
	<u>£ 4,324,394</u>	<u>£ 5,526,822</u>	<u>£ 5,780,413</u>	<u>£ 4,036,572</u>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

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

The 10.5% unsecured loan stock were redeemed on 1 June 2000.

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 <u>2000</u>	Group <u>1999</u>	Company <u>2000</u>	Company <u>1999</u>
Bank loans (secured)	£ 2,500,000	£ 12,500,000	£ 2,500,000	£ 12,500,000
Interest bearing loan notes 1998/2005	400,000	400,000	-	-
Interest bearing loan Notes 1999/2005	400,000	-	-	-
Interest bearing loan notes 1999/2006	500,000	-	500,000	-
Obligations under hire purchase agreements	26,647	-	15,467	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£ 3,826,647	£ 12,900,000	£ 3,015,467	£ 12,500,000
	<hr/>	<hr/>	<hr/>	<hr/>

The loan of £2,500,000 at 31 January 2000 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.

Subject to certain conditions being met all or part of the interest bearing loan notes 1998/2005 and 1999/2005 are repayable on or before, but in any event no later than, 13 October 2005. The loan notes bear interest at commercial rates subject to certain conditions regarding the profitability of a subsidiary undertaking being met.

The interest bearing loan notes 1998/2006 are secured by a bank guarantee and bear interest at the prevailing Bank of Scotland base interest rate. The loan note in part or in its entirety is repayable on demand by the loan note holder, but in any event no later than, 31 December 2006.

Obligations under hire purchase agreements payable after more than one year are repayable between two and five years.

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. CALLED-UP SHARE CAPITAL:

Authorised, issued and fully-paid:

	Company 2000	Company 1999
Equity:		
1,401,130 Ordinary shares of 10p each	£ 140,113	£ 140,113
Non-equity:		
9,828,027 Cumulative redeemable preference ("CRP") shares of £1 each	£ 9,828,027	£ 9,828,027

The CRP shares carry an entitlement to a cumulative preferential cash dividend at the rate per annum to provide the holders of the CRP shares the same after tax rate of return as would have been achieved if interest at 1.25% above Bank of Scotland base rate from time to time fluctuating therewith had been paid on a loan of the same amount as the nominal value of each CRP share. At 31 January 2000 the directors considered that due to the lack of sufficient distributable profits available to the company the possibility of such dividends becoming payable was low. On this basis no charge has been recorded in the profit and loss account for the year to 31 January 2000 for these dividends. In the event that sufficient distributable profits are earned in the future, a liability of £2,135,166 in respect of the dividends accumulated over the period 22 November 1995 to 31 January 2000 would then crystallise.

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

17. RESERVES:

	Revaluation <u>reserve</u>	Profit and loss <u>account</u>
Group:		
Balance at 31 January 1999	£ 1,556,673	£ (2,747,535)
Profit for the financial year	-	1,980,375
Goodwill reversal on disposal of property interests	-	961,325
Realisation of revaluation surplus on disposal of investment property	(988,193)	988,193
Balance at 31 January 2000	£ 568,480	£ 1,182,358

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 £1,108,252 (1999 - £2,069,577). The amount of negative goodwill added to reserves is £1,251,000 (1999 - £1,251,000).

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. RESERVES (continued):

	<u>Revaluation</u> <u>reserve</u>	<u>Profit and loss</u> <u>account</u>
Company:		
Balance at 31 January 1999	£ 988,871	£ (4,652,835)
Profit for the financial year	-	1,233,917
Realisation of revaluation surplus on disposal of investment property	(988,193)	988,193
	<hr/>	<hr/>
Balance at 31 January 2000	£ 678	£ (2,430,725)
	<hr/>	<hr/>

18. MINORITY INTERESTS

Equity minority interests:

Balance at 31 January 1999	£ 1,821,564
Retained loss for year	(12,621)
	<hr/>
Balance at 31 January 2000	£ 1,808,943
	<hr/>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS:

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Profit for the financial period	£ 1,980,375	£ 4,120,857	£ 1,233,917	£ 1,675,494
Surplus on property revaluation	-	250,000	-	-
Goodwill reversal on disposal of property interests	961,325	410,821	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	2,941,700	4,781,678	1,233,917	1,675,494
Opening shareholders' funds	8,777,278	3,995,600	6,304,176	4,628,682
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	£ 11,718,978	£ 8,777,278	£ 7,538,093	£ 6,304,176
	<hr/>	<hr/>	<hr/>	<hr/>

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>2000</u>	<u>1999</u> (9 months)
Operating profit	£ 5,057,816	£ 5,909,726
Depreciation charges	52,474	10,779
Amortisation charges	20,340	6,777
Gain on disposal of properties	-	(255,000)
Original cost of freehold and investment properties disposed of	15,168,670	-
Write back of goodwill on disposal of properties	961,325	410,821
Decrease in stocks	1,430	7,357,975
Decrease in debtors	335,551	370,947
Increase/(decrease) in creditors	202,431	(304,220)
Reversal of dilapidations provision	(3,530,541)	-
Provision for impairment of property interest	1,200,000	-
	<u>£ 19,469,496</u>	<u>£ 13,507,805</u>
 (b) Returns on investment and servicing of finance		
Interest paid - bank interest	£ (811,027)	£ (1,267,426)
- other interest	(10,469)	(833)
Dividends paid to minorities	(625,000)	-
Net cash outflow for returns on investment and servicing of finance	<u>£ (1,446,496)</u>	<u>£ (1,268,259)</u>
 (c) Capital expenditure and financial investment		
Purchase of tangible fixed assets	£ (8,999,554)	£ (1,860,986)
Sale of property interests	-	1,755,000
Investments in joint venture undertakings	(2,972,297)	-
Net cash outflow for capital expenditure and financial investment	<u>£(11,971,851)</u>	<u>£ (105,986)</u>
 (d) Acquisitions and disposals		
Purchase of subsidiary undertaking	£ -	£ (396,756)
Net cash acquired with subsidiary undertaking	-	8,561
Net cash outflow for acquisitions	<u>£ -</u>	<u>£ (388,195)</u>
 (e) Financing		
Repayment of secured loan	£(10,000,000)	£ (4,622,675)
Repayment on interest bearing loan notes	-	(3,207,397)
Issue of loan notes	900,000	400,000
Repayment of hire purchase obligations	(25,786)	-
Net cash outflow from financing	<u>£ (9,125,786)</u>	<u>£ (7,430,072)</u>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(f) Analysis and reconciliation of net debt

	At <u>31 January 1999</u>	<u>Cashflow</u>	Non-cash <u>movement</u>	At <u>31 January 2000</u>
Cash at bank and in hand	£ 2,537,935	£ (2,537,935)	£ -	£ -
Bank overdrafts	-	(1,402,454)	-	(1,402,454)
	<u>2,537,935</u>	<u>(3,940,389)</u>	<u>-</u>	<u>(1,402,454)</u>
Debt due within 1 year	(85,002)	-	-	(85,002)
Debt due after 1 year	(12,900,000)	9,100,000	-	(3,800,000)
Hire purchase obligations	(9,856)	25,786	(60,816)	(44,886)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	£ (10,456,923)	£ 5,185,397	£ (60,816)	£ (5,332,342)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

21. GUARANTEES, CONTINGENCIES AND FINANCIAL COMMITMENTS:

a) Capital commitments

Capital commitments contracted for, but not provided for at 31 January 2000 totalled £6,725,892 (1999 - £2,000,000).

b) Contingent liabilities

The company has guaranteed bank borrowings of the company, some of its subsidiary undertakings and fellow subsidiary undertakings by cross guarantees. The total contingency at 31 January 2000 amounts to £32,082,321 (1999 - £9,908,156).

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

	<u>2000</u>	<u>1999</u>
	Land & buildings	Land & buildings
Expiry after five years	£ 13,500	£11,500
	<u> </u>	<u> </u>

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. RELATED PARTY TRANSACTIONS

During the year the group leased property on an arms length basis to Murray Property Holdings Limited, a fellow subsidiary. Rentals of £1,409,323 (1999 - £1,089,375) were receivable during the year.

The company has taken advantage of the exemption available under FRS8 not to disclose transactions with fellow group undertakings whose financial statements are consolidated herein.

23. ULTIMATE HOLDING COMPANY:

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

The largest 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.

24. ULTIMATE CONTROL

Mr 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 TRANSACTIONS

Subsequent to the period end the following post balance sheet transactions occurred:

- The group disposed of certain freehold properties for approximately £1,650,000.
- The group acquired certain freehold and leasehold properties for a consideration of approximately £64,000,000. Dependent on certain conditions being met, the group has further commitments to acquire certain additional properties for approximately £8,000,0000. The acquisition has been financed by a separate banking facility.