

THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

ACCOUNTS FOR THE PERIOD ENDED 30 APRIL 1996

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

REGISTERED NUMBER: 139902

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**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**DIRECTORS' REPORT**

**FOR THE PERIOD ENDED 30 APRIL 1996**

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

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW:**

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

On 22 November 1995 arrangements were completed for a reorganisation of the group's property interests. This involved the transfer between group companies of investments in certain subsidiary undertakings and property interests.

From cash generated by the reorganisation, The Premier Property Group Limited ("the company") acquired the share capital of PPG (Baird Road) Limited (formerly Mimtec (Baird Road) Limited) from Murray STM Limited, a subsidiary of Murray International Holdings Limited ("MIH"), and a related party.

Pursuant to these arrangements the company repaid loan principal and accrued interest due to Murray Group Management Limited ("MGM"), a subsidiary of MIH. The balance of principal was repaid by the issue to MGM of fully paid cumulative preference shares in the company and all related securities were discharged.

During the period the company also disposed of its interest in Roxburghe Hotel Limited for a cash consideration.

**RESULTS AND DIVIDENDS:**

Results for the period were as follows:

Accumulated deficit at 31 July 1995	£ (7,546,495)
Loss for the financial period	(1,053,786)
Accumulated deficit at 30 April 1996	<u>£ (8,600,281)</u>

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

**DIRECTORS AND THEIR INTERESTS:**

The directors who held office during the period were:

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

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**DIRECTORS' REPORT (continued)**

**FOR THE PERIOD ENDED 30 APRIL 1996**

**DIRECTORS AND THEIR INTERESTS:**

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

	<u>Ordinary shares of 10p each</u> <u>At 30 April 1996</u>	<u>Ordinary shares of 10p each</u> <u>At 31 July 1995</u>
D E Murray	1,121,050	1,121,050
J MacDonald	30,000	30,000
I B Tudhope	Nil	Nil
A M M Grossart	Nil	Nil

**FIXED ASSETS:**

Details of the tangible fixed assets of the group are shown in Note 9 and 10. In the opinion of the directors, there is no material difference between the book and current market value of interests in land and buildings.

**CLOSE COMPANY STATUS:**

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

**DIRECTORS' RESPONSIBILITIES:**

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

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

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

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**DIRECTORS' REPORT (continued)**

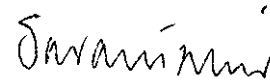
**FOR THE PERIOD ENDED 30 APRIL 1996**

**AUDITORS:**

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

Murray House  
4 Redheughs Rigg  
South Gyle  
Edinburgh  
EH12 9DQ

BY ORDER OF THE BOARD



S Tahir  
Secretary

21 February 1997

**ARTHUR ANDERSEN**

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

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

We have audited the financial statements on pages 5 to 29 which have been prepared under the historical cost convention 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 financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

**BASIS OF OPINION:**

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

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

**OPINION:**

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



**ARTHUR ANDERSEN**

**CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS**

21 February 1997

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**FOR THE PERIOD ENDED 30 APRIL 1996**

	<u>Notes</u>	<u>1996</u> (9 months)	<u>1995</u> (12 months)
TURNOVER			
Existing operations		£ 1,010,843	£ 1,443,817
Acquired operations		240,487	-
Continuing operations		<hr/> 1,251,330	<hr/> 1,443,817
Discontinued operations		1,737,698	2,485,923
	1(g)	<hr/> 2,989,028	<hr/> 3,929,740
Cost of sales	2	(349,188)	(428,218)
GROSS PROFIT		<hr/> 2,639,840	<hr/> 3,501,522
Other operating expenses (net)	2	(1,434,791)	(1,652,348)
OPERATING PROFIT		<hr/>	<hr/>
Existing operations		472,521	1,168,103
Acquired operations		228,777	-
Continuing operations		<hr/> 701,298	<hr/> 1,168,103
Discontinued operations		503,751	681,071
		<hr/> 1,205,049	<hr/> 1,849,174
Exceptional items	3	(695,727)	(1,683,092)
Profit on ordinary activities before interest		<hr/> 509,322	<hr/> 166,082
Investment income	4	4,125	15,189
		<hr/> 513,447	<hr/> 181,271
Interest payable and similar charges	5	(1,643,990)	(2,904,458)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<hr/> (1,130,543)	<hr/> (2,723,187)
Tax on loss on ordinary activities	8	76,757	124,477
LOSS FOR THE FINANCIAL PERIOD TRANSFERRED TO RESERVES	19	<hr/> £ (1,053,786) <hr/>	<hr/> £ (2,598,710) <hr/>

The group has no recognised gains or losses in either period other than the loss for each period.

The reported loss on ordinary activities before taxation equates to the historical cost loss on ordinary activities before taxation.

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

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET -- 30 APRIL 1996**

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
<b>FIXED ASSETS</b>			
Tangible assets	10	£25,009,866	£ 28,377,986
Intangible assets	11	-	-
		<u>25,009,866</u>	<u>28,377,986</u>
<b>CURRENT ASSETS</b>			
Stocks	13	-	36,014
Debtors	14	766,378	1,552,163
Cash at bank and in hand		4,640,845	2,330
		<u>5,407,223</u>	<u>1,590,507</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	(9,571,398)	(7,633,587)
<b>NET CURRENT LIABILITIES</b>		<u>(4,164,175)</u>	<u>(6,043,080)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>20,845,691</u>	<u>22,334,906</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16	(19,622,675)	(32,328,026)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	-	(59,105)
<b>NET ASSETS/( LIABILITIES)</b>		<u>£ 1,223,016</u>	<u>£ (10,052,225)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital			
- Equity	18	£ 140,113	£ 140,113
- Non equity	18	9,828,027	-
Capital reserve	19	1,251,000	-
Goodwill reserve	19	(2,645,843)	(2,645,843)
Profit and loss account	19	(8,600,281)	(7,546,495)
<b>SHAREHOLDERS' FUNDS</b>	21	<u>(26,984)</u>	<u>(10,052,225)</u>
Minority interests	20	1,250,000	-
<b>TOTAL CAPITAL EMPLOYED/(DEFICIT)</b>		<u>£ 1,223,016</u>	<u>£ (10,052,225)</u>

SIGNED ON BEHALF OF THE BOARD ON 21 FEBRUARY 1997

D E Murray )  
 ) Directors  
 I B Tudhope )

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

**THE PREMIER PROPERTY GROUP LIMITED**

**BALANCE SHEET -- 30 APRIL 1996**

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
<b>FIXED ASSETS</b>			
Tangible assets	10	£ 9,829,162	£ 10,734,405
Investments	12	5,904,029	-
		<u>15,733,191</u>	<u>10,734,405</u>
<b>CURRENT ASSETS</b>			
Debtors	14	6,217,310	1,078,644
Cash at bank and in hand		8,013,152	622,567
		<u>14,230,462</u>	<u>1,701,211</u>
CREDITORS: Amounts falling due within one year	15	(8,941,393)	(4,727,925)
		<u>5,289,069</u>	<u>(3,026,714)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			
		<u>21,022,260</u>	<u>7,707,691</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
CREDITORS: Amounts falling due after more than one year	16	(17,122,675)	(9,828,026)
<b>NET ASSETS/(LIABILITIES)</b>		<u>£ 3,899,585</u>	<u>£ (2,120,335)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital			
- Equity	18	£ 140,113	£ 140,113
- Non equity	18	9,828,027	-
Profit and loss account	19	(6,068,555)	(2,260,448)
<b>TOTAL CAPITAL EMPLOYED/(DEFICIT)</b>		<u>£ 3,899,585</u>	<u>£ (2,120,335)</u>

SIGNED ON BEHALF OF THE BOARD ON 21 FEBRUARY 1997

D E Murray )

) Directors

I B Tudhope )

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



**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 30 APRIL 1996**

	<u>Notes</u>	<u>1996</u> (9 months)	<u>1995</u> (12 months)
<b>Net cash inflow from operating activities</b>	22(a)	£ 1,307,411	£ 1,356,356
<b>Returns on investments and servicing of finance</b>			
Interest received		4,125	15,189
Interest paid		(2,674,451)	(3,530,424)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(2,670,326)	(3,515,235)
<b>Taxation paid</b>		(273,702)	-
<b>Investing activities</b>			
Payments to acquire tangible fixed assets		(331,146)	(49,221)
Receipts from sales of tangible fixed assets		-	4,175,502
Receipts from sale of subsidiary undertakings (net of cash and cash equivalents disposed of)	12	7,984,603	-
Purchase of subsidiary undertaking (net of cash and cash equivalents acquired)	12	(5,024,537)	-
<b>Net cash inflow from investing activities</b>		2,628,920	4,126,281
<b>Net cash inflow before financing</b>		992,303	1,967,402
<b>Financing</b>			
Issue of shares of subsidiary undertaking to minority interests		2,500,000	-
New secured term loan		2,350,000	-
Issue of interest bearing loan notes 1995/2002		2,500,000	-
Repayment of loan to related party		(2,857,631)	(30,000)
<b>Net cash inflow/(outflow) from financing</b>		4,492,369	(30,000)
<b>Increase in cash and cash equivalents</b>	22(b)	£ 5,484,672	£ 1,937,402

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

# THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES:

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

#### a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### b) Basis of consolidation

The consolidated accounts include the results of The Premier Property Group Limited and all of its subsidiary undertakings made up to 30 April 1996.

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

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

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

As provided by s230 of the Companies Act 1985, no profit and loss account is presented for The Premier Property Group Limited. The company's loss for the financial period, determined in accordance with the Act, was £3,808,107, (1995 profit - £1,115,438).

#### c) Tangible fixed assets

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

## THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

### NOTES TO THE ACCOUNTS (continued)

#### 1. ACCOUNTING POLICIES (continued):

##### c) Tangible fixed assets (continued)

Development properties are classified within tangible fixed assets or stocks according to their likely date of realisation.

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

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

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

Residual value is calculated on prices prevailing at the date of acquisition. Profits or losses on the disposal of plant, equipment and vehicles are included in the calculation of operating profit.

##### d) Intangible fixed assets

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

##### e) Stocks

Stocks are stated at the lower of cost and net realisable value and include the costs of bringing each product to its present location and condition. Net realisable value is based on the estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### f) Taxation

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

Advance corporation tax payable on dividends paid or provided for in the period is written off except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

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

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

1. ACCOUNTING POLICIES (continued):

f) Taxation (continued)

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 amount of all deferred tax, including that which will probably not reverse, is shown in Note 17.

g) Turnover

Group turnover includes rental income (excluding VAT and intra-group transactions) amounting to £1,251,330 (1995 - £1,443,817) and proceeds from sales in hotel operations of £1,737,698 (1995 - £2,485,923).

h) Pensions

The group participates in the Murray International Holdings Limited ("MIH") group pension scheme which provides benefits based on final pensionable pay. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Contributions are determined by a qualified actuary on the basis of triennial valuations. The most recent valuation was at 1 October 1995. At 30 April 1996, the scheme was considered to be adequately funded.

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

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

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

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
(a) Hotel cost of sales:		
Discontinued operations	£ 349,188	£ 428,218
	<hr/>	<hr/>
(b) Net operating expenses		
Hotel operating costs:		
Discontinued operations	£ 884,759	£ 1,376,634
	<hr/>	<hr/>
Administrative expenses:		
Existing operations	£ 574,170	£ 440,171
Acquired operations	11,710	-
	<hr/>	<hr/>
Continuing operations	£ 585,880	£ 440,171
	<hr/>	<hr/>
Other operating income:		
Existing operations	£ (35,848)	£ (164,457)
	<hr/>	<hr/>
Total:		
Existing operations	£ 538,322	£ 275,714
Acquired operations	11,710	-
	<hr/>	<hr/>
Continuing operations	550,032	275,714
Discontinued operations	884,759	1,376,634
	<hr/>	<hr/>
	£ 1,434,791	£ 1,652,348
	<hr/>	<hr/>

3. EXCEPTIONAL ITEMS:

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
Goodwill reversal on the disposal of certain property interests (Note 21)	£ -	£ (406,332)
Permanent diminution in purchased goodwill (Note 21)	-	(1,029,373)
Gain on disposal of investment properties	-	761,767
Provision against carrying values of group properties (Note 10)	(672,045)	(1,009,154)
Loss on sale of discontinued operations (Note 12)	(23,682)	-
	<hr/>	<hr/>
	£ (695,727)	£ (1,683,092)
	<hr/>	<hr/>

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

3. EXCEPTIONAL ITEMS (continued):

The goodwill arising on the acquisition of certain property interests was originally taken to reserves and has subsequently been reversed through the profit and loss account on disposal of those interests.

The permanent diminution in purchased goodwill relates to goodwill which was originally taken to reserves on acquisition and which has now been reversed through the profit and loss account as a result of there being a permanent diminution in its value.

4. INVESTMENT INCOME:

The following is included in investment income:

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
Interest receivable and similar income:		
- other interest	£ 4,125	£ 15,189
	<hr/>	<hr/>

5. INTEREST PAYABLE AND SIMILAR CHARGES:

The following are included in interest payable and similar charges:

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
On bank loans and overdrafts, and other loans:		
- repayable within five years, not by instalments	£ 1,318,217	£ 1,790,511
All other lenders:		
- on 10.5% unsecured loan stock	10,860	17,102
- on secured loan from related party	313,531	1,003,141
- other interest	1,754	93,704
	<hr/>	<hr/>
	£ 1,644,362	£ 2,904,458
	<hr/>	<hr/>
Less: capitalised on development properties	(372)	-
	<hr/>	<hr/>
	£ 1,643,990	£ 2,904,458
	<hr/>	<hr/>

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

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

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
Auditors' remuneration for audit services	£ 18,800	£ 21,700
Depreciation and amounts written off:		
- owned tangible fixed assets	3,539	17,676
Gain on disposal of plant, equipment and vehicles	-	(4,500)
Hire and lease of plant and equipment	10,021	29,074
Management fee payable to related party	-	50,000
Staff costs (Note 7)	971,538	1,055,828
	<hr/>	<hr/>

7. STAFF COSTS:

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

Employee costs during the period amounted to:

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
Wages and salaries	£ 870,444	£ 955,464
Social security costs	64,094	74,467
Other pension costs	37,000	25,897
	<hr/>	<hr/>
	£ 971,538	£ 1,055,828
	<hr/>	<hr/>

The average weekly number of persons employed by the group during the period was as follows:

	<u>1996</u> <u>Number</u>	<u>1995</u> <u>Number</u>
Operation of hotel	98	116
Administration	9	9
	<hr/>	<hr/>

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

7. STAFF COSTS (continued):

Directors' remuneration:

The employee costs shown above include the following remuneration in respect of directors of the company:

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
Fees	£ 24,033	£ -
Emoluments (including pension contributions)	112,021	124,240
	<u>£ 136,054</u>	<u>£ 124,240</u>

The directors' remuneration shown above (excluding pension contributions) included:

Chairman	£ -	£ -
Highest paid director	£ 91,950	£ 83,840

The directors received emoluments (excluding pension contributions) in the following ranges:

	<u>1996</u> (9 months) <u>Number</u>	<u>1995</u> (12 months) <u>Number</u>
Up to £5,000	3	4
£30,001 to £35,000	-	1
£80,001 to £85,000	-	1
£90,001 to £95,000	1	-

Mr D E Murray and Mr J MacDonald were remunerated by a company within the Murray International Holdings Limited group, a related party.



**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

8. TAX ON LOSS ON ORDINARY ACTIVITIES:

The tax credit is based on the loss for the period and comprises:

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
Corporation tax at 33% (1995 - 33%)	£ (1,615)	£ -
Deferred taxation arising from capital gains	59,105	-
	<hr/> 57,490	<hr/> -
Adjustment of current tax in respect of prior years	19,267	124,477
	<hr/> £ 76,757	<hr/> £ 124,477
	<hr/> <hr/>	<hr/> <hr/>

9. TANGIBLE FIXED ASSETS:

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

	<u>Group</u> <u>1996</u>	<u>Group</u> <u>1995</u>	<u>Company</u> <u>1996</u>	<u>Company</u> <u>1995</u>
Investment properties	£ 17,627,382	£ 14,186,327	£ 9,824,614	£ 10,731,642
Cost of development properties	7,191,938	13,978,552	-	-
Capitalised interest on development properties	185,998	185,626	-	-
Plant, equipment and vehicles	4,548	27,481	4,548	2,763
	<hr/> £ 25,009,866	<hr/> £ 28,377,986	<hr/> £ 9,829,162	<hr/> £ 10,734,405
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

10. TANGIBLE FIXED ASSETS:

Group:

The movement in the period was as follows:

	<u>Investment properties</u>	<u>Cost of development properties</u>	<u>Capitalised interest on properties</u>	<u>Plant equipment and vehicles</u>	<u>Total</u>
<b>COST</b>					
At 31 July 1995	£ 14,186,327	£ 13,978,552	£ 185,626	£ 246,266	£28,596,771
Additions	-	326,486	372	4,288	331,146
Acquisition of subsidiary undertakings	5,000,000	-	-	-	5,000,000
Sale of subsidiary undertakings	-	(8,000,000)	-	(244,281)	(8,244,281)
Transfers	(886,900)	886,900	-	-	-
Provision against carrying value of investment properties	(672,045)	-	-	-	(672,045)
At 30 April 1996	<u>£ 17,627,382</u>	<u>£ 7,191,938</u>	<u>£ 185,998</u>	<u>£ 6,273</u>	<u>£25,011,591</u>
<b>DEPRECIATION</b>					
At 31 July 1995	£ -	£ -	£ -	£ 218,785	£ 218,785
Charge for the period	-	-	-	3,539	3,539
Sale of subsidiary undertakings	-	-	-	(220,599)	(220,599)
At 30 April 1996	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>	<u>£ 1,725</u>	<u>£ 1,725</u>
<b>NET BOOK VALUE</b>					
At 31 July 1995	<u>£ 14,186,327</u>	<u>£ 13,978,552</u>	<u>£ 185,626</u>	<u>£ 27,481</u>	<u>£28,377,986</u>
At 30 April 1996	<u>£ 17,627,382</u>	<u>£ 7,191,938</u>	<u>£ 185,998</u>	<u>£ 4,548</u>	<u>£25,009,866</u>

Investment properties, which are all freehold, were valued on an open-market existing-use basis, by the directors as at 30 April 1996.

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

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

10. TANGIBLE FIXED ASSETS (continued):

Company:

The movement in the period was as follows:

	<u>Investment properties</u>	<u>Plant equipment and vehicles</u>	<u>Total</u>
<b>COST:</b>			
At 31 July 1995	£ 10,731,642	£ 3,685	£10,735,327
Additions	-	2,588	2,588
Disposals	(634,400)	-	(634,400)
Provision against carrying value of investment properties	(272,628)	-	(272,628)
At 30 April 1996	<u>£ 9,824,614</u>	<u>£ 6,273</u>	<u>£ 9,830,887</u>
<b>DEPRECIATION:</b>			
At 31 July 1995	£ -	£ 922	£ 922
Charges for the period	-	803	803
At 30 April 1996	<u>£ -</u>	<u>£ 1,725</u>	<u>£ 1,725</u>
<b>NET BOOK VALUE:</b>			
At 31 July 1995	<u>£10,731,642</u>	<u>£ 2,763</u>	<u>£10,734,405</u>
<b>NET BOOK VALUE:</b>			
At 30 April 1996	<u>£ 9,824,614</u>	<u>£ 4,548</u>	<u>£ 9,829,162</u>

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

Investment properties, which are all freehold, were valued on an open-market existing-use basis, by the directors as at 30 April 1996.

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

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

11. INTANGIBLE FIXED ASSETS:

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

	Group <u>1996</u>	Group <u>1995</u>
Goodwill on consolidation	£ -	£ -
	<hr/>	<hr/>

The movement in the period was as follows:

COST:

At 31 July 1995 and 30 April 1996

Goodwill on  
consolidation

£ 2,645,843

AMOUNTS WRITTEN OFF:

At 31 July 1995 and 30 April 1996

£ 2,645,843

NET BOOK VALUE:

At 31 July 1995 and 30 April 1996

£ -

12. FIXED ASSET INVESTMENTS:

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

	<u>1996</u>	<u>1995</u>
Investment in subsidiary undertakings	£ 5,904,029	£ -
	<hr/>	<hr/>

The movement in the period was as follows:

COST:

At 31 July 1995

£ 140,111

Additions

20,631,800

Disposals

(14,727,771)

At 30 April 1996

£ 6,044,140

AMOUNTS WRITTEN OFF:

At 31 July 1995

£ (140,111)

and 30 April 1996

NET BOOK VALUE:

At 31 July 1995

£ -

At 30 April 1996

£ 5,904,029

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

12. FIXED ASSET INVESTMENTS: (continued)

**Acquisition of subsidiary undertakings**

On 22 November the company acquired 100% of the issued share capital of Roxburghe Hotel Limited and PPG (Lothian) Limited (formerly PPG (Leisure) Limited) from other group undertakings.

On 22 November 1995 the company acquired 100% of the issued share capital of PPG (Baird Road) Limited (formerly Mimtec (Baird Road) Limited) ("PPGBR") from Murray STM Limited, a related party. The cash consideration was £3,404,029.

The following table sets out the book values of the identifiable assets and liabilities of PPGBR acquired and their fair value to the group:

	<b>Book value</b>	<b>Revaluation</b>	<b>Fair value to group</b>
Tangible fixed assets	£ 1,595,971	£ 3,404,029	£ 5,000,000
Debtors	25,537	-	25,537
Bank overdraft	(1,620,508)	-	(1,620,508)
Net assets	<u>£ 1,000</u>	<u>£ 3,404,029</u>	<u>£ 3,405,029</u>
Capital reserve (Note 19)			(1,000)
			<u>£ 3,404,029</u>
Satisfied by:			
Cash			<u>£ 3,404,029</u>
Net cash outflows in respect of the acquisition comprised:			
Cash consideration			£ 3,404,029
Bank overdraft acquired			1,620,508
			<u>£ 5,024,537</u>

PPGBR earned a profit after taxation of £399,188 in the fifteen months ended 30 April 1996 (year ended 31 January 1995 - £199,515) of which £277,378 arose in the period from 1 February 1995 to 22 November 1995. The summarised profit and loss account for the period from 1 February 1995 to 22 November 1995, shown on the basis of the accounting policies of PPGBR prior to acquisition, is as follows:

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

12. FIXED ASSET INVESTMENTS: (continued)

Profit and loss account

Turnover	£ 384,932
Other operating expenses	(53,055)
Operating profit	<u>331,877</u>
Interest receivable	94,563
Interest payable	(101,299)
Profit on ordinary activities before taxation	<u>325,141</u>
Tax on profit on ordinary activities	(47,763)
Profit for the financial period	<u>277,378</u>
Dividends	(575,845)
Retained loss for the financial period	<u><u>£ (298,467)</u></u>

**Sale of subsidiary undertaking**

On 31 March 1996 the group sold its 100% interest in the ordinary share capital of Roxburghe Hotel Limited ("RHL"). The profit of RHL from 1 August 1995 to the date of disposal was £322,106, and for its last financial year was £501,124.

Net assets disposed of and the related sale proceeds were as follows:

Tangible fixed assets	£ 8,023,682
Stocks	37,962
Debtors	149,437
Cash at bank and in hand	2,669
Creditors	(202,796)
Bank overdraft	(1,380,820)
Net assets	<u>6,630,134</u>
Loss on disposal	(23,682)
	<u><u>£ 6,606,452</u></u>
Satisfied by:	
Cash	<u><u>£ 6,606,452</u></u>

# THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

## NOTES TO THE ACCOUNTS (continued)

### 12. FIXED ASSET INVESTMENTS: (continued)

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiary undertakings:

Cash consideration	£ 6,606,452
Cash at bank and in hand disposed of	(2,669)
Bank overdraft disposed of	1,380,820
	<hr/>
	£ 7,984,603
	<hr/>

#### Principal group investments

The subsidiary undertakings at 30 April 1996 comprise:

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

### 13. STOCKS:

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

	<u>Group 1996</u>	<u>Group 1995</u>
Hotel stocks	£ -	£ 36,014
	<hr/>	<hr/>

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

**14. DEBTORS**

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

	<u>Group</u> <u>1996</u>	<u>Group</u> <u>1995</u>	<u>Company</u> <u>1996</u>	<u>Company</u> <u>1995</u>
Amounts falling due within one year:				
Amounts due from other group undertakings	£ -	£ -	£ 3,365,917	£ 527,947
Due from related parties	140,792	563,554	44,601	170,931
Other debtors	23,837	170,901	14,804	88,768
Prepayments and accrued income	421,998	644,408	370,488	211,248
Trade debtors	108,251	93,550	-	-
	<hr/> 694,878	<hr/> 1,472,413	<hr/> 3,795,810	<hr/> 998,894
Amounts falling due after more than one year:				
Zero coupon loan notes 1995/2002	-	-	2,350,000	-
Other debtors	71,500	79,750	71,500	79,750
	<hr/> £ 766,378	<hr/> £ 1,552,163	<hr/> £ 6,217,310	<hr/> £ 1,078,644
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:**

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

	<u>Group</u> <u>1996</u>	<u>Group</u> <u>1995</u>	<u>Company</u> <u>1996</u>	<u>Company</u> <u>1995</u>
Accruals and deferred income	£ 1,085,038	£ 1,534,161	£ 742,047	£ 450,253
Amounts due to other group undertakings	-	-	85,988	45,889
Amounts due to related parties (unsecured)	104,711	448,288	54,314	-
Loan from related party (secured)	-	2,827,632	-	2,827,632
Amounts due to related parties (secured)	-	858,926	-	858,926
Bank overdrafts (secured)	-	846,157	-	-
Bank loans (secured)	7,727,325	-	7,727,325	-
Trade creditors	-	51,855	-	-
Corporation tax payable	32,500	263,435	-	-
Other taxes and social security	8,506	425,657	6,603	407,313
Other creditors	497,635	53,304	324,435	56,747
10.5% unsecured loan stock	115,002	145,002	-	-
VAT	681	179,170	681	81,165
	<hr/> £ 9,571,398	<hr/> £ 7,633,587	<hr/> £ 8,941,393	<hr/> £ 4,727,925
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



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

## **NOTES TO THE ACCOUNTS (continued)**

### 15. 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 secured loan from the related party was given in consideration for fixed assets acquired from certain subsidiary undertakings of Murray International Holdings Limited. It was secured by a bond and floating charge over the assets of the company and its subsidiary undertakings and by standard securities over certain properties. These securities were postponed to those in favour of the Bank of Scotland. The loan has subsequently been repaid and all related securities discharged.

Redemption of the 10.5% unsecured loan stock can take place at any time between 30 April 1996 and 2000 at the option of the stockholders.

### 16. 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>1996</u>	Group <u>1995</u>	Company <u>1996</u>	Company <u>1995</u>
Bank loans (secured)	£ 17,122,675	£ 22,500,000	£17,122,675	£ -
Loan from related party (secured)	-	9,828,026	-	9,828,026
Interest bearing loan notes 1995/2002	2,500,000	-	-	-
	<u>£ 19,622,675</u>	<u>£ 32,328,026</u>	<u>£17,122,675</u>	<u>£ 9,828,026</u>

The loan from Bank of Scotland of £17,122,675 at 30 April 1996 is secured by a bond and floating charge over the assets of the company and of its subsidiary undertakings and by standard securities over certain properties. The loan is repayable in two instalments being one of £15,055,000 on 22 November 2000 and one of £2,067,675 on 22 November 2002. It bears interest at normal commercial rates.

The secured loan from the related party was given in consideration for fixed assets acquired from certain subsidiary undertakings of Murray International Holdings Limited. It was secured by a bond and floating charge over the assets of the company and its subsidiary undertakings and by standard securities over certain properties. These securities were postponed to those in favour of Bank of Scotland. The loan has subsequently been repaid and all related securities discharged.

As part of the reorganisation of the group, a subsidiary undertaking issued £2,500,000 interest bearing loan notes at par, all of which loan notes were taken up. Subject to certain conditions being met all or part of the loan notes are repayable on or before, but in any event no later than, 31 December 2002. The loan notes bear interest at commercial rates subject to certain conditions regarding the profitability of a subsidiary undertaking being met. As at 30 April 1996 such conditions had not been met and accordingly no interest charges have been accrued.

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

17. PROVISIONS FOR LIABILITIES AND CHARGES:

Provisions for liabilities and charges comprise:

	Group <u>1996</u>	Group <u>1995</u>	Company <u>1996</u>	Company <u>1995</u>
Deferred taxation arising from - capital gains	£ -	£ 59,105	£ -	£ -
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Deferred taxation has been provided in full.

18. CALLED-UP SHARE CAPITAL:

Authorised, issued and fully paid:

	Company <u>1996</u>	Company <u>1995</u>
Equity:		
1,401,130 Ordinary shares of 10p each	£ 140,113	£ 140,113
	<u>          </u>	<u>          </u>
Non-equity:		
9,828,027 Cumulative redeemable preference shares of £1 each	£ 9,828,027	£ -
	<u>          </u>	<u>          </u>

On 22 November 1995 the company agreed with Murray Group Management Limited ("MGM"), a subsidiary of Murray International Holdings Limited and a related party, to convert the outstanding balance of the loan due by the company to MGM amounting to £9,828,027 into 9,828,027 fully-paid cumulative redeemable preference shares of £1 each in the company ("the CRP shares") which were issued to MGM at par.

The CRP shares carry an entitlement to a cumulative preferential cash dividend at the rate per annum to provide the holders of the CRP shares the same after tax rate of return as would have been achieved if interest at 1.25% above Bank of Scotland base rate from time to time fluctuating therewith had been paid on a loan of the same amount as the nominal value of each CRP share. At 30 April 1996 the directors considered that due to the lack of distributable profits available to the company the possibility of such dividends becoming payable was low. On this basis no charge has been recorded in the profit and loss account for the period to 30 April 1996 for these dividends. In the event that sufficient distributable profits are earned in the future, a liability of £217,614 in respect of the dividends accumulated over the period 22 November 1995 to 30 April 1996 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.

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

19. RESERVES:

	<u>Capital reserve</u>	<u>Goodwill</u>	<u>Profit and loss account</u>
<b>Group:</b>			
Balance at 31 July 1995	£ -	£ (2,645,843)	£ (7,546,495)
Loss for the financial period	-	-	(1,053,786)
Capital reserve arising on the acquisition of shares in subsidiary undertaking	1,250,000	-	-
Capital reserve arising on acquisition of subsidiary undertaking	1,000	-	-
Balance at 30 April 1996	<u>£ 1,251,000</u>	<u>£ (2,645,843)</u>	<u>£ (8,600,281)</u>
			<u>Profit and loss account</u>
<b>Company:</b>			
Balance at 31 July 1995			£ (2,260,448)
Loss for the financial period			(3,808,107)
Balance at 30 April 1996			<u>£ (6,068,555)</u>

20. MINORITY INTERESTS

	<u>1996</u>	<u>1995</u>
Equity minority interests	<u>£ 1,250,000</u>	<u>£ -</u>

The minority interests arose on the issue of ordinary share capital in a subsidiary undertaking.

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS:

	<u>Group</u>		<u>Company</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
Loss/(profit) for the financial period	£ (1,053,786)	£ (2,598,710)	£ (3,808,107)	£ 1,115,438
Goodwill reversal on disposal of certain property interests (Note 3)	-	406,332	-	-
Permanent diminution in purchased goodwill (Note 3)	-	1,029,373	-	-
Issue of preference share capital (Note 18)	9,828,027	-	9,828,027	-
Capital reserve arising on acquisition of subsidiary undertaking (Note 19)	1,250,000	-	-	-
Capital reserve arising on acquisition of subsidiary undertaking	1,000			
Net addition/(depletion) to shareholders' funds	10,025,241	(1,163,005)	6,019,920	1,115,438
Opening shareholders' funds	(10,052,225)	(8,889,220)	(2,120,335)	(3,235,773)
Closing shareholders' funds	£ (26,984)	£ (10,052,225)	£ 3,899,585	£ (2,120,335)

22. CASH FLOW STATEMENT:

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	<u>1996</u> (9 months)	<u>1995</u> (12 months)
Operating profit	£ 1,205,049	£ 1,849,174
Depreciation charges	3,539	17,676
Gain on disposal of plant, equipment and vehicles	-	(4,500)
Increase in stocks	(1,948)	(1,259)
Decrease/(increase) in debtors	256,459	(614,087)
(Decrease)/increase in creditors	(155,688)	109,352
Net cash inflow from operating activities	£ 1,307,411	£ 1,356,356

**THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES**

**NOTES TO THE ACCOUNTS (continued)**

22. CASH FLOW STATEMENT (continued):

(b) Analysis of the balances of cash and cash equivalents as shown in the balance sheet:

	<u>1996</u>	<u>1995</u>	<u>Movement</u>
Cash at bank and in hand	£ 4,640,845	£ 2,330	£ 4,638,515
Bank overdraft	-	(846,157)	846,157
	<u>£ 4,640,845</u>	<u>£ (843,827)</u>	<u>£ 5,484,672</u>

(c) Analysis of changes in financing during the period:

	Share capital 1996  (9 months)	Bank loans, loan from related party and loan notes 1996  (9 months)	Share capital 1995  (12 months)	Bank loans, loan from related party and loan notes 1995  (12 months)
Beginning of period	£ 140,113	£ 35,330,660	£ 140,113	£ 35,360,660
Repayment of 10.5% unsecured loan stock	-	(30,000)	-	(30,000)
Repayment of loan to related party	-	(2,857,631)	-	-
New secured term loan	-	2,350,000	-	-
Issue of cumulative redeemable preference shares to fully repay loan from related party	9,828,027	(9,828,027)	-	-
Issue of interest bearing loan notes 1995/2002	-	2,500,000	-	-
End of period	<u>£ 9,968,140</u>	<u>£ 27,465,002</u>	<u>£ 140,113</u>	<u>£ 35,330,660</u>

(d) Major non-cash transaction

During the year the company issued 9,828,027 £1 cumulative redeemable preference shares to fully repay the outstanding principal of a loan from a related party.

## THE PREMIER PROPERTY GROUP LIMITED AND SUBSIDIARIES

### NOTES TO THE ACCOUNTS (continued)

#### 23. GUARANTEES, CONTINGENCIES AND FINANCIAL COMMITMENTS:

##### a) Capital commitments

Capital commitments contracted for but not provided for at 30 April 1996 totalled £341,700 (1995-£Nil)

##### b) Contingent liabilities

The company has guaranteed bank borrowings of the company and its subsidiary undertakings by cross guarantees. The total contingency at 30 April 1996 amounts to £3,297,745 (1995 - £23,945,966).

The company guaranteed the loan by Murray Group Management Limited ("MGM"), a subsidiary of Murray International Holdings Limited and a related party, to the company and its subsidiary undertakings by cross guarantees. As part of the reorganisation of the group, certain of the company's property assets have been transferred to and fixed asset investments have been transferred from fellow group undertakings and loan principal and accrued interest has been repaid to MGM. The balance of principal was repaid by the issue to MGM of fully paid cumulative preference shares (Note 18) and all related securities were discharged. The total contingency at 31 July 1995 amounted to £13,514,584.

##### c) VAT

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