

COMPANY INFORMATION

DIRECTORS

D R Macdonald
A J Gordon

SECRETARY

Park Circus (Secretaries) Limited

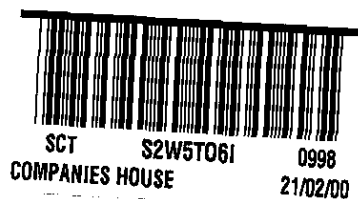
REGISTERED OFFICE

144 West George Street
Glasgow
G2 2HG

REGISTERED AUDITOR

Ernst & Young
George House
50 George Square
Glasgow
G2 1RR

ERNST & YOUNG



Park Circus (Management) Limited

DIRECTORS' REPORT

The Directors submit their report and the financial statements for the year ended 30th April 1999.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £775,063 (1998 - £392,802). The directors recommend that no dividend is paid. The accumulated losses carried forward have thus increased to £1,368,282.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company is the provision of management and administrative services.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

D R Macdonald	
A J Gordon	
R E Gibson	(resigned 31 st August 1999)
A M Stroud	(appointed 26 th August 1998 and resigned 25 th August 1999)
J Waddell	(resigned 31 st July 1998)
M J Chicken	(resigned 1 st October 1998)
E H Ross	(resigned 19 th February 1999)
A J G Bilton	(resigned 9 th April 1999)
K Humphreys	(resigned 9 th April 1999)

No director had any interest in the share capital of the company during the year.

One director of the company as at 30th April 1999 was also a director of Property & Capital Group plc, the company's ultimate parent company, and his interest in the ordinary shares of 2p each of Property & Capital Group plc as at that date is listed in the report of the directors of Property & Capital Group plc, for the year ended 30th April 1999.

The interests of the other directors in the ordinary shares of 2p each in Property & Capital Group plc were as follows:

	<i>At 30th April 1999</i>	<i>At 30th April 1998</i>
M J Chicken	30,750	30,750
R E Gibson	25,250	25,250
A J Gordon	75,825	75,825

YEAR 2000 COMPLIANCE

The Year 2000 issue impacts not only our own computer systems but also those of our suppliers and customers. A programme designed to address the impact of the Year 2000 issue on the business was initiated during 1998. Resources have been allocated and the Board receives regular reports on progress.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, as some level of failure may still occur. However the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise. The Board believes that all issues will have been adequately addressed by autumn 1999. There is a remaining risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

DIRECTORS' REPORT

YEAR 2000 COMPLIANCE (continued)

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the company. It is estimated that the capital and revenue costs being incurred in this project will not materially affect the financial performance and position of the company.

AUDITORS

Ernst and Young have indicated their willingness to continue in office and a resolution to re-appoint them will be put to the members at the Annual General Meeting.

On behalf of the Board



D R Macdonald
Director

20th October 1999

Park Circus (Management) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company 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 to enable them to ensure that the accounts comply with the Companies Act, 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of Park Circus (Management) Limited

We have audited the accounts on pages 6 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

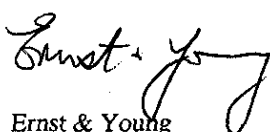
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30th April 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', written over the printed name.

Ernst & Young
Registered Auditor
Glasgow

20th October 1999

Park Circus (Management) Limited

PROFIT AND LOSS ACCOUNT for the year ended 30th April 1999

	Notes	1999 £	1998 £
TURNOVER	2	1,726,460	1,656,702
Cost of sales		(391,976)	(663,121)
GROSS PROFIT		1,334,484	993,581
Administrative expenses		(1,865,096)	(1,322,792)
OPERATING LOSS		(530,612)	(329,211)
Interest receivable		235,521	3,582
Interest payable	3	-	(10,103)
Exceptional item	4	(485,503)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(780,594)	(335,732)
Taxation	8	5,531	(57,070)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(775,063)	(392,802)
Accumulated losses brought forward		(593,219)	(200,417)
ACCUMULATED LOSSES CARRIED FORWARD		(1,368,282)	(593,219)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

LOSS FOR THE FINANCIAL PERIOD		(775,063)	(392,802)
Prior year adjustment	19	-	(271,662)
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		(775,063)	(664,464)

Park Circus (Management) Limited

BALANCE SHEET

at 30th April 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	9	46,671	50,191
CURRENT ASSETS			
Debtors	10	427,591	616,911
Cash at bank and in hand		200	400
		<u>427,791</u>	<u>617,311</u>
CREDITORS			
Amounts falling due within one year	11	1,542,744	960,721
		<u>(1,114,953)</u>	<u>(343,410)</u>
NET CURRENT LIABILITIES			
		<u>(1,068,282)</u>	<u>(293,219)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>(1,068,282)</u>	<u>(293,219)</u>
CAPITAL AND RESERVES			
Called up share capital	12	300,000	300,000
Profit and loss account	13	(1,368,282)	(593,219)
Equity shareholders' funds	14	<u>(1,068,282)</u>	<u>(293,219)</u>

Approved by the Board



D R Macdonald
Director

20th October 1999

Park Circus (Management) Limited

STATEMENT OF CASH FLOWS for the year ended 30th April 1999

	Notes	1999 £	1998 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	15(a)	(261,024)	(231,847)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	15(b)	238,553	(9,553)
TAXATION		2,444	18,015
CAPITAL EXPENDITURE	15(b)	(52,387)	54,927
ISSUE OF ORDINARY SHARES FOR CASH		-	299,998
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(72,414)	131,540
FINANCING			
Debt repaid		-	(105,000)
(DECREASE)/INCREASE IN CASH		(72,414)	26,540

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999 £	1998 £
(Decrease)/increase in cash	(72,414)	26,540
Cash flow from debt repaid	-	105,000
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	(72,414)	131,540
Net debt at 1 st May 1998	(211,346)	(342,886)
Overdraft assumed from former fellow subsidiary undertaking	(495,000)	-
NET DEBT AT 30TH APRIL 1999	(778,760)	(211,346)

The analysis of net debt is included in note 15(c).

Park Circus (Management) Limited

NOTES TO THE ACCOUNTS

at 30th April 1999

1 ACCOUNTING POLICIES

Fundamental accounting concept

The accounts have been prepared under the going concern concept because the parent company has agreed to provide adequate funds for the company to meet its liabilities as they fall due.

Accounting convention

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

Turnover and cost of sales

Turnover represents fees receivable for services excluding VAT in the normal course of business. Management and administrative fees are treated on the accruals basis. Project outlays which are reimbursable from clients are excluded from turnover.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Motor vehicles	- over 4 years
Office equipment	- over 4 years
Furniture and fittings	- over 4 years

2 TURNOVER

	1999 £	1998 £
Management and administration	1,726,460	1,656,702

The activities of the company during the period were all continuing activities in the United Kingdom.

3 INTEREST PAYABLE

	1999 £	1998 £
Bank interest	-	9,346
Loan interest	-	714
Other interest	-	43
	<u>-</u>	<u>10,103</u>

4 EXCEPTIONAL ITEM

	1999 £	1998 £
Costs and losses incurred as a result of the liquidation of Lawson-Price Limited, a fellow subsidiary company	485,503	-

Park Circus (Management) Limited

NOTES TO THE ACCOUNTS

at 30th April 1999

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £	1998 £
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - audit services	6,000	6,000
- non audit services	-	9,100
Depreciation of owned fixed assets	26,576	27,043
Rent of properties	43,642	28,426

6 DIRECTORS' EMOLUMENTS

	1999 £	1998 £
Emoluments (including consultancy fees)	509,986	769,870

The emoluments of the chairman, who is also the highest paid director, were £141,930 (1998 - £179,210).

7 STAFF COSTS

	1999 £	1998 £
Wages and salaries	900,319	1,401,079
Social security costs	90,206	139,732
	990,525	1,540,811

The average weekly number of employees during the period was 19 (1998 - 28). Staff costs totalling £198,360 (1998 - £860,700) were recharged to a fellow subsidiary company via a management charge.

8 TAXATION

	1999 £	1998 £
The credit/(charge) based on the loss for the year comprises:		
UK corporation tax	-	(57,070)
Overprovision in prior year	5,531	-
	5,531	(57,070)

There is no tax credit for the current year due to the losses incurred and the resulting tax losses being carried forward. In addition the exceptional item is not a deductible expense for corporation tax purposes.

Unutilised tax losses totalling £431,000 (1998 - £326,000) are available for carry forward against future profits.

Park Circus (Management) Limited

NOTES TO THE ACCOUNTS at 30th April 1999

9 TANGIBLE FIXED ASSETS

	<i>Freehold Land £</i>	<i>Office equipment £</i>	<i>Furniture and fittings £</i>	<i>Total £</i>
Cost or valuation:				
At 1 st May 1998	20,000	93,213	18,467	131,680
Additions	-	27,514	31,082	58,596
Disposals	-	(24,116)	(4,142)	(28,258)
At 30 th April 1999	20,000	96,611	45,407	162,018
Depreciation:				
At 1 st May 1998	-	70,541	10,948	81,489
Charge for period	-	24,688	26,364	51,052
Disposals	-	(14,407)	(2,787)	(17,194)
At 30 th April 1999	-	80,822	34,525	115,347
Net book value:				
At 30 th April 1999	20,000	15,789	10,882	46,671
At 30 th April 1998	20,000	22,672	7,519	50,191

Freehold land is carried at directors valuation based on an open market value for existing use basis.

10 DEBTORS

	<i>1999 £</i>	<i>1998 £</i>
Amounts due within one year:		
Trade debtors	144,077	139,673
Amount due from fellow subsidiary undertakings	56,941	65,870
Prepayments and accrued income	106,418	364,300
Corporation tax recoverable	50,155	47,068
Other debtors	70,000	-
	427,591	616,911

11 CREDITORS

	<i>1999 £</i>	<i>1998 £</i>
Amounts due within one year:		
Bank overdraft	778,960	211,746
Trade creditors	122,515	102,943
Amount due to parent company	284,321	87,262
Other taxation and social security costs	99,329	65,175
Accruals and deferred income	196,993	233,078
Amount due to fellow subsidiary undertaking	60,626	260,517
	1,542,744	960,721

Park Circus (Management) Limited

NOTES TO THE ACCOUNTS

at 30th April 1999

12 CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised: 300,000 ordinary shares of £1 each	300,000	300,000
Allotted, issued, and fully paid: 300,000 ordinary shares of £1 each	300,000	300,000

13 RESERVES

	<i>Profit and loss account</i> £
At beginning of year	(200,417)
Loss for the year	(392,802)
At 30 th April 1998	(593,219)
Loss for the year	(775,063)
At 30 th April 1999	(1,368,282)

14 RECONCILIATION OF SHAREHOLDERS' FUNDS

	1999 £	1998 £
Loss for the year	(775,063)	(392,802)
New shares issued	-	299,998
Total movements during the year	(775,063)	(92,804)
Shareholders' funds at 1 st May 1998	(293,219)	(200,415)
Shareholders' funds at 30 th April 1999	(1,068,282)	(293,219)

15 CASH FLOW STATEMENT

(a) *Reconciliation of operating loss to net cash inflow from operating activities*

	1999 £	1998 £
Operating loss	(530,612)	(329,211)
Depreciation	51,052	27,043
Loss on sale of fixed asset	4,855	1,141
Decrease in operating debtors	198,872	319,290
Increase/(decrease) in operating creditors	14,809	(250,110)
Net cash outflow from operating activities	(261,024)	(231,847)

Park Circus (Management) Limited

NOTES TO THE ACCOUNTS

at 30th April 1999

15 CASH FLOW STATEMENT (continued)

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

	1999 £	1998 £
Returns on investment and servicing of finance:		
Interest received	238,553	550
Interest paid	-	(10,103)
	<u>238,553</u>	<u>(9,553)</u>
Capital expenditure:		
Purchase of tangible fixed assets	(58,596)	(30,168)
Sale of tangible fixed assets	6,209	35,000
Transfer of investment	-	50,095
	<u>(52,387)</u>	<u>54,927</u>

(c) Analysis of changes in net debt

	At 1 st May 1998 £	Cash flows £	Overdraft assumed from former fellow subsidiary £	At 30 th April 1999 £
Cash at bank and in hand	400	(200)	-	200
Bank overdraft	(211,746)	(72,214)	(495,000)	(778,960)
	<u>(211,346)</u>			<u>(778,760)</u>
Short term loans	-	-	-	-
	<u>(211,346)</u>	<u>(72,214)</u>	<u>(495,000)</u>	<u>(778,760)</u>

16 DIRECTORS' TRANSACTIONS

Transactions amounting in aggregate to £13,542 (1998 - £29,951) were entered into on an arms length basis between the company and Neill Clerk & Murray (and companies belonging to that firm) of which D I Banner, a director of the parent company, is a partner. Details of these transactions are as follows:

	1999 £	1998 £
Rent, insurance and other property costs	<u>13,542</u>	<u>29,951</u>

At 30th April 1999 £Nil (1998 - £15,302) was owed to Neill Clerk & Murray.

Park Circus (Management) Limited

NOTES TO THE ACCOUNTS

at 30th April 1999

16 DIRECTORS' TRANSACTIONS (continued)

Transactions amounting in aggregate to £80,635 (1998 - £77,054) were entered into on an arms length basis between the company and Terrace Hill Group plc and Westview Group Limited (and their associates) in which Mr Adair, a director of the parent company, has a material interest. Details of these transactions are as follows:

	1999 £	1998 £
Consultancy fees for Mr Adair	80,635	75,635
Property costs	-	1,419
	<u>80,635</u>	<u>77,054</u>

At 30th April 1999 £5,000 (1998 - £5,000) was owed by the foregoing parties.

Transactions amounting in aggregate to £86,268 (1998 - £156,442) were entered into on an arms length basis between the company and Park Circus Registrars Limited in which Mr Macdonald has a material interest. Details of these transactions are as follows:

	1999 £	1998 £
Rent, rates, insurance and other property costs	10,702	14,832
Personnel costs	37,318	75,476
Registrars fees	26,248	41,134
Administration charges	12,000	25,000
	<u>86,268</u>	<u>156,442</u>

At 30th April 1999 £Nil (1998 - £29,664) was owed by Park Circus Registrars Ltd.

Transactions amounting in aggregate to £Nil (1998 - £35,250) were entered into on an arms length basis between the company and Mercantile Securities (Scotland) Ltd in which Mr P N Homer, a director of the parent company, had a material interest. Details of these transactions are as follows:

	1999 £	1998 £
Personnel costs	<u>Nil</u>	<u>35,250</u>

At 30th April 1999 and at 30th April 1998 there was no balance outstanding.

17 GUARANTEES AND FINANCIAL COMMITMENTS

No capital expenditure was contracted for at the year end (1998 - Nil).

18 TRANSACTIONS WITH RELATED PARTIES

The company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are a part of the Property & Capital Group plc group.

Park Circus (Management) Limited

NOTES TO THE ACCOUNTS

at 30th April 1999

19 PRIOR YEAR ADJUSTMENT

As explained in the accounts for the year ended 30th April 1998, the company changed its accounting policy for work in progress during that year whereby all costs incurred on projects are now expensed as they arise. The impact of the change in accounting policy was to reduce the reserves at 30th April 1997 by £271,662.

20 ULTIMATE PARENT COMPANY

The directors consider that Property & Capital Group plc (registered in Scotland) and formerly called Neill Clerk Group plc is the company's ultimate parent company. This is the only parent undertaking for which group accounts are drawn up and of which the company is a member. The address from which copies of these group accounts are available to the public is: Property & Capital Group plc, James Sellars House, 144 West George Street, Glasgow G2 2HG.