

PARINV NORTHERN LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31st March 1999

Registered number: 2523037



PARINV NORTHERN LIMITED

REPORT AND FINANCIAL STATEMENTS 31ST MARCH 1999

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PARINV NORTHERN LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31st March 1999.

1. PRINCIPAL ACTIVITY

The company has continued to invest in commercial property. It is intended to continue this activity.

2. STATEMENT OF 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 of the profit or loss 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 in the financial statements
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. The directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

3. DIRECTORS

The following served as directors during the year:

H J M Price
H R Mould

Neither of the directors had any interest in the shares of the company during the year.

The interests of the directors who held office at the end of the year in the shares of the ultimate parent company, Pillar Property PLC, are shown in the report and accounts of that company.

4. AUDITORS

A resolution is to be proposed at the Annual General Meeting for the reappointment of KPMG Audit Plc as auditors of the company.

5. YEAR 2000 COMPLIANCE

Whilst there can be no certainty that all future problems on this issue have been covered, the directors are satisfied that all reasonable steps have been taken to ensure the Year 2000 issue will not materially affect the company's operations or financial position.

6. INSURANCE

The company has maintained liability insurance for its directors through a group wide scheme.

Lansdowne House
Berkeley Square
London
W1X 6HQ



By Order of the Board
P J Martin
Secretary
10th September 1999

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PARINV NORTHERN LIMITED**

We have audited the financial statements on pages 3 to 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st March 1999 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

10th September 1999

KPMG Audit Plc

PARINV NORTHERN LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 1999

	NOTE	Year ended 31st March 1999 £	Year ended 31st March 1998 £
TURNOVER			
Rental income		1,134,880	1,942,638
ADMINISTRATIVE AND OTHER EXPENSES		(176,516)	(42,236)
OPERATING PROFIT	2	958,364	1,900,402
PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES		-	1,189,000
NET INTEREST RECEIVABLE/ (PAYABLE) AND SIMILAR CHARGES	3	9,349	(1,424,059)
PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		967,713	1,665,343
PROPOSED DIVIDEND		(967,713)	(4,618,318)
RETAINED (LOSS) FOR THE YEAR		-	(2,952,975)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	967,713	1,665,343
UNREALISED SURPLUS ON REVALUATION OF PROPERTIES	2,354,356	4,502,431
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	3,322,069	6,167,774

HISTORICAL COST PROFITS AND LOSSES

REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	967,713	1,665,343
REALISATION OF PROPERTY GAIN OF PREVIOUS YEARS	-	2,746,424
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	967,713	4,411,767

All items in the profit and loss account derive from continuing operations.

PARINV NORTHERN LIMITED

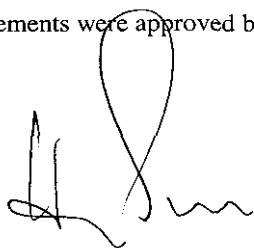
BALANCE SHEET

AS AT 31ST MARCH 1999

		NOTE	1999 £	1998 £
FIXED ASSETS	Investment properties	6	30,500,000	21,000,000
CURRENT ASSETS	Debtors	7	272,412	152,862
	Cash at bank and in hand	8	500,000	1,269,349
			<u>772,412</u>	<u>1,422,211</u>
CREDITORS(AMOUNTS FALLING DUE WITHIN ONE YEAR)		9	24,415,623	14,319,778
NET CURRENT LIABILITIES			<u>(23,643,211)</u>	<u>(12,897,567)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			6,856,789	8,102,433
CREDITORS(AMOUNTS FALLING DUE AFTER ONE YEAR)	Borrowings		-	3,600,000
NET ASSETS			<u>6,856,789</u>	<u>4,502,433</u>
CAPITAL AND RESERVES	Called up share capital	10	2	2
	Profit and loss account	12	-	-
	Revaluation reserve	12	6,856,787	4,502,431
SHAREHOLDERS' FUNDS			<u>6,856,789</u>	<u>4,502,433</u>

The financial statements were approved by the Board of Directors on 10th September 1999 and signed on its behalf by:

H.J.M.Price
Director



PARINV NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Accounting Convention	These financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of investment properties.
Investment Properties	Investment properties are revalued annually on the basis of open market value. Surpluses and deficits on revaluation are taken to the revaluation reserve except those deficits expected to be permanent, which are included in the profit and loss account and then transferred to reserves. The Companies Act 1985 requires all fixed assets to be depreciated. <i>However, in order to present a true and fair view, investment properties have not been depreciated as they are held for investment rather than consumption, and the directors consider that systematic annual depreciation would be inappropriate. This accords with Statement of Standard Accounting Practice 19 as amended. Depreciation is only one of many factors reflected in the property valuations and the amount which might otherwise have been shown cannot be separately identified or quantified. In accordance with FRS 3, surpluses and deficits realised on sales of properties, calculated by comparing net sales proceeds with book values, are recognised in the profit and loss account.</i>
Turnover	Turnover, which is stated net of VAT, is derived from rental income from operations in the United Kingdom.
Hedging Costs	Hedging costs are amortised over the life of the hedging instruments and the element not amortised is included within prepayments.
Deferred Taxation	Provision is made at the appropriate rates, using the liability method, for deferred taxation arising from timing differences, to the extent that it is probable that a liability will crystallise in the future.
Cash flow statement	Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and the parent company, which is incorporated in Great Britain, prepares a cash flow statement.

2. PROFIT AND LOSS ACCOUNT

Directors' emoluments and audit fees are both nil (1998 - £nil). The company has no employees (1998 nil).

3. NET INTEREST RECEIVABLE/ (PAYABLE) AND SIMILAR CHARGES

	1999 £	1998 £
Bank interest payable on overdrafts and bank loans wholly repayable within five years	(1,632)	(1,334,343)
Hedging costs	-	(196,622)
Interest receivable	10,981	106,906
	<u>9,349</u>	<u>(1,424,059)</u>

4. TAXATION

The corporation tax liability has been reduced to nil due to the receipt of group relief from the parent company for nil consideration.

PARINV NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. DEFERRED TAXATION

The full potential deferred taxation liability not provided in the financial statements is as follows:

	Amount not Provided	
	1999	1998
	£	£
Arising on revaluation of investment properties	1,913,034	1,349,740
Accelerated capital allowances	28,290	-
	-----	-----
	1,941,324	1,349,740
	=====	=====

6. INVESTMENT PROPERTIES

	Freehold Land and Buildings
	£
At 31st March 1998 at valuation	21,000,000
Additions	7,145,644
Revaluation	2,354,356

At 31st March 1999 at valuation	30,500,000
	=====

As at 31st March 1999, the company's investment portfolio was valued on the basis of open market value by *FPDSavills Commercial limited*, Chartered Surveyors, at £30,500,000. The valuation was carried out in accordance with the Royal Institution of Chartered Surveyors Statements of Asset Valuation Practice and Guidance Notes. The cost of the investment property was £23,643,213 (1998 - £16,497,569).

7. DEBTORS

	1999	1998
	£	£
Amounts falling due within one year:		
Trade debtors	199,706	152,862
Other debtors	72,706	-
	-----	-----
	272,412	152,862
	=====	=====

8. CASH AT BANK AND IN HAND

The cash held at 31st March 1999 was retained primarily for the payment of interest and was not readily available for other purposes.

9. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	1999	1998
	£	£
Amount due to parent company	22,489,451	12,968,916
Amount due on completion of property acquisitions	-	625,000
Accruals and deferred income	1,926,172	676,804
Taxation and social security	-	49,058
	-----	-----
	24,415,623	14,319,778
	=====	=====

PARINV NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. CALLED UP SHARE CAPITAL		1999	1998
		£	£
	Authorised		
	100 ordinary shares of £1 each	100	100
		===	===
	Issued, allotted, called up and fully paid		
	2 ordinary shares of £1 each	2	2
		===	===
11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS		1999	1998
		£	£
	Retained (loss) for the year	-	(2,952,975)
	Unrealised surplus on revaluation of investment properties	2,354,356	4,502,431
		-----	-----
		2,354,356	1,549,456
	Opening shareholders' funds	4,502,433	2,952,977
		-----	-----
	Closing shareholders' funds	6,856,789	4,502,433
		=====	=====
12. RESERVES		Profit and Loss Account	Revaluation Reserve
		£	£
	At 31st March 1998	-	4,502,431
	Retained (loss) for the year	-	-
	Revaluation during the year	-	2,354,356
		-----	-----
	At 31st March 1999	-	6,856,787
		=====	=====
13. PARENT COMPANY	The immediate parent company is Pillar Retail Parks Limited, a company incorporated and registered in England and Wales. The ultimate parent company is Pillar Property PLC, a company incorporated and registered in England and Wales. Copies of the financial statements for each company can be obtained from their registered office, Lansdowne House, Berkeley Square, London W1X 6HQ.		