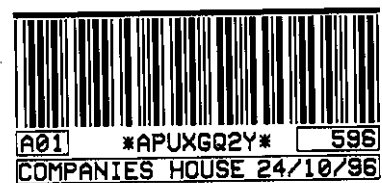


PARINV NORTHERN LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31st March 1996

Registered number: 2523037



PARINV NORTHERN LIMITED

REPORT AND FINANCIAL STATEMENTS 31ST MARCH 1996

CONTENTS

	PAGE
Directors' Report	1
Auditors' Report	2
Profit and Loss Account	3
Balance Sheet	4
Notes to the Financial Statements	5-7

PARINV NORTHERN LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31st March 1996.

1. PRINCIPAL ACTIVITY

The company has invested in commercial property and it is intended to continue this activity. On 12th February 1996 the company acquired two freehold properties from fellow subsidiary companies for £14,280,000. The company intends to hold these properties as a long term investment.

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 and explained in the financial statements
- prepare the financial statements on the going concern basis if appropriate

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. PROFIT AND LOSS ACCOUNT

During the year, the company made a profit after taxation of £24,608 (1995 £49,423) which has been transferred to reserves.

The directors do not propose the payment of a dividend (1995 £nil).

4. 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 parent company, Pillar Property Investments PLC, are shown in the report and accounts of that company.

5. AUDITORS

Our auditors, KPMG, have indicated that a limited liability company, KPMG Audit Plc, is to assume responsibility for certain aspects of their audit business. Accordingly, they have indicated their intention to resign and the directors intend to appoint KPMG Audit Plc as auditors of the company.

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
8th October 1996

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 1996 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
London

8th October 1996

PARINV NORTHERN LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 1996

		Year ended 31st March 1996	Year ended 31st March 1995
	NOTE	£	£
TURNOVER	Rental income	687,948	600,125
ADMINISTRATIVE AND OTHER EXPENSES		(1,927)	(897)
OPERATING PROFIT	2	686,021	599,228
NET INTEREST PAYABLE AND SIMILAR CHARGES	3	(661,413)	(549,805)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		24,608	49,423
TAXATION	10	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		24,608	49,423
RESERVES BROUGHT FORWARD		139,143	89,720
RESERVES CARRIED FORWARD		163,751	139,143

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PROFIT FOR THE FINANCIAL YEAR	24,608	49,423
UNREALISED SURPLUS/(DEFICIT) ON REVALUATION OF PROPERTIES	900,000	(340,000)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	924,608	(290,577)

All items in the profit and loss account derive from continuing operations.
There were no material differences in the historical cost profit and loss.

PARINV NORTHERN LIMITED

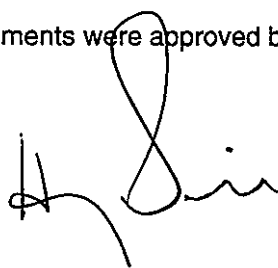
BALANCE SHEET

AS AT 31ST MARCH 1996

		NOTE	1996 £	1995 £
FIXED ASSETS	Investment properties	5	22,900,000	7,720,000
CURRENT ASSETS	Debtors	7	175,557	4,725
	Cash at bank and in hand	9	319,509	211,330
			<u>495,066</u>	<u>216,055</u>
CREDITORS(AMOUNTS FALLING DUE WITHIN ONE YEAR)		8	<u>8,744,889</u>	<u>2,150,486</u>
NET CURRENT LIABILITIES			(8,249,823)	(1,934,431)
TOTAL ASSETS LESS CURRENT LIABILITIES			14,650,177	5,785,569
CREDITORS(AMOUNTS FALLING DUE AFTER ONE YEAR)	Borrowings	6	<u>12,000,000</u>	<u>4,060,000</u>
NET ASSETS			<u>2,650,177</u>	<u>1,725,569</u>
			=====	=====
CAPITAL AND RESERVES	Called up share capital	4	2	2
	Profit and loss account		163,751	139,143
	Revaluation reserve	13	<u>2,486,424</u>	<u>1,586,424</u>
SHAREHOLDERS' FUNDS			<u>2,650,177</u>	<u>1,725,569</u>
			=====	=====

The financial statements were approved by the Board of Directors on 8th October 1996 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. 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.
Turnover	Turnover, which is stated net of VAT, is derived from rental income from operations in Great Britain.
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 (1995 - £nil). The company has no employees.

3. NET INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £	1995 £
Bank interest payable on overdrafts and bank loans wholly repayable within five years	(534,068)	(404,083)
Interest payable to parent and fellow subsidiary companies	(126,000)	(145,842)
	<u>(660,068)</u>	<u>(549,925)</u>
Hedging costs	(10,577)	(2,100)
Interest receivable	9,232	2,220
	<u>(661,413)</u>	<u>(549,805)</u>
	=====	=====

PARINV NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. CALLED UP SHARE CAPITAL		1996	1995
		£	£
Authorised			
100 ordinary shares of £1 each		100	100
		===	===
Issued, allotted, called up and fully paid			
2 ordinary shares of £1 each		2	2
		===	===
5. INVESTMENT PROPERTIES			Freehold Land and Buildings £
At 31st March 1995 at valuation			7,720,000
Additions			14,280,000
Revaluation			900,000

At 31st March 1996 at valuation			22,900,000
			=====
As at 31st March 1996, the company's investment portfolio was valued on the basis of open market value by a director of the parent company, who is a chartered surveyor at £22,900,000. 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 £20,413,576 (1995 - £6,133,576).			
6. CREDITORS (AMOUNTS FALLING DUE IN MORE THAN ONE YEAR)		Borrowings comprise a bank loan, wholly repayable within five years, secured over the investment properties and the shares of the company together with a floating charge over the assets of the company.	
7. DEBTORS		1996	1995
		£	£
Amounts falling due within one year:			
Prepayments and accrued income		36,312	2,100
Amounts falling due after more than one year:			
Prepayments and accrued income		139,245	2,625
		-----	-----
		175,557	4,725
		=====	=====
8. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)			
Amount due to parent company		8,209,861	1,881,367
Accruals and deferred income		467,599	242,869
Taxation and social security		67,429	26,250
		-----	-----
		8,744,889	2,150,486
		=====	=====
9. CASH AT BANK AND IN HAND		The cash held at 31st March 1996 was retained primarily for the payment of interest and was not readily available for other purposes.	

PARINV NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. TAXATION

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

11. DEFERRED TAXATION

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

	Amount not Provided	
	1996	1995
	£	£
Arising on revaluation of investment properties	1,786,206	523,520
Accelerated capital allowances	251,282	-
Interest timing differences	(52,442)	(34,454)
	<u>1,985,046</u>	<u>489,066</u>
	=====	=====

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1996	1995
	£	£
Profit for the year	24,608	49,423
Unrealised surplus/(deficit) on revaluation of investment properties	900,000	(340,000)
	<u>924,608</u>	<u>(290,577)</u>
Opening shareholders' funds	1,725,569	2,016,146
	<u>2,650,177</u>	<u>1,725,569</u>
	=====	=====

13. REVALUATION RESERVE

At start of year	1,586,424	1,926,424
Revaluation during the year	900,000	(340,000)
	<u>2,486,424</u>	<u>1,586,424</u>
	=====	=====

14. PARENT COMPANY

The parent company is Pillar Property Investments PLC, a company incorporated and registered in England and Wales. A copy of that company's financial statements can be obtained from its registered office, Lansdowne House, Berkeley Square, London W1X 6HQ.