

PILLAR OFFICES LIMITED
(Formerly Pardev (Consort House) Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31st March 1998

Registered number: 2725156



PILLAR OFFICES LIMITED
(Formerly Pardev (Consort House) Limited)

REPORT AND FINANCIAL STATEMENTS 31ST MARCH 1998

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PILLAR OFFICES LIMITED
(Formerly Pardev (Consort House) Limited)

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31st March 1998.

1. PRINCIPAL ACTIVITY

During the year the company sold its investment in leasehold property for gross proceeds of £6.6m. It acquired an investment in freehold land from a fellow subsidiary for £13.7m. The company intends to continue to invest in commercial property.

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
P L Vaughan - appointed 29th October 1997
E Doyle - appointed 29th October 1997
M Stirling - appointed 29th October 1997

None of the directors had any interest in the shares of the company during the year.

The interests of Mr H J M Price, Mr H R Mould and Mr P L Vaughan in the shares of the parent company, Pillar Property PLC, are shown in the report and accounts of that company.

The interests of the other directors who held office at the end of the year in the shares of the parent company, Pillar Property PLC are as follows:

	31st March 1998	31st March 1997
	25p ordinary	25p ordinary
M Stirling	30,000	-

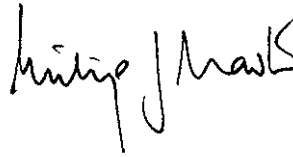
Options over 181,159 and 52,676 ordinary shares in Pillar Property PLC were granted to Mr E Doyle and Mr M Stirling respectively on 1st July 1997 at an exercise price of £2.208. Options over 136,758 ordinary shares in Pillar Property PLC were exercised by Mr V T Beresford on 12th February 1998 at an exercise price of £1.462.

PILLAR OFFICES LIMITED
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DIRECTORS' REPORT (CONTINUED)

4. **CHANGE OF NAME** On 6th November 1997 the company changed its name from Pardev (Consort House) Limited to Pillar Offices Limited.
5. **AUDITORS** A resolution is to be proposed at the Annual General Meeting for the re-appointment of 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
10th September 1998

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PILLAR OFFICES LIMITED
(Formerly Pardev (Consort House) Limited)**

We have audited the financial statements on pages 4 to 8.

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 1998 and its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

10th September 1998

PILLAR OFFICES LIMITED
(Formerly Pardev (Consort House) Limited)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 1998

		Year ended 31st March 1998	Year ended 31st March 1997
	NOTE	£	£
TURNOVER	Rental income	274,549	503,292
ADMINISTRATIVE AND OTHER EXPENSES		(33,531)	(31,992)
OPERATING PROFIT	2	241,018	471,300
LOSS ON DISPOSAL OF INVESTMENT PROPERTY		(58,991)	-
NET INTEREST PAYABLE AND SIMILAR CHARGES	3	(208,309)	(347,280)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		(26,282)	124,020
PROPOSED DIVIDEND		(2,013,985)	-
RETAINED (LOSS)/ PROFIT FOR THE YEAR		(2,040,267)	124,020
		=====	=====

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

(LOSS)/ PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	(26,282)	124,020
UNREALISED SURPLUS ON REVALUATION OF PROPERTIES	744,451	250,000
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	718,169	374,020
	=====	=====

HISTORICAL COST PROFITS AND LOSSES

REPORTED (LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(26,282)	124,020
REALISATION OF PROPERTY GAIN OF PREVIOUS YEARS	1,494,023	-
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,467,741	124,020
	=====	=====

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

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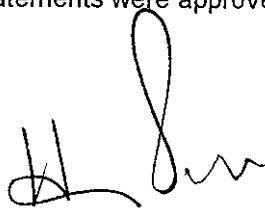
BALANCE SHEET

AS AT 31ST MARCH 1998

		NOTE	31st March 1998 £	31st March 1997 £
FIXED ASSETS	Investment property	6	14,425,000	6,500,000
	Other investments		441	-
			<u>14,425,441</u>	<u>6,500,000</u>
CURRENT ASSETS	Debtors	7	14,048	10,670
	Cash at bank and in hand	8	267,724	70,000
			<u>281,772</u>	<u>80,670</u>
CREDITORS(AMOUNTS FALLING DUE WITHIN ONE YEAR)		9	<u>4,073,760</u>	<u>1,140,401</u>
NET CURRENT LIABILITIES			<u>(3,791,988)</u>	<u>(1,059,731)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			10,633,453	5,440,269
CREDITORS(AMOUNTS FALLING DUE AFTER ONE YEAR)	Borrowings	10	<u>9,889,000</u>	<u>3,400,000</u>
NET ASSETS			<u>744,453</u>	<u>2,040,269</u>
CAPITAL AND RESERVES	Called up share capital	11	2	2
	Profit and loss account	13	-	546,244
	Revaluation reserve	13	<u>744,451</u>	<u>1,494,023</u>
SHAREHOLDERS' FUNDS			<u>744,453</u>	<u>2,040,269</u>

The financial statements were approved by the Board of Directors on 10th September 1998 and signed on its behalf by:

H.J.M.Price
Director



PILLAR OFFICES LIMITED
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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 ultimate 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 (1997 £nil). The company has no employees (1997 nil).

**3. NET INTEREST PAYABLE AND
SIMILAR CHARGES**

	1998	1997
	£	£
Bank interest payable on overdrafts and bank loans wholly repayable within five years	-	(280,160)
Bank interest payable on bank loans repayable after five years	(207,605)	-
Interest payable to parent and subsidiary companies	-	(59,852)
	-----	-----
	(207,605)	(340,012)
Hedging costs	(2,888)	(8,496)
Interest receivable	2,184	1,228
	-----	-----
	(208,309)	(347,280)
	=====	=====

PILLAR OFFICES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

4. TAXATION

The company's trading losses have been surrendered, by way of group relief, to the parent company for nil consideration.

5. DEFERRED TAXATION

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

	Amount not Provided	
	1998	1997
	£	£
Arising on revaluation of investment properties	284,035	389,818
Accelerated capital allowances	434,081	354,566
	718,116	744,384
	=====	=====

6. INVESTMENT PROPERTIES

	Long Leasehold Land and Buildings	Freehold Land and Buildings	Total
	£	£	£
At 31st March 1997 at valuation	6,500,000	-	6,500,000
Additions	-	13,680,549	13,680,549
Disposals	(6,500,000)	-	(6,500,000)
Revaluation	-	744,451	744,451
	-----	-----	-----
At 31st March 1998 at valuation	-	14,425,000	14,425,000
	=====	=====	=====

As at 31st March 1998, the company's investment portfolio was valued on the basis of open market value by Jones Lang Wootton, Chartered Surveyors, at £14,425,000. 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 £13,680,549 (1997 - £5,005,977).

7. DEBTORS

	1998	1997
	£	£
Amounts falling due within one year:		
Prepayments and accrued income	9,548	8,934
Other debtors	4,500	-
	-----	-----
	14,048	8,934
Amounts falling due after more than one year:		
Prepayments and accrued income	-	1,736
	-----	-----
	14,048	10,670
	=====	=====

8. CASH AT BANK AND IN HAND

The cash held at 31st March 1998 was retained primarily for the payment of interest and was not readily available for other purposes.

PILLAR OFFICES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

9. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)		1998 £	1997 £
	Amount due to parent company	3,675,126	843,901
	Accruals and deferred income	370,916	148,769
	Taxation	27,718	42,731
	Other creditors	-	105,000
		<u>4,073,760</u>	<u>1,140,401</u>
		=====	=====
10. CREDITORS (AMOUNTS FALLING DUE AFTER ONE YEAR)	Borrowings comprise a bank loan, wholly repayable between five and ten years, secured over the investment property together with a floating charge over the assets of the company.		
11. CALLED UP SHARE CAPITAL		1998 £	1997 £
	Authorised		
	100 ordinary shares of £1 each	100	100
		===	===
	Issued, allotted, called up and fully paid		
	2 ordinary shares of £1 each	2	2
		==	==
12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS		1998 £	1997 £
	Retained (loss)/ profit for the year	(2,040,267)	124,020
	Unrealised surplus on revaluation of investment property	744,451	250,000
		<u>(1,295,816)</u>	<u>374,020</u>
	Opening shareholders' funds	2,040,269	1,666,249
		<u>744,453</u>	<u>2,040,269</u>
		=====	=====
13. RESERVES		Profit and Loss Account £	Revaluation Reserve £
	At 31st March 1997	546,244	1,494,023
	Retained (loss)/ profit for the year	(2,040,267)	-
	Transfer on disposal of property	1,494,023	(1,494,023)
	Revaluation during the year	-	744,451
		<u>-</u>	<u>744,451</u>
	At 31st March 1998	-	744,451
		=====	=====
14. PARENT COMPANY	The parent company is Pillar Property 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.		