

PILLAR OFFICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31st March 2001

Registered number: 2725156



PILLAR OFFICES LIMITED

REPORT AND FINANCIAL STATEMENTS 31ST MARCH 2001

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PILLAR OFFICES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31st March 2001.

1. PRINCIPAL ACTIVITY

During the year the company subscribed £50 million for units in the City of London Office Unit Trust.

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
E Doyle
M Stirling

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 2001 29 ^{7/17} p ordinary	31st March 2000 29 ^{7/17} p ordinary
M Stirling	21,472	21,472

Details of directors' interests in options over ordinary shares in Pillar Property PLC, for those directors who are not directors of the parent company, are as follows:

	At 31st March 2000	Exercised	At 31st March 2001	Gain £
Mr M Stirling	52,676	52,676	-	70,428
Mr E Doyle	181,159	181,159	-	239,493

PILLAR OFFICES LIMITED

DIRECTORS' REPORT (CONTINUED)

4. 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.

5. INSURANCE

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

Lansdowne House
Berkeley Square
London
W1J 6HQ



By Order of the Board
P J Martin
Secretary
28th September 2001

**AUDITORS REPORT TO THE MEMBERS OF
PILLAR OFFICES LIMITED**

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the director's report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 2001 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

28th September 2001

PILLAR OFFICES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2001

		Year ended 31st March 2001	Year ended 31st March 2000
	NOTE	£	£
TURNOVER	Rental income	-	289,711
ADMINISTRATIVE AND OTHER EXPENSES		-	(14,380)
OPERATING PROFIT	2	-	275,331
LOSS ON DISPOSAL OF INVESTMENT PROPERTY		(6,204)	(451,365)
NET INTEREST RECEIVABLE/(PAYABLE) AND SIMILAR CHARGES	3	-	(201,594)
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		(6,204)	(377,628)
PROPOSED DIVIDEND		-	-
RETAINED LOSS FOR THE YEAR		(6,204)	(377,628)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	(6,204)	(377,628)
UNREALISED SURPLUS ON REVALUATION OF UNITS	9,695,993	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	9,689,789	(377,628)

HISTORICAL COST PROFITS AND LOSSES

REPORTED LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(6,204)	(377,628)
REALISATION OF PROPERTY LOSS OF PREVIOUS YEARS	-	(674,949)
HISTORICAL COST LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(6,204)	(1,052,577)
HISTORICAL COST LOSS RETAINED AFTER TAXATION AND DIVIDENDS	(6,204)	(1,052,577)

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

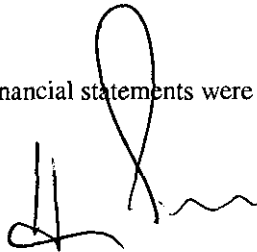
PILLAR OFFICES LIMITED

BALANCE SHEET

AS AT 31ST MARCH 2001

		NOTE	31st March 2001 £	31st March 2000 £
FIXED ASSETS	Investment	6	59,695,993	-
			-----	-----
CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)		7	(50,485,729)	(479,525)
			-----	-----
NET CURRENT LIABILITIES			(50,485,729)	(479,525)
			-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES			9,210,264	(479,525)
			-----	-----
NET ASSETS/(LIABILITIES)			9,210,264	(479,525)
			=====	=====
CAPITAL AND RESERVES	Called up share capital	8	2	2
	Profit and loss account	10	(485,731)	(479,527)
	Revaluation reserve	10	9,695,993	-
			-----	-----
SHAREHOLDERS' FUNDS/(DEFICIT)			9,210,264	(479,525)
			=====	=====

The financial statements were approved by the Board of Directors on 28th September 2001 and signed on its behalf by:



H.J.M.Price
Director

PILLAR OFFICES 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	<p>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 for the year.</p> <p>In accordance with SSAP 19, no depreciation or amortisation is provided in respect of freehold investment properties. Leasehold investment properties are not depreciated where the unexpired term is over twenty years. This treatment for certain of the company's investment properties represents a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.</p> <p>Purchases and sales of investment properties and properties held for resale are recorded when contracts have been exchanged by the year end, and are wholly unconditional by the date of approval of the accounts.</p> <p>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.</p>
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.
Investments	Investments are held at directors' valuation based on the net assets of the investment.
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.
Related party transactions	As the company is a wholly owned subsidiary of Pillar Property PLC, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and therefore has not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Pillar Property PLC, within which this company is included, can be obtained from the address in note 11.
2. PROFIT AND LOSS ACCOUNT	Directors' emoluments and audit fees are both nil (2000 £nil). The company has no employees (2000 nil).

PILLAR OFFICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

	2001	2000
	£	£
Bank interest payable on bank loans repayable after five years	-	(229,807)
Hedging costs	-	(6,449)
Interest receivable	-	34,662
	-----	-----
	-	(201,594)
	=====	=====

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.

5. DEFERRED TAXATION

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

	Amount not Provided	
	2001	2000
	£	£
Arising on revaluation of investment property	1,454,861	73,195
Accelerated capital allowances	-	79,773
	-----	-----
	1,454,861	152,968
	=====	=====

6. INVESTMENT

	£
At 31st March 2000 at valuation	-
Additions	50,000,000
Surplus on revaluation of investment property	9,695,993

At 31st March 2001 at valuation	59,695,993
	=====

The historical cost of the investment property at 31st March 2001 was £50,000,000.

7. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	2001	2000
	£	£
Amount due to parent company	50,443,850	424,151
Accruals and deferred income	41,879	42,466
Taxation	-	12,908
	-----	-----
	50,485,729	479,525
	=====	=====

8. CALLED UP SHARE CAPITAL

	2001	2000
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
	=====	=====
Issued, allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2
	=====	=====

PILLAR OFFICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	2001 £	2000 £
Retained loss for the year	(6,204)	(377,628)
Revaluation during the year	9,695,993	-
	<u>9,689,789</u>	<u>(377,628)</u>
Opening shareholders' funds	(479,525)	(101,897)
	<u>9,210,264</u>	<u>(479,525)</u>
	<u>=====</u>	<u>=====</u>

10. RESERVES

	Profit and Loss Account £	Revaluation Reserve £
At 31st March 2000	(479,527)	-
Retained loss for the year	(6,204)	-
Revaluation during the year	-	9,695,993
	<u>-----</u>	<u>-----</u>
At 31st March 2001	(485,731)	9,695,993
	<u>=====</u>	<u>=====</u>

11. 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 W1J 6HQ.