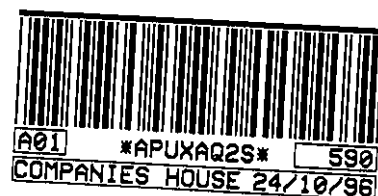


PARINV (EDINBURGH) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31st March 1996

Registered number: 2793828



PARINV (EDINBURGH) LIMITED

REPORT AND FINANCIAL STATEMENTS 31ST MARCH 1996

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PARINV (EDINBURGH) 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.

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 £37,283 (1995 £38,921) 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. SHARE CAPITAL

Throughout the year the called up share capital of two £1 shares was charged against the bank loan.

6. 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.

7. 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 (EDINBURGH) 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
Chartered Accountants
Registered Auditors
London

8th October 1996

PARINV (EDINBURGH) 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	304,495	306,352
ADMINISTRATIVE EXPENSES		(10,303)	(1,241)
OPERATING PROFIT	2	294,192	305,111
NET INTEREST PAYABLE AND SIMILAR CHARGES	3	(256,909)	(266,190)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		37,283	38,921
TAXATION	10	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		37,283	38,921
RESERVES BROUGHT FORWARD		97,568	58,647
RESERVES CARRIED FORWARD		134,851	97,568
		=====	=====

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PROFIT FOR THE FINANCIAL YEAR	37,283	38,921
UNREALISED (DEFICIT) ON REVALUATION OF PROPERTIES	(150,000)	(340,000)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	(112,717)	(301,079)
	=====	=====

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 (EDINBURGH) LIMITED

BALANCE SHEET

AS AT 31ST MARCH 1996

		NOTE	1996 £	1995 £
FIXED ASSETS	Investment property	5	3,750,000	3,900,000
CURRENT ASSETS	Debtors	7	10,660	14,747
	Cash at bank and in hand	9	90,415	90,352
			<u>101,075</u>	<u>105,099</u>
CREDITORS(AMOUNTS DUE WITHIN ONE YEAR)		8	<u>684,123</u>	<u>725,430</u>
NET CURRENT LIABILITIES			<u>(583,048)</u>	<u>(620,331)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,166,952	3,279,669
CREDITORS(AMOUNTS FALLING DUE AFTER ONE YEAR)	Borrowings	6	<u>2,504,000</u>	<u>2,504,000</u>
NET ASSETS			<u>662,952</u> =====	<u>775,669</u> =====
CAPITAL AND RESERVES	Called up share capital	4	2	2
	Profit and loss account		134,851	97,568
	Revaluation reserve	13	<u>528,099</u>	<u>678,099</u>
SHAREHOLDERS' FUNDS			<u>662,952</u> =====	<u>775,669</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 (EDINBURGH) 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 (1995 nil).

3. NET INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £	1995 £
Bank interest payable on overdrafts and bank loans wholly repayable within five years	(214,092)	(214,092)
Interest payable to parent and fellow subsidiary companies	(41,640)	(50,628)
	<u>(255,732)</u>	<u>(264,720)</u>
Hedging costs	(4,524)	(4,269)
Interest receivable	3,347	2,799
	<u>(256,909)</u>	<u>(266,190)</u>
	=====	=====

PARINV (EDINBURGH) 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 PROPERTY		Freehold Land and Buildings	
		£	
	At 31st March 1995 at valuation	3,900,000	
	Revaluation	(150,000)	

	At 31st March 1996 at valuation	3,750,000	
		=====	
	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 £3,750,000. 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 £3,221,901 (1995 £3,221,901).		
6. CREDITORS (AMOUNTS DUE IN MORE THAN ONE YEAR)	Borrowings comprise a bank loan, wholly repayable within five years, secured over the investment property and the shares of the company together with a floating charge over the assets of the company. The property is also secured under a cross-collateralisation agreement with a fellow subsidiary undertaking.		
7. DEBTORS		1996	1995
		£	£
	Amounts falling due within one year:		
	Prepayments and accrued income	4,524	4,524
	Other debtors	481	44
		-----	-----
		5,005	4,568
	Amounts falling due after more than one year:		
	Prepayments and accrued income	5,655	10,179
		-----	-----
		10,660	14,747
		=====	=====
8. CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)		1996	1995
		£	£
	Amount due to parent company	594,773	636,585
	Accruals and deferred income	89,350	88,845
		-----	-----
		684,123	725,430
		=====	=====
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 (EDINBURGH) 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	81,119	223,773
Accelerated capital allowances	127,143	-
Interest timing differences	(13,550)	(13,550)
	<u>194,712</u>	<u>210,223</u>
	=====	=====

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

Profit for the year	37,283	38,921
Unrealised (deficit) on revaluation of investment property	(150,000)	(340,000)
	<u>(112,717)</u>	<u>(301,079)</u>
Opening shareholders' funds	775,669	1,076,748
	<u>662,952</u>	<u>775,669</u>
	=====	=====

13. REVALUATION RESERVE

At start of period	678,099	1,018,099
Revaluation during the period	(150,000)	(340,000)
	<u>528,099</u>	<u>678,099</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.