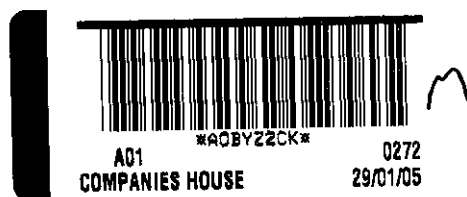


PILLAR HERCULES NO.1 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31st March 2004

Registered number: 3527580



PILLAR HERCULES NO.1 LIMITED

REPORT AND FINANCIAL STATEMENTS 31ST MARCH 2004

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PILLAR HERCULES NO.1 LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31st March 2004.

1. PRINCIPAL ACTIVITY

It is intended that the company will continue to invest in commercial property through The Hercules Unit Trust. The directors propose the payment of a dividend of £8,600,000 (2003 £nil).

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
M F McGann
A M Jones

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

The interests of Mr Price, Mr Mould and Mr Jones in the shares of the ultimate parent company, Pillar Property PLC, are shown in the report and accounts of that company.

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

	31st March 2004	31st March 2003
	10p ordinary	10p ordinary
M F McGann	2,280	2,280

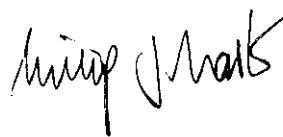
4. AUDITORS

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

5. 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
11th January 2005

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PILLAR HERCULES NO.1 LIMITED

We have audited the financial statements on pages 3 to 6.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' 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 1985. 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.

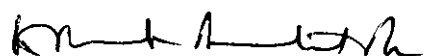
Basis of audit opinion

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 the company's affairs as at 31 March 2004 and of 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

27 January 2005

PILLAR HERCULES NO.1 LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2004

	NOTE	Year ended 31st March 2004 £	Year ended 31st March 2003 £
INCOME FROM FIXED ASSET INVESTMENTS	4	1,983,361	2,979,991
OPERATING PROFIT	2	1,983,361	2,979,991
PROFIT ON DISPOSAL OF UNITS IN INVESTMENT PARTNERSHIP		3,171,280	5,680,833
PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	3	5,154,641	8,660,824
PROPOSED DIVIDEND		(8,600,000)	-
RETAINED (LOSS)/ PROFIT FOR THE YEAR	8	(3,445,359)	8,660,824

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	5,154,641	8,660,824
UNREALISED SURPLUS ON REVALUATION OF INVESTMENTS	847,725	13,659,346
TOTAL RECOGNISED GAINS RELATING TO THE YEAR	6,002,366	22,320,170

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

PILLAR HERCULES NO.1 LIMITED

BALANCE SHEET

AS AT 31ST MARCH 2004

		NOTE	2004 £	2003 £
FIXED ASSETS	Investment partnership	4	<u>9,308,219</u>	<u>71,479,062</u>
CURRENT ASSETS	Debtors	5	16,695,958	1,833,115
CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)	Amounts due to parent company		-	<u>(44,710,366)</u>
NET CURRENT ASSETS/ (LIABILITIES)			<u>16,695,958</u>	<u>(42,877,251)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			26,004,177	28,601,811
NET ASSETS			<u>26,004,177</u> =====	<u>28,601,811</u> =====
CAPITAL AND RESERVES	Called up share capital	6	1	1
	Profit and loss account	8	5,235,965	8,681,324
	Revaluation reserve	8	20,768,211	19,920,486
SHAREHOLDERS' FUNDS			<u>26,004,177</u> =====	<u>28,601,811</u> =====

The financial statements were approved by the Board of Directors on 11th January 2005 and signed on its behalf by:



M F McGann
Director

PILLAR HERCULES NO.1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Accounting Convention	The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards and with the Companies Act 1985.
Investments	Investments are held at directors' valuation based on the net assets of the investment. 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.
Turnover	Turnover, which is stated net of VAT, is derived from rental income from operations in the United Kingdom.
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.
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 9.

2. PROFIT AND LOSS ACCOUNT

Directors' emoluments and audit fees are both £nil (2003 £nil). The company has no employees (2003 nil).

3. TAXATION

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

4. INVESTMENT PARTNERSHIPS

	£
At 31st March 2003	71,479,062
Income distributed in the year	(1,983,361)
Revaluation	847,725
Net equity disposals	(61,035,207)

At 31st March 2004	9,308,219
	=====

The company has a 0.81% interest in Hercules Unit Trust, which operates in Jersey, Channel Islands. The above represents the company's share of the net assets of the trust. At 31st March 2004 the investment portfolio of Hercules Unit Trust was externally valued by CB Richard Ellis Limited, Chartered Surveyors at £2,133,700,000. The historical cost of the investment properties of the trust was £1,738,995,000 (2003 £1,554,075,000).

PILLAR HERCULES NO.1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. CURRENT ASSETS	2004	2003
	£	£
Amounts due from parent company	16,695,958	-
Other debtors	-	1,833,115
	<u>16,695,958</u>	<u>1,833,115</u>
	=====	=====
6. CALLED UP SHARE CAPITAL	2004	2003
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
	===	===
Issued, allotted, called up and fully paid		
1 ordinary shares of £1	1	1
	===	===
7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS	2004	2003
	£	£
Retained (loss)/ profit for the year	(3,445,359)	8,660,824
Unrealised surplus on revaluation of investments	847,725	13,659,346
	<u>(2,597,634)</u>	<u>22,320,170</u>
Opening shareholders' funds	28,601,811	6,281,641
	<u>26,004,177</u>	<u>28,601,811</u>
	=====	=====
	Profit and loss account	Revaluation Reserve
	£	£
At 31st March 2003	8,681,324	19,920,486
Retained (loss) for the year	(3,445,359)	-
Unrealised surplus on revaluation of investments	-	847,725
	<u>5,235,965</u>	<u>20,786,211</u>
At 31st March 2004	5,235,965	20,786,211
	=====	=====
9. PARENT COMPANY	<p>The immediate parent company is Pillar Property Group 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 W1J 6HQ.</p>	