

AUDITORS REPORT TO COMMERCIAL UNION BUILDINGS COMPANY LIMITED
PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985
COMPANY NUMBER: 48629

We have examined the abbreviated accounts on pages 3 to 7 together with the full financial statements of Commercial Union Buildings Company Limited prepared under Section 226 of the Companies Act 1985 for the year ended 30th June, 1996.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors' statement on page 3 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

BASIS OF OPINION

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

OPINION

In our opinion the company is entitled under Sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section A of Part III of Schedule 8 to that Act, in respect of the year ended 30th June, 1996 and the abbreviated accounts on pages 3 to 7 have been properly prepared in accordance with that Schedule.

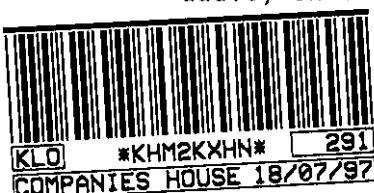
OTHER INFORMATION

Today we reported, as auditors of Commercial Union Buildings Company Limited, to the members on the financial statements prepared under Section 226 of the Companies Act 1985 for the year ended 30th June, 1996 and our opinion was as follows:

"We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 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.



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PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985
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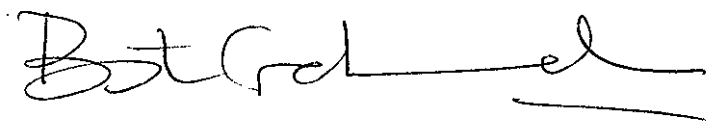
BASIS OF OPINION

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 the company's affairs as at 30th June, 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985".



124/130, Seymour Place,
London, W1H 6AA.
4th July, 1997

BRIGHT GRAHAME MURRAY
Chartered Accountants
and Registered Auditors

COMMERCIAL UNION BUILDINGS COMPANY LIMITED
BALANCE SHEET AT 30TH JUNE, 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£	£
FIXED ASSETS			
Tangible assets	2	1,365,501	1,380,056
Investments	3	<u>273,313</u>	<u>269,936</u>
		1,638,814	1,649,992
CURRENT ASSETS			
Debtors		1,316,043	661,809
Cash at bank and in hand		<u>136,492</u>	<u>773,217</u>
		1,452,535	1,435,026
CREDITORS: amounts falling due within one year		<u>274,509</u>	<u>280,585</u>
NET CURRENT ASSETS		1,178,026	1,154,441
TOTAL ASSETS LESS CURRENT LIABILITIES		2,816,840	2,804,433
CREDITORS: amounts falling due after more than one year	4	<u>791,146</u>	<u>791,146</u>
		2,025,694	2,013,287
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	5	4,427	4,427
General reserve		500	500
Capital reserve		3,000	3,000
Profit and loss account		<u>2,017,767</u>	<u>2,005,360</u>
SHAREHOLDERS' FUNDS - EQUITY	6	2,025,694	2,013,287
		=====	=====

The directors have taken advantage, in preparing these abbreviated accounts, of the exemptions conferred by Schedule 8 of the Companies Act 1985 and have done so on the grounds that, in their opinion, the company is a small company.

.....*[Signature]*.....)
[Signature].....)
Directors

Approved on.....*4/7/97*.....

The attached notes 1 to 7 form part of these financial statements.

COMMERCIAL UNION BUILDINGS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 1996

1. ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and are in accordance with applicable Accounting Standards.

Compliance with SSAP19 "Accounting for Investment Properties" requires a departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation and an explanation of this departure is given below.

CONSOLIDATED ACCOUNTS

No consolidated accounts are prepared for the group as it qualifies as small within the definition set out in Section 247 of the Companies Act 1985. The group is therefore exempt from the requirement to prepare consolidated accounts.

TURNOVER

Turnover is rent and service charges receivable.

DEPRECIATION

Depreciation is provided on all tangible fixed assets with the exception of investment properties and long leasehold property (see below), at rates calculated to write off the cost of each asset over its expected useful life as follows:

Office equipment and furniture	- 5 years
Motor vehicles	- 5 years - 8 years

No depreciation is provided on the long leasehold property since it is the group's practice to maintain such property in a continual state of sound repair and any depreciation would not be material. Provision will be made should any permanent diminution in value of the property occur, such provision being based on the prices prevailing at the time of its acquisition or subsequent valuation.

FREEHOLD INVESTMENT PROPERTIES

Investment properties, are interests in land and buildings which are held for their long term investment potential, any rental income being negotiated at arm's length.

Investment properties are not depreciated but are revalued annually where appropriate.

Changes in the value of investment properties are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account.

COMMERCIAL UNION BUILDINGS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 1996

2. TANGIBLE FIXED ASSETS

	<u>Total</u> £
Cost or valuation:	
At 1st July, 1995	1,471,321
Additions	<u>200</u>
At 30th June, 1996	<u>1,471,521</u>
Depreciation:	
At 1st July, 1995	91,265
Provided during the year	<u>14,755</u>
At 30th June, 1996	<u>106,020</u>
Net book value:	
At 30th June, 1996	1,365,501
	=====
Net book value:	
At 30th June, 1995	1,380,056
	=====

The directors are of the opinion that the open market value of the freehold investment property and long leasehold property is equal to their cost at 30th June, 1996.

3. INVESTMENTS

COMPANY	<u>Subsidiary</u> <u>under-</u> <u>taking</u> £	<u>Associated</u> <u>under-</u> <u>taking</u> £	<u>Joint</u> <u>venture</u> £	<u>Total</u> £
At cost:				
At 1st July, 1995	-	25	269,911	269,936
Repaid of Joint Venture in the year	-	-	(30,669)	(30,669)
Share of Joint Venture profit	-	-	34,045	34,045
Additions during the year	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	1	25	273,287	273,313
	==	==	=====	=====

COMMERCIAL UNION BUILDINGS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 1996

3. INVESTMENTS (Continued)

The company owns 25% of the ordinary share capital of Aviawise Limited a property investment company incorporated in England. The financial year end of Aviawise Limited is 28th February, and in the year to 28th February, 1996 the company made a loss after dividends of £25,003 and its aggregate share capital and reserves at that date were £209,739.

The company has entered into an unincorporated property investment joint venture called Fryern Arcade, with Goldpine Furniture Limited, as equal equity partners. For the purposes of the company accounts, Commercial Union Buildings Company Limited's share of the joint venture profits have been reflected as an increase in investment in joint venture and a corresponding entry reflecting its results for the period. The joint ventures principal place of business is the Fryern Arcade, Chandlers Ford, Hampshire and is managed by the directors of this company.

During the year the company invested £1 in order to acquire 50% of the share of Lyleworth Limited. Lyleworth Limited made a profit of £148 for the six months period to 30th June, 1996, and the share capital and reserves stood at £150.

4. CREDITORS: amounts falling due after more than one year

The creditors falling due after more than one year are secured by a first legal charge over the company's freehold investment properties.

5. SHARE CAPITAL	<u>1996</u> £	<u>1995</u> £
Authorised		
2,000 ordinary shares of £10 each	20,000	20,000
	=====	=====
Allotted, called up and fully paid		
770 ordinary shares of £5.75 each	4,427	4,427
	=====	=====

6. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Profit for the year	47,057	28,193
Dividend paid	(34,650)	-
Shareholders' funds at 1st July, 1995	<u>2,013,287</u>	<u>1,985,094</u>
Shareholders' funds at 30th June, 1996	2,025,694	2,013,287
	=====	=====

COMMERCIAL UNION BUILDINGS COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 1996

7. CONTINGENT LIABILITIES

The sum of £791,146 (1995: £791,146) included in creditors falling due after more than one year is the companies proportion of a building society loan of £2,170,000 (1995: £2,170,000) financing both the investment property owned by the company and that purchased by the Joint Venture in which Commercial Union Buildings Company Limited is a participator.

Goldpine Furniture Limited and Commercial Union Buildings Company Limited have guaranteed the loan jointly and severally.