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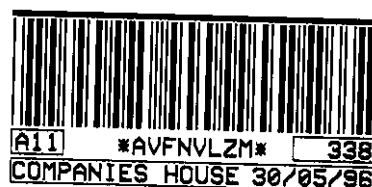
Company Registration No. 652132

PACEMAKER INVESTMENTS LIMITED

Report and Financial Statements

31 December 1995

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**





REPORT AND FINANCIAL STATEMENTS 1995

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

ACTIVITIES

The principal activity of the company continues to be property investment.

RESULTS

The profit for the year after taxation amounted to £1,912,101 (1994 - £2,244,639).

REVIEW OF DEVELOPMENTS

Details of the company's results are given in the profit and loss account on page 5 and the notes on pages 8 and 9. The position of the company at the end of the year is set out in the balance sheet on page 6 and the notes on pages 10 and 11.

A dividend of £2,638,053 has been recommended for the year (1994 - £4,030,934).

The directors expect the company to perform satisfactorily in the future.

FIXED ASSETS

Details of the movements in fixed assets are set out in note 6 to the accounts.

TRANSFER TO AND FROM RESERVES

Transfers to and from reserves are dealt with in the notes 10 and 11 to the accounts.

DIRECTORS

The directors during the year were:

R.J. Dossett
B.S. Clegg
D.G.M. Cull
K.S. Longman

DIRECTORS' AND OFFICERS' INSURANCE

Directors' and officers' liability insurance has been purchased by the ultimate parent company during the year.

DIRECTORS' INTERESTS

None of the directors had any interests in the shares of the company. Messrs R.J. Dossett, B.S. Clegg and D.G.M. Cull are directors of Estates & General PLC, the ultimate parent company. Their interests in the shares of the parent company are shown in that company's financial statements.

DIRECTORS' REPORT

AUDITORS

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution to reappoint Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



G M Roberts

Secretary

18 April 1996

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 as at the end of the financial year and of the profit or loss of the company 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that proper accounting records are maintained, which disclose with reasonable accuracy the financial position of the company at any time, and that the financial statements comply with the Companies Act. They also have a responsibility for taking those steps reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Chartered Accountants

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

Telephone: National 0171 936 3000
International + 44 171 936 3000
Telex: 884739 TRLNDN G
Fax (Gp. 3): 0171 583 8517
LDE: DX 599

AUDITORS' REPORT TO THE MEMBERS OF PACEMAKER INVESTMENTS LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 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 the company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors
London

24 May 1996

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1995

	Note	1995 £	1994 £
TURNOVER - (continuing operations)	1,2	2,044,126	2,351,374
Cost of sales		<u>(168,035)</u>	<u>(108,210)</u>
Gross profit	2	1,876,091	2,243,164
Other operating income		<u>447</u>	<u>1,465</u>
OPERATING PROFIT (continuing operations)		1,876,538	2,244,629
Interest receivable and similar income		<u>17,331</u>	<u>10</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,893,869	2,244,639
Tax credit on profit on ordinary activities	4	<u>18,232</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,912,101	2,244,639
Dividend proposed		<u>(2,638,053)</u>	<u>(4,030,934)</u>
Retained loss transferred from reserves	10	<u><u>(725,952)</u></u>	<u><u>(1,786,295)</u></u>

BALANCE SHEET
31 December 1995

	Note	£	1995 £	£	1994 £
FIXED ASSETS					
Tangible assets	6		17,325,001		24,020,001
Loans			<u>7,000</u>		<u>7,000</u>
			17,332,001		24,027,001
CURRENT ASSETS					
Debtors	7	513,924		829,198	
CREDITORS: amounts falling due within one year	8		<u>(17,845,245)</u>	<u>(24,855,519)</u>	
NET CURRENT LIABILITIES			<u>(17,331,321)</u>		<u>(24,026,321)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>680</u>		<u>680</u>
CAPITAL AND RESERVES					
Called up share capital	9		680		680
Revaluation reserve	10		-		-
Profit and loss account	11		<u>-</u>		<u>-</u>
EQUITY SHAREHOLDERS' FUNDS			<u>680</u>		<u>680</u>

These financial statements were approved by the Board of Directors on 22 April 1996.

Signed on behalf of the Board of Directors

B.S. CLEGG

)

) Directors

D.G.M. CULL

)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 1995

	1995 £	1994 £
Profit for the financial year	1,912,101	2,244,639
Surplus/(deficit) arising on revaluation of fixed assets	<u>725,952</u>	<u>(885,374)</u>
Total recognised gains and losses relating to the year	<u><u>2,638,053</u></u>	<u><u>1,359,265</u></u>

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS
Year ended 31 December 1995

	1995 £	1994 £
Profit for the financial year	1,912,101	2,244,639
Dividends	<u>(2,638,053)</u>	<u>(4,030,934)</u>
	(725,952)	(1,786,295)
Other recognised gains and losses relating to the financial year	<u>725,952</u>	<u>(885,374)</u>
Net reduction in equity shareholders' funds	-	(2,671,669)
Opening equity shareholders' funds	<u>680</u>	<u>2,672,349</u>
Closing equity shareholders' funds	<u><u>680</u></u>	<u><u>680</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below. Compliance with SSAP 19 Accounting for Investment Properties requires departure from the requirements of the Companies Act 1985 relating to depreciation. An explanation of the departure is given below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents gross rents receivable.

Investment properties

Investment properties are revalued annually and the aggregate surplus or deficit is transferred to/from the revaluation reserve. No depreciation is provided in respect of investment properties. This constitutes a departure from the statutory rules requiring fixed assets to be depreciated over their economic useful lives and is necessary to enable the financial statements to give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Surpluses

Surpluses arising on sales of investment properties are based on the excess of sale proceeds over holding cost and are included within the company's profit on ordinary activities. Surpluses resulting from the revaluation of property previously taken to revaluation reserves are shown as a movement between unrealised and realised reserves.

Deferred taxation

Deferred taxation is provided at the anticipated future rates of corporation tax on timing differences which arise from the inclusion of items of income and expenditure in the taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

No provision for taxation is made on surpluses arising from revaluation of properties held for investment which are not likely to be disposed of in the foreseeable future.

2. TURNOVER

	Turnover		Gross profit	
	1995	1994	1995	1994
	£	£	£	£
Gross rent receivable from investment properties	2,044,126	2,351,374	1,876,091	2,243,164
Property development income	-	-	-	-
	<u>2,044,126</u>	<u>2,351,374</u>	<u>1,876,091</u>	<u>2,243,164</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration and employee costs were borne by the ultimate parent company, in respect of the current and prior year.

No directors' emoluments were paid or are due in respect of the current year or previous year.

4. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES

	1995	1994
	£	£
Prior year adjustment	18,232	-

There is no current year tax charge as any profits of the company will be fully relieved by current year losses available from other group companies for which no consideration is to be given. The tax credit reflects a recovery of tax from prior years.

5. DEFERRED TAXATION

The potential amounts of deferred taxation and the portion thereof provided in the financial statements are:

	1995		1994	
	Total potential tax £	Amount provided £	Total potential tax £	Amount provided £
Capital allowances in excess of depreciation	-	-	112,279	-
Short term timing differences	-	-	(74,169)	-
	-	-	38,110	-

No provision is made for deferred tax on revalued properties throughout the Estates & General PLC group. There are sufficient losses available within the group to ensure that no tax should become payable on the realisation of these gains. It is not anticipated that any payment will be made for this facility.

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

6. TANGIBLE FIXED ASSETS

	Freehold land and buildings Investment properties £
At valuation 1 January 1995	24,020,001
Additions	249,048
Disposals	(7,670,000)
Surplus on revaluation	725,952
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At valuation 31 December 1995	17,325,001
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- (a) DTZ Debenham Thorpe Ltd International Property Advisers prepared a full valuation dated 25 March 1978 of the properties in the investment portfolio and have valued and inspected all subsequent additions. They have reviewed their valuations as at 31 December 1995 on the basis of current open market value. These reviewed values have been incorporated in these accounts.
- (b) Certain of the company's properties are charged to secure loans within the group.
- (c) The historical cost of the freehold property at 31 December 1994 was £20,917,069 (1994 - £26,675,060).

7. DEBTORS

	1995 £	1994 £
Trade debtors	446,512	691,370
Other debtors	-	428
Prepayments and accrued income	67,412	137,400
	<hr/>	<hr/>
	513,924	829,198
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8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995 £	1994 £
Trade creditors	-	5,854
Amounts owed to group companies		
- parent company	17,190,191	23,998,636
Other creditors including taxation and social security	103,186	116,703
Accruals and deferred income	551,868	734,326
	<hr/>	<hr/>
	17,845,245	24,855,519
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

9. CALLED UP SHARE CAPITAL

	1995 £	1994 £
Authorised, allotted and fully paid: 680 ordinary shares of £1 each	680	680

10. REVALUATION RESERVE

	1995 £
Balance at 1 January	-
Surplus on revaluation	725,952
Transfer to profit and loss account	(725,952)
Balance at 31 December	-

11. PROFIT AND LOSS ACCOUNT

	1995 £
Balance at 1 January	-
Retained loss for the financial year	(725,952)
Transfer from revaluation reserve	725,952
Balance at 31 December	-

12. ULTIMATE PARENT COMPANY

The ultimate parent company is Estates & General PLC, incorporated in Great Britain and registered in England and Wales. Copies of the parent company's accounts are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.