

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2002

Company No. 1930484



GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

COMPANY INFORMATION

Directors

PA Thornton
CN Strickland
MA Poole
AM Craven

Secretary

NC Brown

Company Number

1930484

Registered Office

9 Savoy Street
London
WC2E 7EG

Auditors

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

CONTENTS

	Page
Directors' Report	1 - 2
Independent Auditors' Report	3
Profit and Loss Account	4
Statement of Total Recognised Gains and Losses	5
Balance Sheet	6
Notes to the Accounts	7 - 12

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2002

The directors present their report together with the audited accounts for the year ended 30 June 2002.

Principal Activities and Review of Business

The company's principal activity is that of property investment.

The directors consider the state of the company's affairs to be satisfactory.

The directors recommend payment of a final dividend of £4,000,000 and the retained loss of £2,691,578 (2001: £1,322,183) will be deducted from reserves.

Fixed Assets

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

Investment Properties

Investment properties are valued annually on an open market value basis, in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. External valuations take place at least every five years and internal valuations are carried out in the intervening years by appropriately qualified directors.

Directors

The directors who served during the year were:

PA Thornton
CN Strickland
MA Poole
AM Craven

None of the directors had any interest in the share capital of the company during the year. Messrs PA Thornton, CN Strickland, MA Poole and AM Craven are also directors of Greycoat Estates Limited, which was the parent undertaking at 30 June 2002 in whose accounts their interests in the share capital of that company and other group undertakings are shown.

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2002

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year, which give a true and fair view of the state of the company's affairs and of the profit or loss for that year. In preparing these accounts the directors:

Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent;

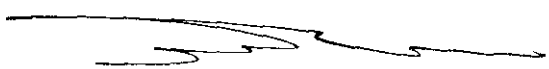
State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;

Prepare the accounts 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 enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Ernst & Young LLP will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under section 386 Companies Act 1985.



NC Brown, Secretary
19 December 2002

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED**

We have audited the company's accounts for the year ended 30 June 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 12. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

- i) is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or
- ii) has been expressly authorised to do so by our prior written consent

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

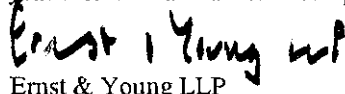
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London
19 December 2002

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Year ended 30 June 2002 £	Year ended 30 June 2001 £
Turnover	2	1,340,605	1,325,330
Rents payable and other property outgoings		(34,957)	(3,429)
Operating Profit		<u>1,305,648</u>	<u>1,321,901</u>
Interest receivable		2,774	282
Profit on Ordinary Activities before Taxation		<u>1,308,422</u>	<u>1,322,183</u>
Tax on Profit on Ordinary Activities	4	-	-
Profit on Ordinary Activities after Taxation		<u>1,308,422</u>	<u>1,322,183</u>
Dividends	5	4,000,000	-
Retained (loss) profit for the Financial Year		<u>(2,691,578)</u>	<u>1,322,183</u>

All amounts relate to continuing activities.

The notes on pages 7 to 12 form part of these accounts.

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30 JUNE 2002

	Year ended 30 June 2002 £	Year ended 30 June 2001 £
Statement of Total Recognised Gains and Losses		
Profit for the financial year	1,308,422	1,322,183
Unrealised (deficit) on revaluation of investment properties	(4,277)	(508,068)
Total recognised gains relating to the year	<u>1,304,145</u>	<u>814,115</u>

The notes on pages 7 to 12 form part of these accounts.

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

BALANCE SHEET

AS AT 30 JUNE 2002

	Notes	£	30 June 2002 £	£	30 June 2001 £
Fixed Assets					
Tangible assets	6		19,300,000		19,100,000
Current Assets					
Debtors	7	60,197		36,262	
Cash at bank and in hand		69,145		68,590	
		<u>129,342</u>		<u>104,852</u>	
Creditors: Amounts Falling Due Within One Year	8	(17,906,467)		(14,986,122)	
Net Current Liabilities			<u>(17,777,125)</u>		<u>(14,881,270)</u>
Total Assets Less Current Liabilities			<u>1,522,875</u>		<u>4,218,730</u>
Capital and Reserves					
Share Capital	9		100		100
Revaluation reserve	10		1,474,601		1,478,878
Profit and loss account	10		48,174		2,739,752
Shareholders' Funds	11		<u>1,522,875</u>		<u>4,218,730</u>

These accounts were approved by the board on 19 December 2002 and signed on its behalf.


MA Poole
Director

The notes on pages 7 to 12 form part of these accounts.

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2002

1 Accounting Policies

Basis of Accounting

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention with the exception of investment properties which are stated at revalued amounts under the alternative accounting rules, and comply with the Companies Act 1985.

The company has taken advantage of the exemptions in Financial Reporting Standard No. 1 from the requirements to produce a cash flow statement of the grounds that its results have been included in the consolidated accounts of its ultimate parent undertaking Greycoat Estates Limited.

In reporting the accounts of the company for the current year, the company has adopted FRS 17 'Retirement Benefits', FRS 18 'Accounting Policies' and FRS 19 'Deferred Taxation'. Adoption of these standards has not required any revision to the accounts in either the current or prior periods.

Recognition of Income

Rental income is included in these accounts for the period up to the June quarter day as invoiced.

Proceeds from the sale of properties are included in the profit and loss account when a binding contract of sale exists provided that the sale is completed prior to the date of approval of the accounts.

Fees and commissions received for management and other property services are included in income as earned.

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2002

Depreciation

In accordance with SAAP 19(i) investment properties are revalued annually, and the aggregate surplus or deficit is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties and long leasehold investment properties. Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation or amortisation is only one of the factors reflected in the annual valuations, and the amount, which might otherwise have been shown cannot be separately identified or quantified.

Investment Properties

The investment property was internally valued at 30 June 2002, on an open market basis in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. External valuations take place at least every five years and internal valuations are carried out in the intervening years by appropriately qualified directors.

The valuations are incorporated in the accounts and valuation surpluses and deficits are transferred to the revaluation reserve. In the case of permanent impairments in the value of individual properties, any deficits below cost are taken to the profit and loss account for the year.

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from the revaluation of tangible fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2 Turnover

The turnover and operating profit for the year were derived from the company's principal activity, which was carried out wholly in the UK.

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2002

3 Administrative Expenses

Messrs PA Thornton, CN Strickland, MA Poole and AM Craven are also directors of Greycoat Estates Limited which was the ultimate parent undertaking at 30 June 2002. Full details of their remuneration are disclosed in the accounts of Greycoat Estates Limited.

The directors do not believe that it is practicable to apportion their remuneration or the remuneration of the auditors between their services to the company and their services to the ultimate parent undertaking and fellow subsidiaries.

The directors and auditors receive their remuneration from a fellow subsidiary undertaking.

4 Tax on Profit on Ordinary Activities

There is no tax charge for the year (2001: £nil). Group relief is used to eliminate any charge or loss in subsidiary undertakings. There is no provision or additional potential liability for deferred taxation in respect of the company.

5 Dividends

	Year ended 30 June 2002 £	Year ended 30 June 2001 £
Final dividend proposed	4,000,000	-

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2002

6 Tangible Fixed Assets

	Freehold Land and Buildings
Valuation	£
At 1 July 2001	19,100,000
Additions	204,277
Revaluation deficit	(4,277)
At 30 June 2002	19,300,000

The investment property was internally valued at 30 June 2002, on an open market basis in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors.

The historic cost of the property is £17,825,399 (2001: £17,621,122).

7 Debtors

	30 June 2002 £	30 June 2001 £
Amounts due from tenants	60,197	-
Prepayments and accrued income	-	36,262
	60,197	36,262

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2002

8 Creditors: Amounts Falling Due Within One Year

	30 June 2002 £	30 June 2001 £
Rents in advance	335,151	335,151
Amounts owed to fellow subsidiary undertakings	17,488,060	14,574,721
Other Creditors	83,256	76,250
	<u>17,906,467</u>	<u>14,986,122</u>

9 Share Capital

	30 June 2002 £	30 June 2001 £
Authorised Equity Shares		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted Equity Shares		
100 Allotted, called up and fully paid ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

10 Reserves

	Profit and Loss Account	Revaluation Reserve
	£	£
At 1 July 2001	2,739,752	1,478,878
Retained loss for the year	(2,691,578)	-
Revaluation deficit	-	(4,277)
	<u>48,174</u>	<u>1,474,601</u>
At 30 June 2002		

GREYCOAT COMMERCIAL DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2002

11 Reconciliation of Shareholders' Funds

	30 June 2002 £	30 June 2001 £
Retained (loss) profit for the financial year	(2,691,578)	1,322,183
Other recognised gains and losses	(4,277)	(508,068)
(Decrease) increase in shareholders' funds	(2,695,855)	814,115
Opening shareholders' funds	4,218,730	3,404,615
Closing shareholders' funds	1,522,875	4,218,730

12 Related Parties

The company's immediate parent undertaking is Greycoat Limited, registered in England and Wales, and copies of its accounts are available from 9 Savoy Street, London, WC2E 7EG.

In the directors' opinion the company's ultimate parent company and controlling party at 30 June 2002 was Greycoat Estates Limited, which is incorporated in England and Wales. Copies of its group accounts, which include the company, are available from 9 Savoy Street, London, WC2E 7EG.

The company has taken advantage of the exemption available to it not to disclose transactions with other group undertakings which are at least 90% owned directly or indirectly by the ultimate parent undertaking.