

GREYCOAT TOWER LIMITED
Formerly Precis (1643) Limited

DIRECTORS' REPORT AND ACCOUNTS

FOR THE PERIOD
7TH APRIL 1998 TO 31ST MARCH 1999



Company No. 3541862

GREYCOAT TOWER LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | PA Thornton C Strickland MA Poole AM Craven |
| Secretary | NC Brown |
| Company Number | 3541862 |
| Registered Office | 9 Savoy Street London WC2E 7EG |
| Auditors | Ernst & Young Becket House 1 Lambeth Palace Road London SE1 7EU |

GREYCOAT TOWER LIMITED

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GREYCOAT TOWER LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31ST MARCH 1999

The directors present their report together with the audited accounts for the period ended 31st March 1999.

Principal Activities and Review of Business

The company was incorporated on 7th April 1998 to provide management services.

The company changed its name on 13th July 1998 from Precis (1643) Limited to Greycoat Tower Limited.

Results and Dividends

The results for the period are set out in the profit and loss account on page 5.

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

The directors do not recommend a dividend .

Directors

The directors who served during the period were:

PA Thornton
C Strickland
MA Poole
AM Craven
PE Dunning
CW Wilson

PE Dunning and CW Wilson were appointed directors on 7th April 1998 and resigned on 9th July 1998.

PA Thornton, C Strickland, MA Poole and AM Craven were appointed as directors on 9th July 1998.

None of the directors had any interest in the share capital of the company during the year. Messrs PA Thornton, C Strickland and MA Poole are also directors of Greycoat PLC, which was the ultimate parent undertaking at 31st March 1999, in whose accounts their interests in the share capital of that company and other group undertakings are shown.

The interest of the other director in Greycoat PLC at 31st March 1999 was as follows:

| | Ordinary Shares of 20p each 31st March 1999 | | Ordinary Shares of 20p each 7th April 1998 | |
|-----------|---|---------|--|---------|
| | Beneficial | Options | Beneficial | Options |
| AM Craven | 10,477 | 226,617 | 7,008 | 226,617 |

Beneficial interest includes shares held by Trustees of the Greycoat PLC Share Incentive Scheme.

GREYCOAT TOWER LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31ST MARCH 1999

Details of share options are as follows:

| | | | | | |
|----------------------|---------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Exercisable between: | 5 Feb 1997 and 4 Feb 2004 | 20 Jul 1997 and 19 Jul 2004 | 28 Jul 1998 and 27 Jul 2005 | 24 May 1999 and 23 May 2006 | 23 Jul 2000 and 22 Jul 2007 |
| AM Craven | 27,188 | 26,600 | 113,207 | 12,165 | 47,457 |

On 25th June 1999 the offer for the entire share capital of Greycoat PLC by G2 Estates Limited, a wholly owned subsidiary of Greycoat Estates Limited, for 260p per share was declared unconditional. On this date the directors disposed of all their shares in Greycoat PLC. In addition all the directors, who are also directors of Greycoat Estates Limited, either waived or exercised their options over shares in Greycoat PLC.

The interests of the directors in the share capital of Greycoat Estates Limited at 2nd September 1999 are:

| | |
|--------------|-------------------------------|
| | Ordinary Shares of 1p each |
| PA Thornton | 4,000 |
| C Strickland | 4,000 |
| MA Poole | 4,000 |
| AM Craven | 2,000 |

Events Since the End of the Year

On 25th June 1999 the offer for the entire share capital of Greycoat PLC by G2 Estates Limited, a wholly owned subsidiary of Greycoat Estates Limited, for 260p per share was declared unconditional.

Issue of Shares

During the period 2 £1 shares were issued to the subscribers at par.

Year 2000 Compliance

The Board of Greycoat PLC is aware of system problems associated with the year 2000. It is a matter of particular interest to the Audit Committee of Greycoat PLC and one which has been under active consideration for some time.

A project has been established to ensure that the group is prepared for the advent of the new millennium. All relevant buildings in the portfolio have been surveyed; manufactures of software and hardware used within these properties and also within the group's own operating systems have been contacted to establish compliance. Generally, systems have been confirmed to be compliant but where this is not the case, a programme of testing has been put in place, which is currently underway.

The results of the project to date have not identified any areas where significant expenditure is expected.

GREYCOAT TOWER LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31ST MARCH 1999

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of the company's affairs and of the profit or loss for that period. 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;

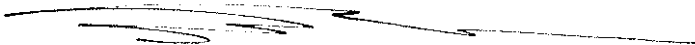
Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 2nd September 1999, and signed on its behalf.



NC Brown, Secretary
2nd September 1999

AUDITORS' REPORT TO THE SHAREHOLDERS OF GREYCOAT TOWER LIMITED

We have audited the accounts on pages 5 to 9 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and report our opinion to you.

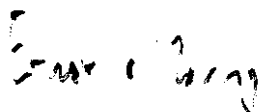
Basis of Opinion

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 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 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st March 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London
Date: 2nd September 1999

GREYCOAT TOWER LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD 7TH APRIL 1998 TO 31ST MARCH 1999

| | Notes | 1999 £ |
|---|-------|-----------|
| Turnover | 2 | 244,738 |
| Gross Profit | | 244,738 |
| Operating Profit | | 244,738 |
| Profit on Ordinary Activities before Taxation | | 244,738 |
| Tax on profit on ordinary activities | 4 | - |
| Profit for the Financial Period | 8 | 244,738 |

All amounts relate to continuing activities.

There were no recognised gains or losses for period ended 31st March 1999 other than those included in the profit and loss account.

GREYCOAT TOWER LIMITED

BALANCE SHEET

AS AT 31ST MARCH 1999

| | Notes | 1999 £ |
|---|-------|----------------|
| Current Assets | | |
| Debtors | 5 | 256,338 |
| | | <u>256,338</u> |
| Creditors: Amounts Falling Due Within One Year | 6 | <u>11,598</u> |
| Total Assets Less Current Liabilities | | <u>244,740</u> |
| Capital and Reserves | | |
| Share capital | 7 | 2 |
| Profit and loss account | 8 | <u>244,738</u> |
| Shareholders' Funds | 9 | <u>244,740</u> |

These accounts were approved by the board on 2nd September 1999 and signed on its behalf.


MA Poole
Director

GREYCOAT TOWER LIMITED

NOTES TO THE ACCOUNTS

FOR THE PERIOD ENDED 31ST MARCH 1999

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 requirement to produce a cash flow statement on the grounds that its results have been included in the consolidated accounts of its ultimate parent undertaking Greycoat PLC.

Recognition of Income

Rental income is included in these accounts for the period up to the March 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.

2 Turnover

The turnover was derived from the company's principal activity which was carried out wholly in the UK.

GREYCOAT TOWER LIMITED

NOTES TO THE ACCOUNTS

FOR THE PERIOD ENDED 31ST MARCH 1999

3 Administrative Expenses

Messrs PA Thornton, C Strickland and MA Poole are also directors of Greycoat PLC which was the ultimate parent undertaking at 31st March 1999. These directors received total remuneration for the year of £1,162,000 (1998: £1,166,000). Full details are disclosed in the accounts of Greycoat PLC.

The other director's remuneration totalled:

| | 1999 £ |
|-----------------------|----------------|
| Basic salary | 129,500 |
| Benefits in kind | 2,830 |
| Pension contributions | 20,535 |
| | <u>152,865</u> |

The directors do not believe that it is practicable to apportion these amounts 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 are all paid by the ultimate parent undertaking and the auditors receive their remuneration from a fellow subsidiary undertaking.

4 Taxation

There is no tax charge for the year (1998: £nil). Group relief is used to eliminate any charge or loss in subsidiary undertakings for nil consideration.

5 Debtors

| | 1999 £ |
|--|----------------|
| Amounts owed by fellow subsidiary undertakings | <u>256,338</u> |

6 Creditors: Amounts Falling Due Within One Year

| | 1999 £ |
|------------------------------|---------------|
| Accruals and deferred income | <u>11,598</u> |

7 Share Capital

| | 1999 £ |
|---|------------|
| Authorised Equity Shares | |
| 100 Ordinary shares of £1 each | <u>100</u> |
| | <u>100</u> |
| Allotted Equity Shares | |
| 2 Allotted, called up and fully paid ordinary shares of £1 each | <u>2</u> |

During the period 2 £1 shares were issued to the subscribers at par.

GREYCOAT TOWER LIMITED

NOTES TO THE ACCOUNTS

FOR THE PERIOD ENDED 31ST MARCH 1999

8 Reserves

| | Profit and Loss Account |
|---------------------------|-------------------------------|
| | £ |
| Profit for the period | 244,738 |
| At 31st March 1999 | 244,738 |

9 Reconciliation of Shareholders' Funds

| | 1999 £ |
|------------------------------------|----------------|
| Profit for the financial period | 244,738 |
| Issue of share capital | 2 |
| Increase in shareholders' funds | 244,740 |
| Opening shareholders' funds | - |
| Closing shareholders' funds | 244,740 |

10 Post Balance Sheet Events

On 25th June 1999 the offer for the entire share capital of Greycoat PLC by G2 Estates Limited, a wholly owned subsidiary of Greycoat Estates Limited, for 260p per share was declared unconditional.

11 Related Parties

The company's immediate parent undertaking is Greycoat PLC, 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 31st March 1999 was Greycoat PLC 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.

On 25th June 1999 the offer for the entire share capital of Greycoat PLC by G2 Estates Limited, a wholly owned subsidiary of Greycoat Estates Limited, for 260p per share was declared unconditional.