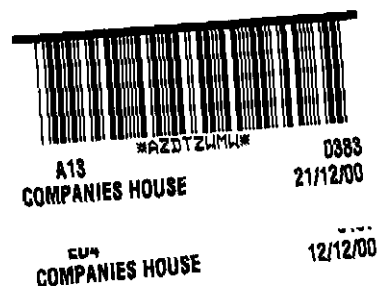


Trillium Ltd

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Chairman's statement

1999 was our first full year operating the PRIME contract and we are pleased to report a good all round performance. We have created a new approach to the management, maintenance and ownership of property and the provision of accommodation related services which, as the PRIME contract shows, has proved very effective. Now into our third year and with a dedicated new business team we are actively bidding for a number of new contracts and are set to expand.

We at Trillium take great pride in the way our pioneering approach to the property services industry has helped to redefine the traditional landlord-tenant relationship and we look forward to staying at the vanguard of this movement as it continues to gather pace.

In order to ensure that as we grow we continue to meet and exceed the expectations of our customers, we are looking to improve our processes and procedures and at the same time expand our service offering. The key to our success is that we are committed to delivering a quality service, which we believe is the result of working together as a team, within Trillium, with our customers and with our service partners. We have excellent management led by Manish Chande and Martin Myers, and I would like to thank all who work for the company for the outstanding contribution they have made in the past year to our success.

The past year saw the retirement of three of our senior team, Simon Blaxland, Richard Georgi and Peter Sweeney, and I would like to thank each one of them for their important contribution to the Board and to the running of the company. We welcomed David Godden and Ed Siskind, and are delighted at the breadth of experience they bring to our deliberations.

In building Trillium, we have placed great emphasis on our company values. On the basis of this we are developing a culture in which each employee feels valued, is given the opportunity to develop to their full potential and can as a result make a significant contribution to Trillium's long-term success.

Lord Griffiths of Fforestfach

A year in progress

An evolving market

Trillium is the first company in the UK to provide total property outsourcing. This is the capability to own, manage and maintain property, while at the same time providing the full range of accommodation related services. The cornerstone of Trillium's new approach is application of the highest possible standards of service and a commitment to developing a partnership with customers to create mutual financial benefit. This is a refreshing change in an industry traditionally dominated by inflexible landlord and tenant relationships.

Trillium provides its customers with the opportunity to transfer to a specialist the risk associated with owning, occupying and managing accommodation. This leaves the customer free to focus on its core businesses in the knowledge that its accommodation requirements can be procured on the same flexible, customer focused basis that it would expect when purchasing any other service.

For instance, Project PRIME, in which the UK Government transferred to Trillium ownership and responsibility for managing the Department of Social Security (DSS) property, was a landmark transaction in the transfer of accommodation related risk. The benefits of the PRIME transaction are now well documented and Trillium has demonstrated that a risk transfer on this scale can be achieved with substantial benefits. The National Audit Office report into the PRIME

procurement exercise confirmed that PRIME saved £52 million for the Government in its first year and is expected to achieve savings in the region of £560 million over the duration of the 20-year contract compared to the costs of continued ownership in the public sector.

Expanding the service offering

In the last eighteen months there has been a surge of awareness among corporates and other organisations of the benefits of risk transfer. While PRIME is still frequently the reference point in discussions, the risk transfer model that is evolving is adaptable and can be tailored to the requirements of individual organisations. Trillium's role is to develop and implement bespoke solutions, tailored to meet the demands and priorities of each client. The development in e-commerce provides Trillium with the opportunities to expand its service offering. It has already installed web-enabled links between its call centre and its service partners to improve the flow of information and hence customer response times. Trillium has also identified a number of technology-based opportunities to provide more services to the occupants of its buildings including the delivery of broadband telecom services, web-enabled conference room booking and other support services.

A year in progress continued

PRIME – A proven offer

The PRIME contract commenced on 1 April 1998 with the transfer to Trillium of 1.64 million square metres (sq m) of space encompassing 650 buildings and accommodating 100,000 Government employees. Into its third year, Trillium has had some notable successes.

Trillium's Y2K preparation ensured that each and every building in the PRIME estate was open and ready for business on 4 January 2000 (5 January in Scotland). This achievement was due to the months of planning and working in partnership with the DSS to ensure that all critical systems, such as the fire alarms, lighting, security systems, heating and lifts, would be in working order. Trillium identified and replaced over 340 pieces of equipment across the estate. Over 200 Trillium staff undertook checks from midnight on New Year's Eve through to the start of business on 4 January 2000 at some 631 sites to ensure that all critical building systems were functional.

Trillium was allowed two years from the start of PRIME in April 1998 to achieve statutory compliance across the PRIME portfolio. This target was met and involved undertaking a review of health and safety measures, installing fire certificates across the estate and complying with the Disability Discrimination Act (DDA). In respect of the DDA, a detailed survey of all the public caller areas and other publicly

accessible areas to the properties was carried out during the spring 1999 to identify necessary short-term works and medium to long-term modifications to be completed by 2004. Trillium has now completed all short-term measures such as the provision of an extra 495 hearing induction loops, designating and marking out car parking bays for disabled users, and reconfiguring the seating area in public areas to allow access for wheelchair users. A further £6 million worth of projects was undertaken to meet health and safety requirements, including the installation of significant areas of Category 2 lighting.

Trillium works with the DSS to maximise the value of the portfolio and reduce accommodation costs, while continually improving the working environment for the DSS staff. In June 2000, Trillium completed the extensive refurbishment of Warwick House in Leeds, providing the Department with a new training centre. In July, Trillium opened Cuffas Lea House at Oxford Business Park, the first brand new building occupied by the DSS under PRIME. Other transactions have been concluded or are underway to improve the quality of the DSS's accommodation.

At the commencement of PRIME, accommodation that was surplus to the Department's requirements, amounting to 10%, was taken over by Trillium, at Trillium's own risk. Trillium has since disposed of some

74,000 square metres. Notably, Trillium spent £3 million refurbishing Kennet Wharf, Reading, formerly known as Heron House, to provide prime head office accommodation. The building was launched in July 2000 and quickly went under offer to a single major tenant.

Active management has delivered considerable savings to the DSS to date, including £13.8 million through the renegotiation of CILOR (contribution in lieu of rates), £1.4 million development gain, £10.4 million through lease restructuring and £2.8 million from renegotiating energy contracts.

Trillium looks to continually improve service delivery and gain efficiencies. In September 1999, Trillium acquired the 49% minority interest in its services arm; this consolidation enabled Trillium to further reinforce the integrated nature of the product offering. Working alongside a network of eight service partners, Trillium provides the core services to each property under its management including catering, furniture provision, internal and external cleaning, security, equipment and building maintenance, and landscaping. Trillium has also developed partnerships with leading IT companies such as Cisco, in order to continually develop the product offering.

To enhance its service delivery Trillium has introduced ASPeN - Advanced Service Partner

e-Network - which electronically integrates Trillium's Customer Service Centre (CSC) with its service partners. ASPeN has created a direct real-time link to each service partner which enables Trillium to provide greater transparency and accountability to the customer. These are key factors in the ongoing success of Trillium's working relationship.

Our people

Trillium's people are key in enabling it to achieve its objective of offering its clients a customer service focused alternative to the traditional landlord and tenant relationship. Trillium continues to invest in its people ensuring that they have the tools and the skills to carry out their work. The aim is not only to meet but to exceed client expectations.

Trillium has developed the concept of the Service Toolbox, comprising training modules for both its own staff and service partner staff on customer service based issues.

In October 1999, Trillium achieved accreditation under the international standard for Quality Assurance, ISO 9001. This was a considerable achievement in such a short time after commencing operations and demonstrates Trillium's commitment to quality in all its activities.

Trillium was recognised as an Investor in People in September 2000. This accreditation was also

A year in progress continued

achieved in a short timeframe and is rarely awarded to companies as young as Trillium. It is a further demonstration of the investment that Trillium makes as a company in training and developing its team.

In July 2000 Trillium formally launched the its Long-term Incentive Plan through which all employees now have an interest in the value of Trillium. The objective of the Plan is to provide all Trillium employees with the opportunity to share in the growth of the company. The scheme aligns the interests of all employees - irrespective of job role - together with those of shareholders.

Trillium in the community

Having established itself as a successful organisation, Trillium launched The Trillium Foundation in July 2000 to promote a number of programmes to support education, charity and the community. These include the donation of both time and money by Trillium and its employees under a number of different initiatives.

Trillium is also lending its support to the Princes' Trust. As a new organisation that was born out of the faith that investors had in its ideas, Trillium wishes to offer the same opportunities to other businesses and support the entrepreneurs of today through the Trust's Business Support Initiative.

Corporate governance

The directors of Trillium Investments GP Limited acknowledge the importance of maintaining high standards of corporate governance and have required that the subsidiaries implement best practice.

Board of directors

The Board of Trillium Investments GP Limited sets the strategic direction for the business. It approves new business plans and reviews the subsequent performance of the main operating company, Trillium Group Limited against those plans. The Board of Trillium Investments GP Limited has a non-executive chairman and six non-executive directors appointed by the shareholders plus four corporate directors. The Executive Deputy Chairman of Trillium Group Limited and the Chief Executive attend as directors of Mychand Limited, one of the corporate directors. A complete list of directors who held office during the period of these accounts is given on page 13.

The Board of Trillium Group Limited is responsible for all operational issues in the Trillium business and implements the strategies set by the Board of Trillium Investments GP Limited. It regularly monitors the performance of both Trillium Estates Limited and Trillium Property Services Limited, the principal operating companies, and oversees the operation of the PRIME Agreement. The Trillium Group Limited Board comprises a non-executive chairman, five executives and

four other non-executives appointed by the shareholders as at 31 December 1999.

The executives are the Deputy Chairman, Chief Executive, the Managing Directors of the two principal operating companies and the Group Finance Director.

The Boards of Trillium Investments GP Limited and Trillium Group Limited met every other month during 1999 but the full package of management information, including the monthly summary of the financial results, was circulated monthly.

Appointments to the Board

Shareholders in Trillium Investments GP Limited have certain rights to appoint directors and the Board itself may also appoint additional directors and fill any casual vacancy. Appointments to all other boards have to date been made by the relevant board acting as a whole with the prior consent of the Board of Trillium Investments GP Limited.

Newly appointed directors have been briefed on the role and responsibilities of a director, and the need to distinguish their responsibilities as a director from those as a manager or shareholder.

As the Trillium Group Limited Board is responsible for operational matters, all committees are subcommittees of this Board except the Operational Management Team, which is a committee of Trillium Property

Corporate governance continued

Services Limited and its two subsidiaries (the 'Services Group'). The committees are the Audit Committee, the Executive Management Team, the Finance Committee, the Investment Committee, the Nominations Committee and the Remuneration Committee. All their functions are described below.

Audit and Finance Committees

The Audit Committee meets at least twice a year to deal with accounting matters, financial reporting, internal controls and the relationship with external auditors. The Committee has considered and recommended the accounting policies to be adopted within Trillium. It comprises the Executive Deputy Chairman, two non-executive directors and a senior finance executive from within Whitehall Street Real Estate Limited Partnership IX, the majority shareholder. The external auditors, the Chief Executive and the Group Finance Director are also invited to attend. In May 1999 a separate Finance Committee was established and it meets monthly to consider financial matters in detail and to report to the main Board. It is chaired by the Executive Deputy Chairman. Its members currently include the Chief Executive, Group Finance Director, the managing directors of the Portfolio Management and Services Groups, senior financial personnel plus non-executive directors.

The Executive Management Team

The Executive Management Team meets monthly to design and co-ordinate operational policies, and to act as the most senior management committee reporting regularly to Trillium Group Limited Board.

It comprises the Executive Deputy Chairman, the Chief Executive and the senior executives of Trillium Group Limited. The full membership is shown on page 43.

Investment Committee

The Investment Committee reviews each of the property transactions undertaken. The transactions include acquisitions, disposals, all leasehold matters and capital expenditure. The Committee monitors performance against asset specific Business Plans. It meets twice a month and its membership includes the Executive Deputy Chairman, the Chief Executive Officer, the Managing Directors of the Portfolio Management Group and the Services Group, the Group Finance Director, plus a representative of Whitehall Street Real Estate Limited Partnership IX who has the casting vote.

Nominations Committee

A Nominations Committee was set up in 1999 and will advise the Board of Trillium Group Limited on future appointments of directors, including external independent directors. It comprises the Non-Executive Chairman, the Executive Deputy Chairman, and two other non-executive directors.

The Operational Management Team

This Committee deals with operational aspects of service delivery to Trillium's clients. It comprises the Managing Director of the Services Group and his senior management team.

The team includes Trillium's National Health and Safety Manager who has responsibility for Trillium's regional Health and Safety teams. These teams have responsibility for implementing procedures in line with Trillium's own business needs and the obligations with respect to Health and Safety imposed on Trillium by the PRIME Agreement.

Remuneration Committee

Trillium seeks to set levels of remuneration that are not excessive but are sufficient to attract, motivate and retain the individuals needed to run the business successfully.

No director or member of Trillium staff has a contract with a notice period of more than one year.

The Remuneration Committee comprises the Chairman, Executive Deputy Chairman, Chief Executive and two of the non-executive directors. None of these executive directors has his remuneration set by this committee. The Committee meets at least once a year and is responsible for making recommendations to the Trillium Group Limited Board on remuneration policy for senior executives and all directors and for setting salaries and incentive arrangements. Other companies within the group make decisions in line with the policies laid down by this committee.

An incentive scheme was introduced in 1999 to align the interests of senior management with those of shareholders. In July 2000, this scheme was extended to cover all employees. The total remuneration of the executive directors is disclosed in the financial statements of Trillium Group Limited and its subsidiaries.

Other operational controls

A formal risk assessment procedure has been implemented and is monitored by the Board of Trillium Group Limited through the Executive Management Team.

Corporate governance continued

Internal financial controls

The directors acknowledge their responsibility for the system of internal financial control and for monitoring its effectiveness. The directors accept that such a system can provide reasonable, but not absolute, assurance against material mis-statement or loss and that the system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

Elements of the internal financial control systems include:

- Annual budgets against which actual results are reported monthly for each business unit within Trillium.
- Annual business plans produced at asset level for every property in the portfolio for the duration of PRIME to produce portfolio cashflows. Investment decisions are monitored against this plan.
- Delegations of Authority set by the Investment Committee which provide a comprehensive scheme of authority and accountability.
- Monthly reviews of the financial performance of the Services Group and its subsidiaries by the Operational Management Team.

Going concern

The directors are satisfied that Trillium has sufficient resources to continue in operation for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing Trillium's financial statements.

Areas of non-compliance

As Trillium is privately owned with specific investor agreements in place, not all of the principles set out in the Combined Code can reasonably be fully implemented. As a number of the directors are appointed by shareholders under such agreements, they are not necessarily re-elected at least every three years nor independent of the shareholders.

Directors' report for the year ended 31 December 1999

This is the report of the directors of Trillium Investments GP Limited for the year ended 31 December 1999.

Principal activities

Trillium Investments GP Limited is the parent company of the Trillium group of companies, acting in its capacity as the general partner of Trillium Investments Limited Partnership. The Trillium group provides property services to accommodation users, with its first principal client being the Department of Social Security (DSS) under the PRIME Agreement which came into operation on 1 April 1998.

Review of the business

During 1999 Trillium continued to deliver services and fulfil its obligations to its clients. A review of the year's activity is included on page three to six of this Annual Report.

Trillium entered into two significant transactions during the year, the acquisition of the minority 49% shareholding in Trillium Property Services Limited from Symonds Group Limited and a sale and leaseback of a portfolio of properties in its freehold estate. These transactions are explained in notes to the accounts 11 and 19 respectively.

Operating profit before exceptional items for the year was £28.3 million (nine months to 31 December 1998 restated £31.0 million). After writing off exceptional costs, operating profits were £18.7 million (nine months to 31

December 1998 restated £9.0 million). Net interest costs were a further £14.2 million (nine months to 31 December 1998 £10.2 million). After tax of £140,000 (nine months to December 1998 nil), the profit available to limited partners and minority interests was £4.4 million (nine months to 31 December 1998 restated loss of £1.2 million).

Post balance sheet events

On 31 August 2000 Trillium sold its interest in Trillium Property Services (Extra Services) Limited.

Dividends

The directors do not propose payment of a dividend.

Policy for payment of creditors

It is the company's policy to pay all creditors within thirty days or in accordance with negotiated terms. Trillium Investments GP Limited had no trade creditors at 31 December 1999 (1998 nil).

Fixed assets

The freehold and long leasehold properties are stated at the purchase price disclosed in note 12.

Share capital

On 27 July 1999 the share capital of Trillium Investments GP Limited was increased from £100 to £102 by the creation of a C Preference Share allocated at par to Causeway International Limited and a D Preference Share allocated at par to Tiger Finance Corp.

Directors

Details of the directors who have held office during the year are shown below

Lord Griffiths (Chairman)

Simon Blaxland (resigned 1 June 1999)

Richard Georgi (resigned 12 March 1999)

James Lozier

Eli Muraidekh (resigned 1 February 2000)

Ed Siskind (appointed 20 May 1999)

Barry Volpert

Gavin Wilson

Archon Group LP

Causeway International Limited
(appointed 27 July 1999)

Mychand Limited

Tiger Finance Corp (appointed 27 July 1999)

Jim Garman was appointed a director on 1 February 2000.

Directors' interests

Mychand Limited is a Special A Director of Trillium Investments GP Limited and has held one A Preference Share of £1 in Trillium Investments GP Limited throughout the year. In addition the company has a 100% holding of

ordinary shares in Mychand Central LP Limited which is one of the limited partners in Trillium Investments Limited Partnership.

Archon Group LP is a Special B Director of Trillium Investments GP Limited and has held one B Preference Share of £1 in Trillium Investments GP Limited throughout the year. In addition Archon Group LP has a 100% holding of ordinary shares in Archon/PPM LLC, which is one of the limited partners in Trillium Investments Limited Partnership.

Causeway International Limited was appointed as a Special C Director of Trillium Investments GP Limited on 27 July 1999 and has held one C Preference Share in Trillium Investments GP Limited from that date onwards.

Tiger Finance Corp was appointed as a Special D Director on 27 July 1999 and has held one D Preference Share of £1 in Trillium Investments GP Limited from that date onwards.

Barry Volpert was a partner in Goldman Sachs Group LP, and is now a director of Goldman Sachs Group Inc, which manages Whitehall Street Real Estate Limited Partnership IX, the holder of all the ordinary shares in Trillium Investments GP Limited. He has small holdings in Bridge Street Fund 1998, 1999 and 2000, Bridge Street Real Estate Fund 1998 and 1999, and Bridge Street Special Opportunity Fund.

Directors' report

for the year ended 31 December 1999 continued

Eli Muraidekh and Gavin Wilson each have a small holding in Stone Street Real Estate Fund 1998 LP which has a 5.584% holding in W9/PPM LLC, one of the limited partners of Trillium Investments Limited Partnership.

James Lozier has a 2.5% interest in Archon Group LP, which is a 49% minority shareholder in Trillium Estates Limited. James Lozier has an interest in an agreement which may later increase his interest in Archon Group LP.

Simon Blaxland, Lord Griffiths, Eli Muraidekh, Ed Siskind, Gavin Wilson and Barry Volpert all have small share holdings in Goldman Sachs Group Inc which in some cases partly vest after a period of time and in some cases are contingent.

Charitable donations

No political contributions were made by Trillium during the year and a total of £4,140 was donated to charity.

Employment policies

Trillium's employment policies and practices are informed by best practice and are designed to create a motivating and rewarding work environment for its entire staff. Regional forums exist for discussions and the national Senior Management Group meets regularly. There is a Trillium newsletter and a nationwide intranet accessible by all employees. During 1999 each employee received an average of 12 days training. Trillium focused

on the training and development of excellent customer service, with the courses being attended by every employee and by service partner staff.

Policy on the disabled

Trillium recognises that it has clear obligations to all its employees and the community at large to ensure that people with disabilities are afforded equal opportunities to enter employment and progress within the organisation. In addition to complying with legislative requirements affecting the disabled, the company follows procedures designed to provide for fair consideration and selection of disabled applicants and to satisfy their training and career development needs.

If an employee becomes disabled in the course of their employment, all steps will be taken, through retraining or redeployment if necessary to ensure that that employee is able to remain in employment with the company wherever possible.

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 group, and of the profit or loss of the company and group for that year. In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and 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 financial statements; and
- 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. 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.

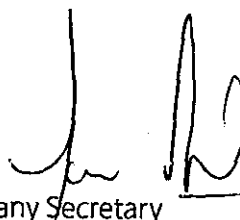
Annual general meeting

Elective resolutions were passed on 1 December 1998 dispensing with the need for Trillium Investments GP Limited to lay accounts in general meeting and to dispense with the need to hold annual general meetings.

Auditors

An elective resolution to dispense with the need to reappoint PricewaterhouseCoopers as auditors of Trillium Investments GP Limited was passed on 1 December 1998.

Approved by the Board of directors on 27 October 2000



Company Secretary

Report of the auditors to the shareholders of Trillium Investments GP Limited

We have audited the financial statements on pages 18 to 42, which have been prepared under the historical cost convention and the accounting policies set out on page 23 to 25.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 15, this includes the responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and the 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

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 affairs of the company and the group as at 31 December 1999 and the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

31 October 2000.

Consolidated profit and loss account for the year ended 31 December 1999

	Note	Year ended December 1999			Nine month period ended 31 December 1998*		
		Profit before exceptional item £'000	Exceptional item (note 6) £'000	Profit after exceptional item £'000	Profit before exceptional item £'000	Exceptional item (note 6) £'000	Profit after exceptional item £'000
Turnover	3	285,267	—	285,267	206,129	—	206,129
Operating costs	5	(256,992)	(9,574)	(266,566)	(175,081)	(22,009)	(197,090)
Operating profit		28,275	(9,574)	18,701	31,048	(22,009)	9,039
Net interest payable	7	(14,185)	—	(14,185)	(10,232)	—	(10,232)
Profit on ordinary activities before tax		14,090	(9,574)	4,516	20,816	(22,009)	(1,193)
Tax on profit on ordinary activities	8	(140)	—	(140)	—	—	—
Retained profit/(loss) for the year		13,950	(9,574)	4,376	20,816	(22,009)	(1,193)
Limited partners' and minority interest				(4,354)			1,191
Retained profit attributable to shareholders of							
Trillium Investments GP Limited	20			22			(2)

*The results for the nine month period to 31 December 1998 have been restated to take account of a change in accounting policy for depreciation following the introduction of FRS 15 (note 2).

All activities arise from continuing operations.

There is no difference between the profit on ordinary activities before tax and retained profit for the year stated above, and their historical cost equivalents.

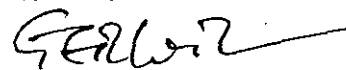
The notes on pages 23 to 42 form part of these financial statements.

Consolidated balance sheet as at 31 December 1999

	Note	1999 £'000	1998* £'000
Intangible fixed assets			
Goodwill	11	8,323	-
Tangible fixed assets			
Land and buildings	12	196,818	239,294
Furniture and equipment	12	14,092	5,893
Other tangible fixed assets	12	6,154	6,488
		<u>217,064</u>	<u>251,675</u>
Total fixed assets		<u>225,387</u>	<u>251,675</u>
Current assets			
Properties held for sale		1,030	1,288
Debtors	13	98,397	61,069
Cash at bank and in hand:-			
Held within controlled accounts	14	38,663	31,079
Held for operational purposes	14	7,296	13,456
		<u>145,386</u>	<u>106,892</u>
Creditors: amounts falling due within one year	15	(87,675)	(55,799)
Net current assets		<u>57,711</u>	<u>51,093</u>
Total assets less current liabilities		<u>283,098</u>	<u>302,768</u>
Creditors: amounts falling due after more than one year	17	270,902	220,181
Provisions for liabilities and charges	18	12,176	5,884
		<u>283,078</u>	<u>226,065</u>
Capital and reserves			
Share capital of Trillium Investments GP Limited	21	-	-
Profit and loss account	20	20	(2)
Total shareholders' funds		<u>20</u>	<u>(2)</u>
Limited partners' and minority equity interests	20	-	76,705
Total assets less current liabilities		<u>283,098</u>	<u>302,768</u>

*The results for the nine month period to 31 December 1998 have been restated to take account of a change in accounting policy for depreciation following the introduction of FRS 15 (note 2).

Approved by the Board of directors of Trillium Investments GP Limited on 27 October 2000


Director

The notes on pages 23 to 42 form part of these financial statements.

Consolidated statement of cashflows for the year ended 31 December 1999

	Note	1999 £'000	Nine month period to December 1998* £'000
Operating activities			
Operating profit before exceptional items		28,275	31,048
Exceptional items re bid costs		(2,824)	(22,009)
Depreciation		15,048	10,185
Increase in debtors		(20,970)	(61,069)
Increase in creditors		96,361	52,484
Deferred income		(79,869)	-
Release of deferred income		(925)	-
Increase in provisions		6,292	5,884
Profit on sale of properties		(671)	(724)
Purchase of trading properties		-	(4,709)
Proceeds on sale of trading properties		268	4,145
Net cash inflow from operating activities		40,985	15,235
Returns on investments and servicing of finance			
Interest received		3,725	3,159
Interest paid		(17,108)	(13,203)
Issue cost of long term debt		-	(5,007)
Other financing costs		(33)	-
Net cash outflow from returns on investments and servicing of finance		(13,416)	(15,051)
Taxation			
Corporation tax paid		(18)	-
Capital expenditure and financial investments			
Acquisition of DSS properties		-	(247,851)
Other tangible fixed assets		-	(6,488)
Additions to tangible fixed assets (excluding capital accruals)		(19,490)	(7,521)
Sale of fixed asset properties		134,270	-
Net cash inflow (outflow) from capital expenditure and financial investments		114,780	(261,860)
Cash inflow (outflow) before financing		142,331	(261,676)
Financing			
Limited partners initial capital		-	87,227
Minority initial capital		-	2,450
Amount paid to partners		(97,417)	(11,781)
Loan due to minority interest		(1,230)	3,315
Issue of long term debt		-	225,000
Payment to Symonds	11	(17,260)	-
Repayment of long term debt		(25,000)	-
		(140,907)	306,211
Increase in cash	22	1,424	44,535

*The results for the nine month period to 31 December 1998 have been restated to take account of a change in accounting policy for depreciation following the introduction of FRS 15 (note 2).

The notes on pages 23 to 42 form part of these financial statements.

Statement of total recognised gains and losses for the year ended 31 December 1999

	Note	Year ended 31 December 1999 £'000	Nine month period ended 31 December 1998* £'000
Total recognised gains and losses relating to the year		4,376	(1,193)
Prior period adjustment	2	(6,584)	
Total gains and losses recognised since last Annual Report		(2,208)	

*The results for the nine month period to 31 December 1998 have been restated to take account of a change in accounting policy for depreciation following the introduction of FRS 15 (note 2).

The notes on pages 23 to 42 form part of these financial statements.

Company balance sheet as at 31 December 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Investment in subsidiary undertakings	10	87	87
Current assets			
Cash		28	12
Creditors: amounts falling due within one year	16	(35)	(101)
Net current assets		(7)	(89)
		80	(2)
Capital and reserves			
Share capital	21	-	-
Retained earnings		80	(2)
		80	(2)
Reconciliation of movement in shareholders' funds		£'000	£'000
Profit for the year		82	(2)
New share capital subscribed		-	-
New additions to the shareholders' funds		82	(2)
Opening shareholders' funds		(2)	-
Closing shareholders' funds		80	(2)

The notes on pages 23 to 42 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 1999

1. Accounting policies

Background

Trillium Investments GP Limited (TIGPL) is the general partner of Trillium Investments Limited Partnership (TILP), the principal investing vehicle for the partners involved in the Trillium business. TIGPL also holds a special share in each of the five limited partners in TILP, allowing it certain powers over the appointment of directors of the limited partners. It therefore controls TILP, although only has a 0.1% economic interest.

Basis of financial statements

The group financial statements consolidate the financial statements of TIGPL, TILP and all their subsidiary undertakings with the 99.9% limited partners' interest being disclosed separately.

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. Its profit for the year amounted to £82,000 (nine months to 31 December 1998, restated loss of £2,000).

The financial statements are prepared under the historical cost convention. They comply with all applicable accounting standards.

Turnover

Turnover comprises amounts due for the year under the PRIME Agreement, the Extra Services Agreement, other rental income, property sales and sundry billable amounts. All amounts are stated net of VAT.

Pension costs

Pension costs in respect of defined contribution schemes are expensed as incurred. Pension costs in respect of defined benefit schemes are recognised in the profit and loss account on an actuarial basis.

Tangible fixed assets

Freehold land is stated at historical cost and is not depreciated. All other tangible fixed assets are stated at historical cost less depreciation.

Notes to the financial statements for the year ended 31 December 1999 *continued*

Depreciation is provided to write off the cost of the asset, in equal annual instalments, over its estimated useful life, after taking account of any estimated residual value.

The rates applied are:

- The fabric of freehold buildings, and leasehold buildings with more than 50 years unexpired, is depreciated over 50 years.
- Replaceable components of freehold buildings, and leasehold buildings with more than 50 years unexpired, are depreciated over their estimated useful lives of between 10 and 30 years.
- Leasehold buildings with less than 50 years unexpired are depreciated in equal annual instalments over the unexpired period of the lease. Replaceable components in such buildings are depreciated over the shorter of the applicable component life or the unexpired period of the lease.
- Furniture is depreciated over five to 10 years.
- Information systems equipment, including computer equipment, major business systems software and telecommunications apparatus is depreciated over three years.

Replaceable components in buildings were not separately identified and depreciated previously. This represents a change in policy which is explained in note 2.

Rights arising under the PRIME Agreement in respect of properties which are not subject to the sale and purchase provisions of the PRIME Agreement are included in the balance sheet at historical cost. They are amortised on a straight line basis over their estimated useful life.

Expenditure on property assets

To meet its obligations under the PRIME Agreement, Trillium will incur expenditure repairing, maintaining and improving the PRIME property estate.

Repair and maintenance expenditure (including replacement of the fabric of a building) is written off to the profit and loss account as it is incurred.

Expenditure on replaceable components is capitalised and depreciated on the basis explained above.

Expenditure on major refurbishment programmes, which significantly enhance the value of a property asset, is capitalised, and depreciated over its estimated useful life.

Financing costs

Costs incurred in raising debt are deducted from the carrying value of the debt and amortised over the term of the debt on a straight line basis.

Investments

Within the company, investments are held at cost unless there has been an impairment in value. In such circumstances, the investment is written down to the reduced value.

Dilapidations

Provision is made for dilapidations that are reasonably expected to crystallise in the future, where, on the basis of the present condition of the property, an obligation already exists and can be reliably estimated. The estimate will be revised if necessary over the remaining period of the lease to reflect changes in the condition of the building or other changes in circumstances.

Interest rate exchange

Trillium's bank debt is subject to a variable interest rate, which has been exchanged for a fixed interest rate under an interest rate exchange agreement. This instrument has been accounted for as a hedge of the debt, and the cost has been deferred over the life of the underlying debt. The interest paid on the debt is shown inclusive of any payment or receipt in respect of the interest rate exchange.

Properties held for resale

Properties which are held with the intention of being sold are included within current assets in the balance sheet, at the lower of cost and net realisable value.

Operating leases

All amounts due in respect of operating leases are charged direct to the profit and loss account.

Taxation

The tax charge in the consolidated profit and loss account comprises UK corporation tax in the subsidiary companies in the Trillium group. Income tax for the partners of TILP is not recognised in these financial statements, as this is accounted for by the individual partners.

Deferred taxation

Deferred taxation calculated using the liability method for short term and other timing differences is recognised to the extent that it is probable that a liability will crystallise.

Goodwill

Purchased goodwill is capitalised and shown within intangible assets on the balance sheet. Goodwill is amortised over the period during which the benefits arise.

Notes to the financial statements

for the year ended 31 December 1999 continued

2. Change of accounting policy

Following the publication of FRS 15, "Tangible Fixed Assets", in February 1999, Trillium has changed its accounting policy for fixed assets. Fixed assets have been analysed into components which have different useful lives. The principal distinction is between building fabric and replaceable components in the buildings. Accordingly, the estimated lives of the different components of the buildings have been re-examined. This exercise has resulted in an additional depreciation charge for the nine month period to 31 December 1998 of £6,584,000, which is treated as a prior period adjustment under FRS 15. As a result, the comparative figures shown within these financial statements have been adjusted as follows:-

	Retained profit for the nine month period to 31 December 1998 £'000	Net assets at 31 December 1998 £'000
As previously reported	5,391	83,287
Effect of the change in accounting policy	(6,584)	(6,584)
As restated	(1,193)	76,703

The effect on the results for the year to 31 December 1999 is to reduce profit and net assets by £8,779,000.

3. Turnover

	1999 £'000	Nine month period to 31 December 1998 £'000
Revenue from DSS	263,974	201,402
Revenue from Benefits Agency	17,111	-
Revenue from other customers	2,144	582
Sale of properties	2,038	4,145
	285,267	206,129

4. Staff costs

	1999 £'000	Nine month period to 31 December 1998 £'000
Salaries	16,792	8,440
Social security costs	1,632	643
Pension costs	934	565
	<u>19,358</u>	<u>9,648</u>

The average number of persons employed during the year was 517 (compared to 393 in 1998). The employees were engaged in managing the provision of property services.

None of the directors received remuneration for their services to the company or its subsidiaries during the period, except the Chairman, who was paid emoluments of £38,681 for services to Trillium Group Limited.

5. Operating costs

	1999 £'000	Nine month period to 31 December 1998 £'000
Staff costs	19,358	9,648
Depreciation	15,048	10,185
Audit fee	102	80
Operating lease charge on properties	90,915	61,871
Other operating costs	132,199	89,876
Cost of properties sold	295	3,421
Amortisation of deferred income (note 19)	(925)	-
	<u>256,992</u>	<u>175,081</u>

The audit fee for the company of £2,000 was paid by Trillium Estates Limited. Fees paid to PricewaterhouseCoopers for non-audit services were £178,000.

Notes to the financial statements for the year ended 31 December 1999 continued

6. Exceptional items

(a) On 24 September 1999 Trillium Group Limited reached agreement with Symonds Group Limited to acquire the latter's 49% interest in Trillium Property Services Limited and to terminate all arrangements in force between Trillium and Symonds Group Limited, including the shareholders' agreement. The goodwill relating to the purchase of the shares is included as an asset in the balance sheet and will be written off over the remaining life of the PRIME Agreement. £6,750,000, being the amount paid to Symonds Group Limited in excess of the net assets acquired and goodwill, for the termination of all contractual arrangements, has been written off in the profit and loss account as an exceptional item.

(b) During the year Trillium Group Limited incurred costs in bidding for the STEPS contract. The bid costs to 31 December 1999, amounting to £2,824,000, have been written off to the profit and loss account as an exceptional item. The exceptional costs in the prior period compare costs incurred in setting up the Trillium organisation and costs to prepare for operations

7. Net interest payable

	1999 £'000	Nine month period to 31 December 1998 £'000
Interest on debt	16,986	13,169
Amortisation of costs of raising finance	250	188
Finance charge on discounted provisions (note 18)	641	-
Other charges	33	34
Interest receivable	(3,725)	(3,159)
	14,185	10,232

8. Taxation

	1999 £'000	Nine month period to 31 December 1998 £'000
UK Corporation tax at 31% for the period 1 January 1999 to 31 March 1999, and 30% for the period 1 April 1999 to 31 December 1999	140	-
	140	-

The tax charge in these financial statements corporation tax arising in the subsidiary company entities in the Trillium group. Income tax and corporation tax for the partners is paid by the partners.

9. Pension schemes

The Trillium group operates a pension scheme which has two sections.

The Trillium group operates a defined contribution section which all employees are eligible to join. This is controlled by a Board of Trustees, comprising directors, management and staff representatives. William Mercer is the professional advisor and Fidelity is the investment manager. The investment choices are directly under the control of individual non-beneficiaries. The Trillium group provides contributions for each member at twice the level of member contributions up to a maximum of 10% and contributed £836,197 (1998 £375,116) to the defined contribution section for the year.

The Trillium group also operates a funded defined benefit section, mainly for certain employees who transferred from the DSS. This section is also controlled by the same Board of Trustees, administered by William Mercer with Fidelity as the investment manager.

The pension costs of the defined benefits section are assessed by an independent professionally qualified actuary using the attained age funding method, and are charged to the profit and loss account so as to spread those costs over employees' working lives. The first formal actuarial valuation of the section was carried out at 1 April 1999. The main assumptions used for the valuation and for calculating the pension cost were as follows:-

	Increase per annum
Price inflation	3.0%
Investment return	
- pre retirement	7.0%
- post retirement	5.25%
Salary growth	4.0%
Pension increases	2.75%

The market value of the assets of the section was £1,048,000 as at 1 April 1999 representing a funding level of 101% and surplus funding of £14,000.

The pension cost for the employer for the financial year ending 31 December 1999 was £66,000 (1998 £183,321). A provision of £70,000 (1998 £80,000) for the costs resulting from the accumulated difference between contributions to the section and corresponding pension costs is carried in the balance sheet.

Notes to the financial statements

for the year ended 31 December 1999 continued

10. Investments in subsidiaries

		Share capital £	Partners' capital £	Total cost of holding at 31 December 1999 £	Total cost of holding at 31 December 1998 £
	Holding				
Investment in:-					
Trillium Investments Limited Partnership	0.1%	-	87,228	87,228	87,228
Archon/PPM LLC (registered in US)	One B share	1	-	1	1
Mychand Central LP Limited	One B share	1	-	1	1
Shaftesbury Real Estate Management Limited (registered in Jersey)	One B share	1	-	1	-
W9/PPM LLC (registered in US)	One B share	1	-	1	1
Wind Drift Limited (registered in Hong Kong)	One B share	1	-	1	-
Trillium (PRIME) Property GP Limited	100%	2	-	2	2
		7	87,228	87,235	87,233

Trillium Investments GP Limited is the general partner of Trillium Investments Limited Partnership and has a 0.1% interest in that partnership.

W9/PPM LLC, Archon/PPM LLC, Mychand Central LP Limited, Shaftesbury Real Estate Management Limited and Wind Drift Limited are the limited partners in Trillium Investments Limited Partnership. The B share in each of these entities is a special preference share, giving the holder the right to appoint and remove directors.

Trillium (PRIME) Property GP Limited is the general partner of Trillium (PRIME) Property Limited Partnership, which owns the properties which comprise the PRIME property estate. Trillium (PRIME) Property Limited Partnership owns a subsidiary, Trillium (PRIME) Limited, which provides services to the DSS under the PRIME Agreement. Trillium (PRIME) Limited has a subsidiary, Trillium (PRIME) Trading Limited, which owns properties held for resale.

Trillium Investments Limited Partnership has a subsidiary, Trillium Group Limited, which has a 51% owned subsidiary, Trillium Estates Limited, and a wholly owned subsidiary, Trillium Property Services Limited. The latter has two subsidiaries, Trillium Property Services (PRIME) Limited and Trillium Property Services (Extra Services) Limited. These companies provide portfolio management, facilities management and other services. All of these interests are held through ordinary shares.

On 27 March 2000, the following name changes were made within the Trillium group:-

- Trillium Facilities Management Limited became Trillium Property Services Limited
- Trillium Facilities Management (PRIME) Limited became Trillium Property Services (PRIME) Limited
- Trillium Facilities Management (Extra Services) Limited became Trillium Property Services (Extra Services) Limited

During the year, Trillium Property Limited was incorporated as a 100% owned subsidiary of Trillium Investments Limited Partnership.

Archon/PPM LLC and W9/PPM LLC are registered in the US, Wind Drift Limited is registered in Hong Kong and Shaftesbury Real Estate Management Limited is incorporated in Jersey. All the other companies indicated above are incorporated in the UK and registered in England and are based at the company's registered office, Bastion House, 140 London Wall, London, EC2Y 5DN.

11. Intangible fixed assets

On 24 September 1999 Trillium Group Limited reached agreement with Symonds Group Limited to acquire the latter's 49% interest in Trillium Property Services Limited and to terminate all arrangements in force between Trillium and Symonds Group Limited, including the shareholders' agreement.

The goodwill relating to the purchase of the shares is included as an asset in the balance sheet and will be written off over the remaining life of the PRIME Agreement. The amount paid to Symonds Group Limited in excess of the net assets acquired and goodwill, for the termination of all contractual arrangements, has been written off in the profit and loss account as an exceptional item.

Notes to the financial statements

for the year ended 31 December 1999 *continued*

The amounts are arrived at as shown below:-

	£'000
Total amount paid to Symonds Group Limited	17,260
Allocated as:	
Payment in consideration of termination of contractual arrangements, written off as exceptional item	6,750
Payment for shares plus loan redemption	10,510

	£'000
Amount paid to Symonds Group Limited for shares plus loan redemption	10,510
Net assets acquired (see below)	(2,073)
Goodwill	8,437

	£'000
Fixed assets	2,156
Debtors	13,121
Prepayments	343
Cash	6,208
Creditors	(19,755)
Net assets	(2,073)

Amortisation in the year was £114,000 leaving £8,323,000 in the balance sheet at 31 December 1999.

No adjustments were made to the value of the assets and liabilities purchased as a result of this transaction.

The carrying value, and the fair value of the assets, and liabilities as at the date of the transaction were as above.

12. Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold buildings £'000	Furniture and equipment £'000	Other tangible fixed assets £'000	Total £'000
Cost					
As at 1 January 1999	220,932	27,370	7,070	6,738	262,110
Additions during the year	8,952	-	11,094	-	20,046
Disposals during the year	(40,474)	-	(94)	-	(40,568)
As at 31 December 1999	189,410	27,370	18,070	6,738	241,588
Accumulated depreciation					
As at 1 January 1999 (restated)	(7,970)	(1,038)	(1,177)	(250)	(10,435)
Charge during the year	(10,476)	(1,384)	(2,854)	(334)	(15,048)
Depreciation on disposals	906	-	53	-	959
As at 31 December 1999	(17,540)	(2,422)	(3,978)	(584)	(24,524)
Net book value as at 31 December 1999	171,870	24,948	14,092	6,154	217,064
Net book value as at 31 December 1998 (restated)	212,962	26,332	5,893	6,488	251,675

The property assets acquired under the PRIME Agreement on 1 April 1998 are stated at acquisition cost which approximated to vacant possession open market valuation at that date. Trillium has a rolling external valuation programme whereby approximately one quarter of the estate is subject to an independent external valuation each year. A further 48 properties were valued in December 1999 and the directors are satisfied that there is nothing to indicate any diminution in the value of the property assets.

Certain of the tangible fixed assets acquired at 1 April 1998 are subject to a first charge and a floating charge granted to the DSS. The amount of these charges at 31 December 1999 are £52 million and £45 million which reduce to nil on a straight line basis after five and three years respectively. The charges secure amounts which would become payable to the DSS on early termination of the PRIME Agreement in the relevant year.

Other tangible fixed assets comprise certain rights arising under the PRIME Agreement in respect of properties which are not subject to the sale and purchase provisions of the PRIME Agreement.

Notes to the financial statements for the year ended 31 December 1999 continued

13. Debtors

	1999 £'000	1998 £'000
DSS debtors	36,920	37,954
Benefits Agency debtors	2,663	-
Other debtors	40,055	7,488
Prepayments	18,759	15,627
	<u>98,397</u>	<u>61,069</u>

Other debtors include £16,358,000 of amounts paid in advance to partners (note 20).

14. Cash at bank and in hand

Under Trillium's Credit Facility Agreement with Abbey National Treasury Services plc, cash is held in trustee controlled and other accounts as follows:-

	1999 £'000	1998 £'000
Trustee controlled accounts for designated expenditure	14,841	7,112
Trustee controlled reserve accounts	17,487	13,182
Trustee controlled accounts for distribution to partners	3,705	3,860
Total of trustee controlled accounts	<u>36,033</u>	<u>24,154</u>
Other reserve accounts	401	1,477
Other accounts for designated operating expenditure	2,229	5,448
Cash within the Credit Facility Agreement	<u>38,663</u>	<u>31,079</u>
Cash held outside Credit Facility Agreement for operational purposes	7,296	13,456
	<u>45,959</u>	<u>44,535</u>

Trustee controlled accounts are held in the name of, and controlled by, the payment trustee appointed under the Credit Facility Agreement with Abbey National Treasury Services plc. Trustee controlled reserve accounts are held in accordance with the operation of the Credit Facility Agreement.

15. Creditors: amounts falling due within one year - consolidated

	1999 £'000	1998 £'000
Loan due to minority interest	-	3,315
Trade creditors	30,946	8,430
Other creditors	634	14,209
Tax and social security	21,190	11,330
Accruals	30,538	18,515
Deferred income	4,367	-
	<u>87,675</u>	<u>55,799</u>

16. Creditors: amounts falling due within one year - Trillium Investments GP Limited

	1999 £'000	1998 £'000
Amounts due to partners	-	95
Amounts due to group undertakings	4	-
Other creditors	-	6
Tax and social security	31	-
	<u>35</u>	<u>101</u>

Notes to the financial statements

for the year ended 31 December 1999 *continued*

17. Creditors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Deferred income	75,502	-
Debt	200,000	225,000
Financing costs, net of amortisation	(4,600)	(4,819)
	<u>270,902</u>	<u>220,181</u>

Debt is repayable between:-

1 – 2 years from balance sheet date	-	-
3 – 5 years from balance sheet date	9,015	3,934
6 – 10 years from balance sheet date	46,695	49,447
11 – 15 years from balance sheet date	69,898	74,018
16 – 20 years from balance sheet date	74,392	97,601
	<u>200,000</u>	<u>225,000</u>

Trillium (PRIME) Property Limited Partnership has a loan from Abbey National Treasury Services plc to finance the purchase of the PRIME property estate. The debt is secured on the properties and certain bank accounts.

A repayment of £25 million of the loan was made during the year, reducing the outstanding debt to £200 million.

The interest on the loan is at a variable rate plus a margin depending on the debt service coverage ratio over a rolling nine month period. The variable rate has been swapped to a fixed rate of 6.55%.

Trillium Property Limited has a facility with the Bank of Scotland which allows it to draw on funds up to £30 million. The facility was not drawn upon during the year.

Costs of raising debt are deducted from the carrying amount of the debt and amortised over the term of the debt on a straight line basis. £31,000 was capitalised during the year and the amortisation for the year was £250,863.

18. Provisions for liabilities and charges

Provision has been made for the estimated amount of existing obligations, based on past events, that is reasonably expected to crystallise in the future in connection with dilapidations and capital expenditure under the PRIME Agreement. Liabilities are expected to crystallise over the next five years, although the amount and timing is subject to commercial negotiations and the extent of the future capital expenditure.

	£'000
At 1 January 1999	5,884
Charge for the year	5,651
Interest accrual on discounted provision	641
At 31 December 1999	12,176

19. Sale and leaseback

On 16 October 1999, Trillium (PRIME) Property Limited Partnership entered into an agreement to sell and leaseback a number of freehold properties. The transaction proceeds gave rise to net deferred income of £80.8 million. The leaseback element of the transaction gives rise to future liabilities. The deferred income is carried in the balance sheet to match future liabilities and will be released to the profit and loss account on a straight line basis over the life of the leaseback agreement. Amortisation from 16 October 1999 to 31 December 1999 was £925,000 and is shown in note 5. The remaining balance as at 31 December 1999 is included as deferred income in notes 15 and 17.

Notes to the financial statements

for the year ended 31 December 1999 continued

20. Capital and reserves

	General Partner's Interest £'000	Limited Partners' Interest £'000	Symonds Group Limited £'000	Total £'000
Restated balance as at 1 January 1999	(2)	-	-	(2)
Share capital	-	-	-	-
Profit and loss account	22	-	-	22
General partner's equity interest as at 31 December 1999	20	-	-	20
Limited partners' and minority interest				
Restated balance as at 1 January 1999	-	77,423	(718)	76,705
Minorities opening capital acquired	-	(718)	718	-
Profit and loss account	-	4,354	-	4,354
Amounts paid in advance (note 13)	-	16,358	-	16,358
Amounts paid to partners	-	(97,417)	-	(97,417)
Limited partners' and minority equity interest as at 31 December 1999	-	-	-	-

21. Share capital

	Authorised		Allotted, called and fully paid	
	Number	£	Number	£
Ordinary Shares of £1 each as at 31 December 1998 and 31 December 1999	98	98	1	1
A Preference Share of £1 as at 31 December 1998 and 31 December 1999	1	1	1	1
B Preference Share of £1 as at 31 December 1998 and 31 December 1999	1	1	1	1
C Preference Share of £1 as at 31 December 1999	1	1	1	1
D Preference Share of £1 as at 31 December 1999	1	1	1	1
	102	102	5	5

During the year, the C and D Preference Shares were issued at par, allotted and fully paid.

All classes of shares have equal voting and other rights, except that the preference shares only have voting rights on matters affecting the preference shareholders and the preference shareholders are only entitled to repayment of share capital in the event of a winding up.

Notes to the financial statements for the year ended 31 December 1999 continued

22. Movement in net debt

	At 1 January 1999 £'000	Cash flow £'000	Amortisation of financing costs £'000	Repayment of loan £'000	At 31 December 1999 £'000
Cash in hand	44,535	1,424	-	-	45,959
Debt falling due after year one	(220,181)	-	(219)	25,000	(195,400)
	(175,646)	1,424	(219)	(25,000)	(149,441)

Reconciliation of net cash flow to the movement in net debt	£'000
Increase in cash	1,424
Amortisation of financing costs	(219)
Repayment of loan	25,000
Movement in net debt	26,205
Net debt at 1 January 1999	(175,646)
Net debt at 31 December 1999	(149,441)

Under the Credit Facility Agreement with Abbey National Treasury Services plc, cash may only be transferred between group companies and partnerships in accordance with set rules which are monitored by an independent trustee.

23. Related party transactions

Whitehall Street Real Estate Limited Partnership IX (Whitehall), a property investment limited partnership in the US, and its affiliates, are the ultimate controlling parties by virtue of their controlling interest in Trillium Investments GP Limited ("TIGPL"). Whitehall heads the largest group of undertakings for which consolidated financial statements are prepared, though as it is unincorporated, its accounts are unavailable. Its place of business is the United States of America. TIGPL is the Trillium group's controlling party by virtue of being the general partner and it heads up the smallest group of undertakings for which consolidated financial statements are prepared. Its registered office is Bastion House, 140 London Wall, London EC2Y 5DN.

Archon Group Limited Partnership is a 94% subsidiary undertaking of Goldman Sachs Group Inc and holds a 100% interest in Archon/PPM LLC, which is one of the partners in Trillium Investments Limited Partnership, holding a 1% interest. Archon Group Limited Partnership is a Special B Director of TIGPL and holds one B Preference Share of £1 in TIGPL. Archon Group Limited Partnership also has a 49% interest in Trillium Estates Limited ("TEL"), and provided services to TEL during the year for a number of staff on secondment. The charge to TEL for such services was £883,076 (1998 £1,385,428) and the amount outstanding at 31 December 1999 was £45,643 (1998 £207,000).

Mychand Central LP Limited is one of the partners in Trillium Investments Limited Partnership, holding a 7.91% interest. Mychand Holdings Limited, which controls Mychand Central LP Limited, provides the management services of Manish Chande and Martin Myers to Trillium Group Limited. The charge to Trillium Group Limited for such services during the year was £678,327 (1998 £352,530) and the amount outstanding at 31 December 1999 was £48,588 (1998 £83,614). Mychand Limited, a wholly owned subsidiary of Mychand Holdings Limited, is a Special A Director of TIGPL and holds one A Preference Share of £1 in TIGPL.

Goldman Sachs Group Inc manages Whitehall Street Real Estate Limited Partnership IX. Trillium (PRIME) Property Limited Partnership entered into an interest exchange agreement with Goldman Sachs International in 1998 at a cost to Trillium of £2,350,000.

Trillium Group Limited acquired the 49% interest in Trillium Property Services Limited (TPSL) held by Symonds Group Limited on 24 September 1999. Symonds Group Limited was a wholly owned subsidiary of Dalkia plc, which is itself wholly owned by General Utilities Holdings, a wholly owned subsidiary of the French company Vivendi. Symonds Group Limited provided management services to TPSL and Dalkia plc still provides maintenance services to TPSL for part of the PRIME property estate. During the period to 10 October 1999, TPSL paid £167,670 to Symonds Group Limited for the management and technical services provided, and had no outstanding balance at 31 December 1999, this being the date consideration was due for the transfer of the shares in TPSL.

Notes to the financial statements

for the year ended 31 December 1999 continued

24. Capital commitments

At 31 December 1999, Trillium had the following commitments for capital expenditure:-

	1999 £'000	1998 £'000
Contracts placed for future capital expenditure	1,193	1,663

25. Lease obligations

Under the PRIME Agreement, Trillium has taken on all of the risks, rewards and obligations of the leases in the PRIME property estate. The annual obligations, analysed by expiry or earliest break option, are as follows:-

	1999 £'000	1998 £'000
Within 1 year	861	1,616
Between 2 and 5 years	11,499	12,342
Between 6 and 10 years	14,877	14,543
Between 11 and 15 years	18,404	18,983
Between 16 and 20 years	28,461	19,860
After 20 years	11,662	11,678
	85,764	79,022

Trillium executive

Non-executive directors

Lord Griffiths ^{A,B,1} (Chairman)

Jim Garman ^{A,B,2,4}

Jim Lozier ^{A,B}

Ed Siskind ^{A,B,2}

Barry Volpert ^A

Gavin Wilson ^{A,B,2}

Executive Management Team

Martin Myers ^{B,1,2,3,4} (Executive Deputy Chairman)

Manish Chande ^{B,1,2,3} (Chief Executive)

Ian Ellis ^{B,2,3} (Managing Director Portfolio Management Group)

Nick Foster ^B (Information Systems Director)

Nick Friedlos ^{B,2,3} (Group Finance Director)

David Godden ^{B,2,3} (Managing Director Services Group)

John Mason (Managing Director Business Development Group)

Roberta Wheeler (Human Resources Director)

Executives of Whitehall Street Real Estate Limited Partnership IX

Jake Franco ^{2,3,4}

Kevin Naughton ^{2,4}

Key

Directorships

A = Trillium Investments GP Limited

B = Trillium Group Limited

Committee membership

1 = Remuneration Committee member

2 = Finance Committee member

3 = Investment Committee member

4 = Audit Committee member

Professional advisors

Auditors and tax advisors

PricewaterhouseCoopers
Embankment Place
London WC2N 6NN

Arthur Andersen
1 Surrey Street
London WC2R 2PS

Bankers

Abbey National plc
Abbey House
Baker Street
London NW1 6X1

Bank of Scotland
Uberior House
61 Grassmarket
Edinburgh EH1 2JF

Barcays Bank
50 Pall Mall
London SW1A 1QB

Financial advisor

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

Legal advisors

Freshfields
65 Fleet Street
London EC4Y 1HS

Richards Butler
15 St Botolph Street
London EC3A 7EE

Property advisors

Insignia Richard Ellis
Berkeley Square House
Berkeley Square
London W1X 6AN

GVA Grimley
10 Stratton Street
London W1J 8JR

King Sturge
7 Stratford Place
London W1C 1ST

Weatherall Green & Smith
22 Chancery Lane
London WC2A 1LT