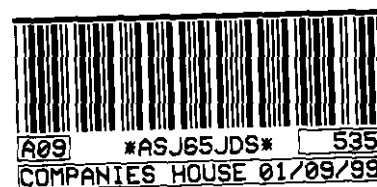


GROSVENOR INVESTMENTS LIMITED

Registered No: 542917

ANNUAL REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1998



GROSVENOR INVESTMENTS LIMITED**DIRECTORS' REPORT**

The directors submit their annual report together with the financial statements for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES

The company's principal activity during the year was property management.

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 4. Loss on ordinary activities before taxation was £1,296,181 (1997 – loss of £115,048).

The directors do not recommend payment of a dividend (1997 – nil).

A loss of £888,066 has been withdrawn from reserves.

DIRECTORS

The directors of the company at 31 December 1998, all of whom were directors throughout the year, except as noted below, were:

D J R de Brokert (resigned 31 December 1998)
 S J Curtis (appointed 1 July 1998)
 J O Hagger
 G Hammond
 R S Handley
 N L Jones
 J R Milne
 J H M Newsum (Chairman)
 S H R Musgrave (appointed 1 January 1998)
 M R Preston (appointed 1 January 1998)
 C J Redman
 J G Wright
 R C Williams

DIRECTORS' INTERESTS

Mr JHM Newsum had the following non-beneficial interests:

| | <u>At 1.1.98</u> | <u>At 31.12.98</u> |
|--|------------------|--------------------|
| Grosvenor Estate Holdings | | |
| Ordinary shares of £1 each | 2,572,302 | 5,232,083 |
| Non-voting ordinary shares of £1 each | 20,578,416 | 41,856,664 |
| 12% Non-cumulative irredeemable preference shares of £1 each | 2,572,302 | 5,232,083 |
| Grosvenor Estate International Investments Limited | | |
| Preferred A shares | - | 100 |

Except as disclosed above, none of the directors in office at 31 December 1998 had any interests in the securities of the company, Grosvenor Estate Holdings, its ultimate parent undertaking, or any of its fellow subsidiary undertakings which are required to be disclosed under the Companies Act 1985.

GROSVENOR INVESTMENTS LIMITED

DIRECTORS' REPORT(continued)

DIRECTORS' RESPONSIBILITIES

The directors have responsibility for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for the year.

In preparing the financial statements, the directors are required to ensure that suitable accounting policies are selected and consistently applied, that the judgements and estimates made are reasonable and prudent, and that applicable accounting standards are followed.

The directors are also 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 financial statements comply with the Companies Act 1985. They are also responsible for the company's system of internal financial control and for safeguarding the assets of the company and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors have adopted the going concern basis in preparing the financial statements.

YEAR 2000

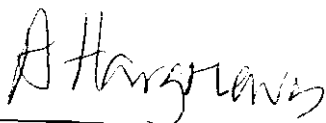
The company's ultimate parent undertaking, Grosvenor Estate Holdings, has recently completed a review of its systems to identify those which may not be Year 2000 compliant. During 1999, these systems will be tested and, where necessary, remedial action will be taken and contingency plans established. Principal suppliers have been contacted to establish the extent to which their systems are likely to be Year 2000 compliant.

The directors consider that the cost of achieving Year 2000 compliance will be borne by its ultimate parent company and therefore it has not been reflected in these financial statements.

AUDITORS

Deloitte & Touche were appointed as auditors on 12 June 1997. Pursuant to S386 of the Companies Act 1985 (as amended by the Companies Act 1989) an elective resolution has been passed to dispense with the requirement to reappoint auditors annually.

By Order of the Board



A A Hargreaves
Secretary

31 March 1999

GROSVENOR INVESTMENTS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY

We have audited the financial statements on pages 4 to 8 which have been prepared under the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

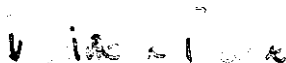
BASIS OF OPINION

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 affairs of the company at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR

31 March 1999

GROSVENOR INVESTMENTS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998**


| | <u>Note</u> | <u>1998</u> £ | <u>1997</u> £ |
|--|-------------|------------------|------------------|
| <u>Results of continuing operations</u> | | | |
| <u>Turnover – property management fees receivable</u> | 2 | | |
| Group companies | | 360,183 | 253,802 |
| Other | | 550,317 | 335,786 |
| Gross profit | | 910,500 | 589,588 |
| Administrative expenses | | (2,206,681) | (704,636) |
| <u>Operating loss</u> | 3 | (1,296,181) | (115,048) |
| Tax credit on loss on ordinary activities | 4 | 408,115 | 29,940 |
| <u>Retained loss for the year</u> | 8 | £(888,066) | £(85,108) |

The company had no recognised gains or losses for the current or preceding financial period other than those reported in the profit and loss account.

GROSVENOR INVESTMENTS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1998

| | <u>Note</u> | <u>1998</u> £ | <u>1997</u> £ |
|--|-------------|------------------|------------------|
| <u>Current Assets</u> | | | |
| Debtors | 5 | 1,006,620 | 8,978,247 |
| <u>Creditors:</u> Amounts falling due within one year | 6 | (2,730,354) | (9,813,915) |
| <u>Net Current Liabilities</u> | | (1,723,734) | (835,668) |
| <u>Net Liabilities</u> | | £(1,723,734) | £(835,668) |
| <u>Capital And Reserves</u> | | | |
| Called up share capital | 7 | 100 | 100 |
| Profit and loss account | 8 | (1,723,834) | (835,768) |
| <u>Equity Shareholders' Deficit</u> | | £(1,723,734) | £(835,668) |

Approved by the Board on 31 March 1999 and signed on its behalf by:



 J O Hagger Director



 R C Williams Director

GROSVENOR INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****1. ACCOUNTING POLICIES****(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with accounting standards applicable in the UK. The company's principal accounting policies are unchanged compared with the year ended 31 December 1997.

The company is a wholly owned subsidiary of Grosvenor Estate Holdings, its ultimate parent undertaking, which is registered in England and Wales and prepares consolidated financial statements. Consequently, the company is not required to present a cash flow statement.

These accounts have been prepared on the going concern basis. The directors have received confirmation from the board of Grosvenor Estate Holdings that finance will be available for 18 months from the date of these accounts.

(b) Turnover

Turnover comprises gross income net of VAT including property and service charge management fees.

(c) Deferred Taxation

Deferred taxation is accounted for in respect of timing differences between the recognition of income and expenditure for accounting and taxation purposes and in respect of unrealised revaluation surpluses to the extent that it is considered probable that a tax liability or asset will crystallise in the foreseeable future.

2. SEGMENTAL INFORMATION

Turnover and loss before taxation are generated from property management activities in the United Kingdom.

3. OPERATING LOSS**Directors' emoluments**

None of the directors of the company received any emoluments during the year in respect of services to the company.

Employee information

The company has no employees.

Auditors' remuneration

Auditors' remuneration has been borne by a fellow subsidiary undertaking.

4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

| | <u>1998</u> £ | <u>1997</u> £ |
|------------------------------|------------------|------------------|
| Group relief receivable | 401,815 | 29,940 |
| Adjustments for prior years: | | |
| Corporation tax | 6,300 | - |
| | <u>£408,115</u> | <u>£29,940</u> |

GROSVENOR INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**

| | | | |
|----|--|--------------------|--------------------|
| 5. | <u>DEBTORS</u> | <u>1998</u> | <u>1997</u> |
| | | <u>£</u> | <u>£</u> |
| | <u>Amounts falling due within one year:</u> | | |
| | Trade debtors | 54,871 | 8,607,073 |
| | Other debtors | 1,199 | 4,007 |
| | Taxation - group relief receivable | 401,815 | 29,940 |
| | Prepayments and accrued income | 548,735 | 337,227 |
| | | <hr/> | <hr/> |
| | | £1,006,620 | £8,978,247 |
| | | <hr/> | <hr/> |
| 6. | <u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u> | | |
| | | <u>1998</u> | <u>1997</u> |
| | | <u>£</u> | <u>£</u> |
| | Trade creditors | 468,724 | 367,044 |
| | Loan from ultimate parent undertaking | 1,932,053 | 2,646,898 |
| | Amounts owed to group undertakings | 323,343 | 6,795,210 |
| | Other taxation | 6,234 | 4,763 |
| | | <hr/> | <hr/> |
| | | £2,730,354 | £9,813,915 |
| | | <hr/> | <hr/> |
| 7. | <u>CALLED UP SHARE CAPITAL</u> | <u>1998</u> | <u>1997</u> |
| | | <u>£</u> | <u>£</u> |
| | <u>Authorised, allotted, called up and fully paid:</u> | | |
| | <u>Equity interests:</u> | | |
| | 100 Ordinary shares of £1 each | £100 | £100 |
| | | <hr/> | <hr/> |
| 8. | <u>PROFIT AND LOSS ACCOUNT</u> | <u>1998</u> | <u>1997</u> |
| | | <u>£</u> | <u>£</u> |
| | At 1 January | (835,768) | (750,660) |
| | Retained loss for the year | (888,066) | (85,108) |
| | | <hr/> | <hr/> |
| | At 31 December | £(1,723,834) | £(835,768) |
| | | <hr/> | <hr/> |

GROSVENOR INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT**

| | <u>1998</u> £ | <u>1997</u> £ |
|-------------------------------|---------------------|-------------------|
| Loss for the financial year | (888,066) | (85,108) |
| Opening shareholders' deficit | (835,668) | (750,560) |
| Closing shareholders' deficit | <u>£(1,723,734)</u> | <u>£(835,668)</u> |

10. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking and controlling entity is Grosvenor Estate Holdings, an unlimited company registered in England and Wales which is wholly owned by trusts and members of the Grosvenor family, headed by the Duke of Westminster. The ultimate parent undertaking heads the largest and smallest group of undertakings of which the company is a member and for which group accounts are prepared.

Copies of the consolidated financial statements of Grosvenor Estate Holdings can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

11. RELATED PARTY TRANSACTIONS

The company has applied the exemption granted by FRS8 "Related party disclosures" not to disclose transactions with Grosvenor Estate Holdings, fellow subsidiaries of Grosvenor Estate Holdings or any undertaking in which any member of the group holds an investment which would otherwise qualify as related parties.

Accordingly, during the period under review there were no transactions or balances with related parties which require disclosure in these financial statements.