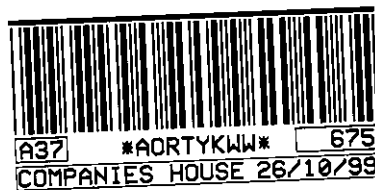


GROSVENOR ESTATE INTERNATIONAL INVESTMENTS LIMITED

Registered No: 569988

ANNUAL REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1998



GROSVENOR ESTATE INTERNATIONAL INVESTMENTS LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The company's principal activity during the year was investment.

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 4. Loss on ordinary activities before taxation was £15 compared with a loss of £15 in 1997.

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

DIRECTORS

The directors of the company at 31 December 1998, both of whom were directors throughout the year.

J O Hagger
J H M Newsum

DIRECTORS' INTERESTS

Mr JHM Newsum had the following non-beneficial interests in the share capital of Grosvenor Estate Holdings;

Grosvenor Estate Holdings

	At 1.1.98	At 31.12.98
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 redeemable preference shares of £1 each	2,572,302	5,232,083
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Grosvenor Estate International Investments Limited

Preferred 'A' shares of £1 each	-	100
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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 ESTATE INTERNATIONAL INVESTMENTS LIMITED

DIRECTORS' REPORT

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

Pursuant to Section 386 of the Companies Act 1985 (as amended) an elective resolution has been passed to dispense with the requirement to re-appoint annually the auditors, Deloitte & Touche.

By Order of the Board



Caroline Tolhurst
Secretary

10 SEPTEMBER 1999

GROSVENOR ESTATE INTERNATIONAL 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 as 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

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

11 October 1999

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

<u>Results of continuing operations</u>	<u>Note</u>	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Administrative expenses		<u>(15)</u>	<u>(15)</u>
<u>Loss on ordinary activities before taxation</u>	2	(15)	(15)
Tax on loss on ordinary activities		<u>-</u>	<u>-</u>
<u>Retained loss for the year</u>	5	<u>(15)</u>	<u>(15)</u>

The company had no recognised gains or losses other than those reported in the profit and loss account.

GROSVENOR ESTATE INTERNATIONAL INVESTMENTS LIMITED**BALANCE SHEET AS AT 31ST DECEMBER 1998**

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
<u>Current assets</u>			
Loan to group undertaking		<u>15,102,411</u>	<u>15,102,426</u>
<u>Net assets</u>		<u>15,102,411</u>	<u>15,102,426</u>
<u>Capital and reserves</u>			
Called up share capital - equity	3	100	100
- non equity	3	51,908	51,908
Share premium account - non-equity	4	649,935	649,935
Profit and loss account - equity	5	<u>14,400,468</u>	<u>14,400,483</u>
<u>Shareholders' funds</u>		<u>15,102,411</u>	<u>15,102,426</u>
<u>including non-equity interests</u>			

Approved by the Board on 10 September 1999 and signed on its behalf by:



J O Hagger

Director

GROSVENOR ESTATE INTERNATIONAL 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 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 required neither to prepare consolidated financial statements nor present a cash flow statement.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	<u>1998</u>	<u>1997</u>
	£	£
Staff costs	-	-
Directors' remuneration	-	-
Auditors' remuneration	-	-
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Auditors' remuneration has been borne by a fellow subsidiary undertaking.

3. SHARE CAPITAL

At beginning and end of year	Authorised	Allotted, Called Up and Fully Paid
	£	£
50,000 9% (now 6.3% plus tax credit) non-cumulative 1 st preference shares of £1 each	50,000	50,000
5,000 10% (now 7.0% plus tax credit) non-cumulative 2 nd preference shares of £1 each	5,000	608
100 Preferred 'A' shares of £1 each	100	100
100 Preferred 'B' shares of £1 each	100	100
100 Ordinary shares of £1 each	100	100
1,000 1 st deferred shares of £1 each	1,000	1,000
100 2 nd deferred shares of £1 each	100	100
	<hr/>	<hr/>
	56,400	52,008
	<hr/>	<hr/>

GROSVENOR ESTATE INTERNATIONAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SHARE CAPITAL (continued)

Dividends are payable out of the profits for the year to the first preference shareholders followed by the second preference shareholders, the preferred 'B' shareholders up to an aggregate dividend of £700,000 (before deduction of tax) and the balance to the holders of the ordinary shares. No dividends are payable to the shareholders of the preferred 'A' shares, the first and second deferred shares or the preferred 'B' shares after the aggregate amount has been paid ('the expiry date').

On a winding up the rights attaching to the shares are as follows:

1 st preference shareholders	repaid amounts paid up
2 nd preference shareholders	repaid amounts paid up
Preferred 'A' and 'B' shareholders	repaid amounts paid up
Preferred 'A' shareholders	paid the share premium account and a sum equal to notional compound interest at 9% from the date of creation of the premium reserve.
1 st deferred shareholders	repaid amount paid up and a capital premium of £1 per share
Ordinary shareholders	repaid amounts paid up and a capital premium of £100,000,000
2 nd deferred shareholders	repaid amounts paid up
Ordinary shareholders	paid any balance remaining.

Subject to the restrictions noted below every member present at a General Meeting shall have one vote and on a poll every member present shall have one vote for each share of which he is the holder.

The first and second preference shareholders and the first and second deferred shareholders do not have the right to attend or vote at any General Meeting. Until the expiry date the ordinary shareholders do not have the right to attend or vote at any General Meeting. After the expiry date the preferred 'B' shareholders do not have the right to attend or vote at any General Meeting.

4. SHARE PREMIUM ACCOUNT

	<u>1998</u>	<u>1997</u>
	£	£
Balance at 1 January 1998 and 31 December 1998	<u>649,935</u>	<u>649,935</u>

Transfers are made to the share premium account equal to ten-sevenths of the dividends declared on the preferred 'B' shares.

The share premium account can be utilised only by paying up in full unissued shares to be issued to the preferred 'A' shareholders.

At 31st December 1998 this notional interest amounted to £5,239,076 (1997 : £4,768,110).

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

5. <u>PROFIT AND LOSS ACCOUNT</u>	<u>1998</u> £	<u>1997</u> £
At 1 January	14,400,483	14,400,498
Retained loss for the year	(15)	(15)
	<hr/>	<hr/>
At 31 December	14,400,468	14,400,483
	<hr/>	<hr/>

6. **ULTIMATE PARENT UNDERTAKING**

The company's ultimate parent undertaking 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 company 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.

7. **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.