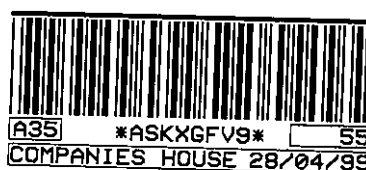


GROSVENOR ESTATE INVESTMENT MANAGEMENT LIMITED

Registered No 1357532

ANNUAL REPORT &
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1998



GROSVENOR ESTATE INVESTMENT MANAGEMENT LIMITED**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998****1. INCORPORATION OF THE COMPANY**

The company was incorporated on 14 March 1978.

2. PRINCIPAL ACTIVITIES

The company is an investment company and owns 100% of Grosvenor Estate Belgravia, an unlimited company which is a trust corporation. The company did not trade during the year. The balance sheet of the company at 31 December 1998 is attached.

3. DIRECTORS

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

J O Hagger
J H M Newsum

4. DIRECTORS' INTERESTS IN SHARE CAPITAL

Except as disclosed below, 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.

Mr J H M Newsum held the following non-beneficial interests in the share capital of group companies:

	<u>1 January 1998</u>	<u>31 December 1998</u>
<u>Grosvenor Estate Holdings:</u>		
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
<u>Grosvenor Estate International Investments Limited:</u>		
Preferred A shares	-	100

GROSVENOR ESTATE INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

5. **DIRECTORS' RESPONSIBILITIES**

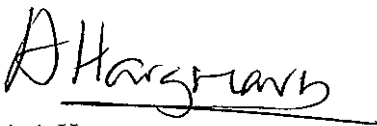
The Directors have responsibility for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for the period.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

By Order of the Board

A handwritten signature in dark ink, appearing to read 'A A Hargreaves', written over a horizontal line.

A A Hargreaves
Secretary

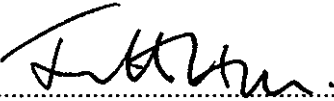
19 April 1999

GROSVENOR ESTATE INVESTMENT MANAGEMENT LIMITED**BALANCE SHEET AS AT 31 DECEMBER 1998**

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
<u>Fixed Assets</u>			
Investment in Subsidiary company shares at cost	3	100,000	100,000
<u>Creditors</u>			
Amounts falling due within one year:			
Due to Grosvenor Estate Holdings		(94,441)	(91,441)
<u>Net Assets</u>		<u>£5,559</u>	<u>£5,559</u>
<u>Capital and Reserves</u>			
Allotted, called up and fully paid:			
2 ordinary shares of £1 each	4	2	2
Profit and Loss Account		5,557	5,557
		<u>£5,559</u>	<u>£5,559</u>

The directors confirm that the company was dormant within the meaning of S250 of the Companies Act 1985 throughout the year ended 31 December 1998.

Approved by the Board on 11 February 1999 and signed on its behalf by:



 J O Hagger
 Director

GROSVENOR ESTATE INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1998

1. The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.
2. The company did not trade during the year and, under section 250(1) of the Companies Act 1985, has passed a resolution exempting itself from the obligation to appoint auditors. The expenses of the company are met by the parent company, Grosvenor Estate Holdings.
3. **Investment in Subsidiary Company**
 - a) The wholly owned subsidiary company is Grosvenor Estate Belgravia, an unlimited company registered in England and Wales.
 - b) There is a contingent liability in respect of the uncalled nominal value of 150,000 £1 ordinary shares which are nil paid.
 - c) In accordance with the provisions of Section 228(2) of the Companies Act 1985, the company is not required to submit group accounts. The directors consider that the value of the shares in the subsidiary is not less than the amount at which they are included in the balance sheet.

4. **Share Capital**

	<u>1998</u>	<u>1997</u>
Authorised: 100 ordinary shares of £1 each	£100	£100
Allotted, called up and fully paid 2 ordinary shares of £1 each	£2	£2

5. **Ultimate Parent Company**

The 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.

All companies referred to above are incorporated in Great Britain. Copies of the consolidated financial statements of Grosvenor Estate Holdings can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.