

GROSVENOR ESTATE HOLDINGS
(AN UNLIMITED COMPANY HAVING A SHARE CAPITAL)

COMPANY REGISTRATION NUMBER 1414189

ANNUAL REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001



GROSVENOR ESTATE HOLDINGS

DIRECTORS' REPORT

The directors submit their annual report together with the audited financial statements of the company for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity during the year was that of a holding company for investments and property.

The directors do not anticipate any significant change in the activity of the company or its profitability.

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 5. Profit on ordinary activities before taxation was £32,130,000 (2000 – Loss £788,000).

The directors have recommended the payment of a final dividend of £4,159,000 (2000 - £670,000).

CHARITABLE CONTRIBUTIONS

Charitable contributions during the year amounted to £909,000 (2000 - £1,214,000) of which £900,000 (2000 - £1,200,000) was donated to the Westminster Foundation which supports a wide range of charitable causes.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year were as follows:

The Duke of Westminster - Chairman

Jonathan O Hagger

Ralph W Hayward (resigned 31 July 2002)

Stephen H R Musgrave

Jeremy H M Newsum

John R Sclater

Kurt F Viermetz

Anthony B Wyand

Robin S Broadhurst

(Appointed 1 January 2001)

Except as disclosed in the financial statements of the ultimate parent company, none of the directors in office at 31 December 2001 had any interests in the securities of the company, its ultimate parent undertaking, Grosvenor Group Holdings Limited, or any of its fellow subsidiary undertakings which are required to be disclosed under the Companies Act 1985.

GROSVENOR ESTATE HOLDINGS

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES

United Kingdom 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 at the end of the year and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on page 8, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the 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. The directors are also responsible for safeguarding the assets of the company, for the system of internal control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Pursuant to S386 of the Companies Act 1985 an elective resolution has been passed to dispense with the requirement to reappoint auditors annually.

Signed by order of the Board



J O Hagger
Company Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GROSVENOR ESTATE HOLDINGS
YEAR ENDED 31 DECEMBER 2001

We have audited the financial statements of Grosvenor Estate Holdings for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 Companies Act 1985. 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 with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

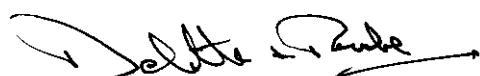
BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 company's affairs as at 31 December 2001 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants & Registered Auditors
London

29 October 2002

GROSVENOR ESTATE HOLDINGS**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2001**

	Note	2001 £ 000's	2000 £ 000's
Administrative expenses		(6,457)	(8,978)
Operating loss	2	(6,457)	(8,978)
Profit on disposal of fixed assets	4	-	767
Income from shares in group undertakings		42,392	49,527
Income from participating interests		3,106	1,067
Amounts written off investments	5	(6,075)	(38,539)
Interest receivable	6	12,034	24,721
Interest payable and similar charges	7	(12,870)	(29,353)
Profit on ordinary activities before taxation		32,130	(788)
Tax credit / (charge) on profit / (loss) on ordinary activities	8	5,205	(2,460)
Profit / (loss) on ordinary activities after taxation		37,335	(3,248)
Dividends (including non-equity)	9	(4,159)	(670)
Profit / (loss) for the financial year		33,176	(3,918)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES


Retained profit / (loss) for the year before dividends	37,335	(3,248)
Currency translation differences on foreign currency net investments	-	52
Total recognised gains and losses relating to the year	37,335	(3,196)

GROSVENOR ESTATE HOLDINGS
BALANCE SHEET AS AT 31 DECEMBER 2001

	Note	2001 £ 000's	2000 £ 000's
Fixed assets			
Investments			
Subsidiary undertakings	10	537,156	551,318
Associate undertakings	11	25,299	25,299
		<u>562,455</u>	<u>576,617</u>
Current assets			
Debtors	12	218,795	480,069
Cash at bank and in hand		22,867	8,085
Short term liquid investments		40,000	-
		<u>281,662</u>	<u>488,154</u>
Creditors: amounts falling due within one year	13	<u>(88,790)</u>	<u>(77,495)</u>
Net current assets		<u>192,872</u>	<u>410,659</u>
Total assets less current liabilities		<u>755,327</u>	<u>987,276</u>
Creditors: amounts falling due after more than one year	14	<u>(18,964)</u>	<u>(284,089)</u>
		<u>736,363</u>	<u>703,187</u>
Capital and reserves			
Called-up share capital	16	55,796	55,796
Share premium account		61,397	61,397
Other reserves		554	554
Profit and loss account	17	618,616	585,440
		<u>736,363</u>	<u>703,187</u>
Shareholders' funds (including non-equity interests)	18	<u>736,363</u>	<u>703,187</u>

These financial statements were approved by the Board on the 29 Oct 2002 and are signed on its behalf by:


 Director


 Director

GROSVENOR ESTATE HOLDINGS**NOTES TO THE FINANCIAL STATEMENTS****I. ACCOUNTING POLICIES****(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

(b) Cash flow statement

The directors have taken advantage of the exemption in FRS1 (revised) 'Cash flow statements' from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

(c) Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of the transactions. Exchange differences are taken into account in arriving at the operating loss.

(d) Investments

Investments held as fixed assets are stated at costs less provision for any material impairment.

2. OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2001 £ 000's	2000 £ 000's
Net (profit)/loss on foreign currency translation	(1,476)	55
Auditors' remuneration – audit	5	5
	<hr/> <hr/>	<hr/> <hr/>

3. PARTICULARS OF EMPLOYEES

No salaries or wages have been paid to employees, including the directors, during either the current or prior year, as all employees are employed by a fellow subsidiary.

4. PROFIT ON DISPOSAL OF FIXED ASSETS

	2001 £ 000's	2000 £ 000's
Profit on disposal of subsidiary undertakings	-	767
	<hr/> <hr/>	<hr/> <hr/>

GROSVENOR ESTATE HOLDINGS**NOTES TO THE FINANCIAL STATEMENTS****5. AMOUNTS WRITTEN OFF INVESTMENTS**

	2001 £ 000's	2000 £ 000's
Writedown of investment in subsidiary undertakings	6,075	38,539
	<u>6,075</u>	<u>38,539</u>

The investment in Grosvenor Estate International Investments Limited was written down to its net asset value prior to transfer to a fellow subsidiary.

6. INTEREST RECEIVABLE

	2001 £ 000's	2000 £ 000's
Bank interest receivable	1,662	746
Interest receivable from group undertakings	10,372	23,975
	<u>12,034</u>	<u>24,721</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £ 000's	2000 £ 000's
Interest payable on bank loans and overdrafts	4,553	17,294
Interest payable on other loans	8,111	10,375
Interest payable to group undertakings	206	1,684
	<u>12,870</u>	<u>29,353</u>

8. TAX (CREDIT) / CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2001 £ 000's	2000 £ 000's
Corporation tax charge based on the results for the year at 30% (2000 - 30%)	1,760	2,460
Adjustment in respect of prior years	(6,965)	-
	<u>(5,205)</u>	<u>2,460</u>

Liabilities in respect of several prior years have been agreed in 2001 which has resulted in the release of £7.0m of provisions brought forward.

GROSVENOR ESTATE HOLDINGS**NOTES TO THE FINANCIAL STATEMENTS****9. DIVIDENDS**

	2001 £ 000's	2000 £ 000's
Equity shares:		
Proposed dividend on ordinary shares – 6.95p per share	388	-
Proposed dividend on non-voting ordinary shares – 6.95p per share	3,101	-
Non-equity shares:		
Proposed dividend on preference shares – 12p per share	670	670
	<u>4,159</u>	<u>670</u>

10. INVESTMENTS**SUBSIDIARY UNDERTAKINGS**

	Cost £ 000's	Amounts Provided £ 000's	Total £ 000's
Cost or valuation			
At 1 January 2001	551,318	-	551,318
Writedowns during the year	-	(6,075)	(6,075)
Disposals	(14,162)	6,075	(8,087)
At 31 December 2001	<u>537,156</u>	<u>-</u>	<u>537,156</u>

The principal subsidiary undertakings at 31 December 2001 are:

Property investments

Grosvenor (Mayfair) Estate *
Grosvenor (Belgravia) Estate *

Intermediate holding companies

Grosvenor Limited
Grosvenor Overseas Holdings Limited

* Unlimited company

All of the above companies are incorporated in Great Britain and are wholly-owned direct subsidiaries of Grosvenor Estate Holdings.

11. ASSOCIATED UNDERTAKINGS

	£ 000's
Cost or valuation	
At 1 January 2001 and 31 December 2001	<u>25,299</u>

	Principal activities	Country of Incorporation	Share held
Grosvenor Americas Limited (Canada)	Property investment and development	Canada	49% Equity voting 94% Equity non-voting 100% Non-equity

GROSVENOR ESTATE HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

12. DEBTORS

	2001 £ 000's	2000 £ 000's
Amounts owed by subsidiary undertakings	218,596	479,732
Other debtors	199	337
	<u>218,795</u>	<u>480,069</u>

13. CREDITORS: Amounts falling due within one year

	2001 £ 000's	2000 £ 000's
Bank loans and overdrafts (unsecured)	-	14,700
Amounts owed to group undertakings	72,010	57,771
Other creditors including:		
Corporation tax	10,027	1,300
Other creditors	6,215	61
Accruals and deferred income	538	3,663
	<u>88,790</u>	<u>77,495</u>

14. CREDITORS: Amounts falling after more than one year

	2001 £ 000's	2000 £ 000's
Bank loans repayable – unsecured:		
Falling due between one and two years	18,964	73,656
Falling due between two and five years	-	48,773
Falling due after more than five years	-	53,910
	<u>18,964</u>	<u>176,339</u>
Other loans repayable other than by instalments:		
12.5% redeemable loan stock 1996/2010 – unsecured	-	5,250
8.375% loan stock 2019 – unsecured	-	52,500
	<u>-</u>	<u>107,750</u>
10.42% mortgage debenture 2034 – secured*	-	50,000
	<u>18,964</u>	<u>284,089</u>

* Secured on land and buildings

During the year £235 million of debt has been novated in the name of Grosvenor Limited, a subsidiary undertaking, in exchange for intercompany loans.

After taking into account interest rate hedging arrangements at 31 December 2001, £16.6 million (2000 - £229.2 million) of the company's borrowings falling due after more than one year were on fixed rate terms at an average rate of 4.91% (2000 – 8.4%), with the balance subject to variable market rates.

GROSVENOR ESTATE HOLDINGS**NOTES TO THE FINANCIAL STATEMENTS****15. RELATED PARTY TRANSACTIONS**

The company has applied the exemption granted by FRS8 'Related party disclosures' not to disclose transactions with Grosvenor Group Holdings Limited, fellow subsidiaries of Grosvenor Group Holdings Limited 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.

16. SHARE CAPITAL**Authorised share capital:**

	2001 £000's	2000 £000's
8,000,000 Ordinary shares of £1 each	8,000	8,000
64,000,000 Non Voting Ordinary shares of £1 each	64,000	64,000
8,000,000 12% Non Cumulative Irredeemable Preference shares of £1 each	8,000	8,000
	<u>80,000</u>	<u>80,000</u>

Allotted and called up:

	2001 £000's	2000 £000's
5,579,541 Ordinary shares of £1 each	5,580	5,580
44,636,328 Non Voting Ordinary shares of £1 each	44,636	44,636
5,579,541 12% Non Cumulative Irredeemable Preference shares of £1 each	5,580	5,580
	<u>55,796</u>	<u>55,796</u>

17. PROFIT AND LOSS ACCOUNT

	2001 £000's	2000 £000's
At 1 January	585,440	589,358
Retained profit / (loss) for the financial year	33,176	(3,918)
At 31 December	<u>618,616</u>	<u>585,440</u>

GROSVENOR ESTATE HOLDINGS**NOTES TO THE FINANCIAL STATEMENTS****18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2001 £000's	2000 £000's
Profit / (loss) for the financial year	37,335	(3,248)
Dividends	(4,159)	(670)
	<hr/> 33,176	<hr/> (3,918)
Other movements	-	52
	<hr/> 33,176	<hr/> (3,866)
Net addition / (decrease) in funds	703,187	707,053
Opening shareholders' funds	<hr/> 703,187	<hr/> 707,053
Closing shareholders' funds	<hr/> 736,363	<hr/> 703,187
Attributed to:		
Equity shareholders	730,783	697,607
Non – equity shareholders	5,580	5,580
	<hr/> 736,363	<hr/> 703,187
Closing shareholders' funds	<hr/> 736,363	<hr/> 703,187

19. CONSOLIDATED ACCOUNTS

Consolidated accounts have not been produced as Grosvenor Estate Holdings is a wholly owned subsidiary of Grosvenor Group Holdings Limited. In prior years, consolidated financial statements were prepared in order to satisfy the requirements of certain loan covenants. These requirements are no longer been in place since the novation of the corresponding debt to Grosvenor Limited.

20. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking is Grosvenor Group Holdings Limited, a 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 Group Holdings Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

GROSVENOR ESTATE HOLDINGS

NOTES TO THE FINANCIAL STATEMENTS

21. POST BALANCE SHEET EVENT

On the 28th June 2002 the company acquired from its parent company, Grosvenor Group Holdings Limited, further shares in Grosvenor Americas Limited. In consideration for these shares the company issued 4,109,825 ordinary shares, 32,878,600 non-voting ordinary shares and 4,109,825 non cumulative irredeemable preference shares.

On the same day the company sold these shares, together with its existing investment in Grosvenor Americas Limited, to Grosvenor Overseas Holdings Limited, a subsidiary undertaking, realising a profit of £91,128,000.