1414189

GROSVENOR
ESTATE
HOLDINGS

Board of Directors

• The Duke of Westminster OBE TD DL	*Chairman*
• Sir Richard Baker Wilbraham Bt DL	*Deputy Chairman*
Jeremy HM Newsum FRICS	*Chief Executive*
(Dick) DRJ de Broekert MICE	*Development Director*
(Ian) GIM Cockburn ARICS	*Investment Director*
Jonathan O Hagger FCA FCT	*Finance Director*
• The Earl of Home CBE	*Group Director, Morgan Grenfell & Co Limited*
• Hugh AC Edwards FRICS	*Chairman, Property Management Group, Chesterton International plc*
• John (Jimmy) NC James CBE FRICS	*Secretary and Keeper of the Records, Duchy of Cornwall*
• John R Sclater	*Chairman, Hill Samuel Bank Limited*
Alison A Hargreaves ACA	*Company Secretary*

• Non Executive

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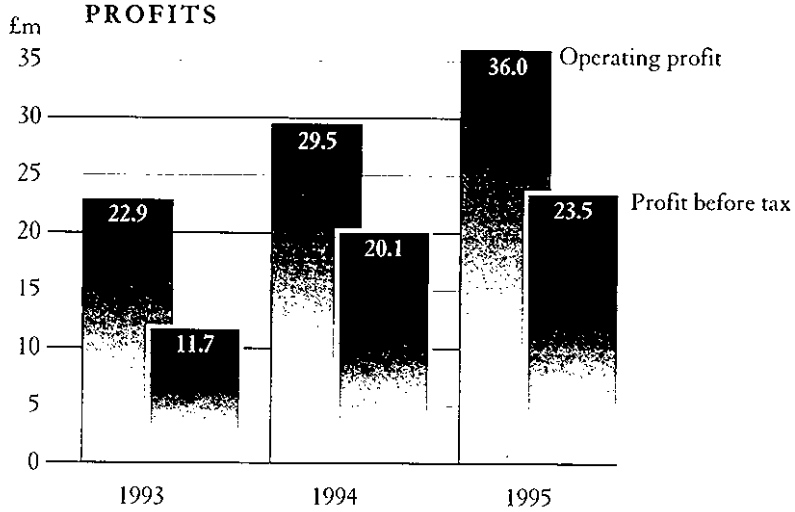
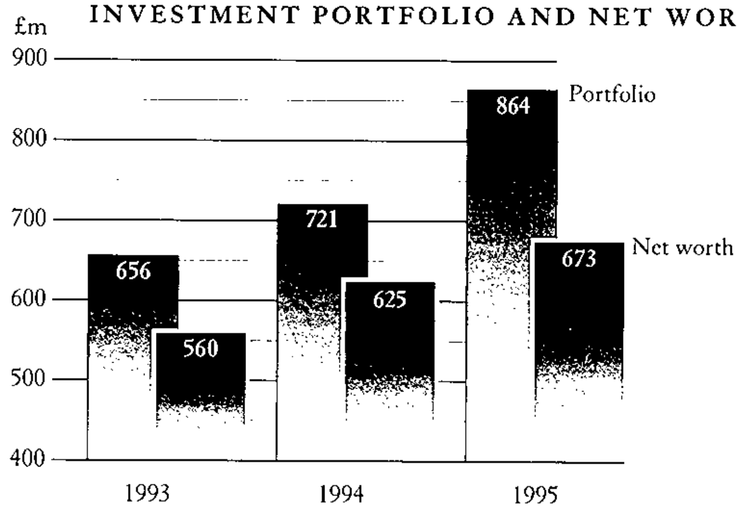
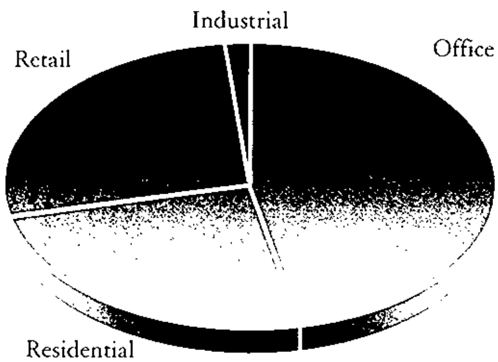


INVESTMENT PORTFOLIO AND NET WORTH



PORTFOLIO BY USE



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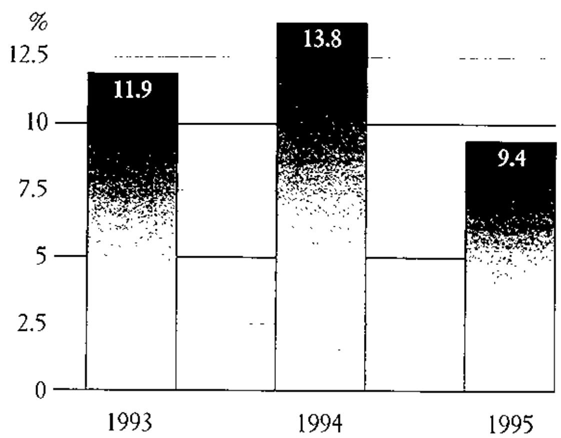

CHAIRMAN'S STATEMENT

The challenges we face today in the property industry are as difficult as any in the past and there seem to be more of them. I am certain that there is now a sea change occurring in investors' attitudes to owning property directly. It seems eminently sensible for any investing institution with less than 10% of its assets in property to consider carefully whether it gains anything if there are satisfactory securities available to provide the same exposure. We all have to wrestle with what the correct exposure to property should be and, more interestingly, with what happens to the market for the bricks and mortar once property derivatives are here in force. What is certain is that there will still be buildings and there will still be owners of those buildings. Prices may, in many cases, fall as institutional capital withdraws, but the market place will probably be much more interesting.

How sure can we be, in fact, about the need for buildings in the future? We must beware of too much reliance on the 'need for people to meet face to face' guaranteeing the survival of the office building and high street. We should not under-estimate the sociological changes which successive generations will pioneer. There may emerge a society in which technology has created a totally different standard and preference for communication. We might regret this, but we must be careful not to make judgments based on twentieth century values.

The whole business community world-wide, including the UK property market, must face the challenge of the possible single European currency, irrespective of the politics. Whether it happens and, if so, how it happens – both will have an effect on property markets and the movement of capital. These are extremely difficult to predict, of course, but wise organisations will be making a careful assessment of the implications.

These are some of the longer term issues we are grappling with, but we have continued to pay attention to the work in hand. Our results for 1995 were encouraging, given the difficult market conditions which persisted for occupational property and returned for investment property.

Our strategy, as long as we can find good long term value in these slow markets, remains quite clear. We will continue to invest into the existing portfolio to create extra value; we will pursue our large development programme which will start to produce additional income this year; and we will add to our expertise in international markets to enhance our asset management business.

I never tire of extolling the virtues of team effort. Here, we work very hard to achieve collective and personal goals, but we set out to enjoy ourselves at the same time. We also know there is always room for further improvement and so we are confident but not complacent about the future. I am delighted to record publicly, both my appreciation and that of the Board, of the magnificent efforts by the entire Grosvenor team.

The Duke of Westminster OBE TD DL

14 March 1996

OPERATING REVIEW

Investment

Profits from investment activities rose 15.2%, up from £30.4m in 1994 to £35.0m in 1995.

The Group took advantage of more realistic prices in the investment market in 1995 to make several carefully targeted additions to the investment portfolio, totalling £121.1m .

The Group's core holdings are in Mayfair and Belgravia. Here the strategy is to enhance income and release marriage value by buying in long leases where the Group is already the freeholder. Major transactions completed in 1995 in pursuit of this strategy included the acquisition of the headleases of:

- Keysign House, a 4,800 sq metre office building occupied by English Heritage;
- Terminal House, located next to Victoria Station. The building comprises 8,300 sq metres of offices with three retail units. Occupiers include Hay MSL Management Consultants, the Post Office, the Horserace Betting Levy Board, the Crown Agents and the British Railways Board;
- Grosvenor Hill Court, a 2,100 sq metre office building let to Savills, together with a block of flats and 32 bay car park.

Outside London the major transaction was the purchase of the head leasehold interest in St John's Shopping Centre in Perth for £17.4m. The Group developed the centre and retained a 25% share when it was completed in 1987. St John's Shopping Centre provides some 9,800 sq metres of retail space in 40 units. Retailers include BhS, Waterstones, River Island, Etam, Ernest Jones and TSB.

Asset Management

The Group continued to expand its asset management activities in 1995 with fee income included in the Investment results increasing by over 40%.

The head leasehold interest in Fleetway House, 22-25 Farringdon Street, London EC4 was purchased for £28.4m on behalf of UK Realty Partners, a joint venture formed by the Group and LaSalle Partners in 1994 to enable US pension funds to invest in the UK. Fleetway House comprises 9,755 sq metres modern office accommodation and is underlet to Barclays Bank until 2007 on full repairing and insuring terms. The headlease is for 127 years from 24 June 1979. This purchase completed the initial acquisition programme for UK Realty Partners.

In November, the Group was appointed jointly with Lazards as adviser to The Eagle Prime Residential Property Fund. This new investment fund was launched by the London-based United Bank of Kuwait and is founded on an original concept developed together by the Group and Lazards. The Fund's aim is to invest in prime rented residential property in central London. The Fund completed its first acquisition in January 1996, a block of flats in Iverna Gardens, Kensington. The block of 18 fully furnished flats with 18 car parking spaces was bought on a long leasehold basis with 116 years remaining for £4.8m. Following its normal practice where it is adviser to a property investment vehicle, the Group has taken an equity interest in the Fund.

Development

The loss on development and trading activities was reduced from £1.7m in 1994 to £0.7m in 1995.

In April the Group successfully completed the extension and renovation of the Grafton Centre, Cambridge, in partnership with Mercury Asset Management. This provided 9,300 sq metres of new retail space, bringing the total to 36,200 sq metres including a new flagship BhS and a five hundred seat restaurant linking shopping with a multiplex cinema. Lettings have progressed well with 16 out of 18 units let and terms agreed for the two remaining units. A significant increase in rents has been achieved for the new units and the number of visitors each week has increased by 100% based on a 50% increase in space. The retail team also continued to work with Basingstoke and Deane Borough Council on the proposed redevelopment of New Market Square in the centre of Basingstoke. Outline planning permission was granted in February 1996 for a 35,100 sq metre two level, covered shopping centre. The new scheme will include a department store, variety and food shops, catering and leisure facilities, together with a new bus station. It will involve extensive landscaping and creation of new public spaces and will greatly enhance the appeal of the town centre.

In London the first steps were taken towards two large office developments. The Group acquired three adjacent sites for a new office development in the heart of the City of London at 109-118 Old Broad Street. The striking contemporary building will be constructed to the highest City standards and will create 11,000 sq metres of prime office space on seven floors. The project will be developed as a 50/50 joint venture with Unilever Superannuation Fund and planning permission was granted in February 1996.

Terms were agreed for the Group to gain vacant possession in June 1996 of Hobart House, currently the headquarters of British Coal in Grosvenor Place, SW1. The acquisition gives the opportunity to develop a landmark office building on one of the most important sites in the West End. The building of approximately 20,000 sq metres will incorporate the results of extensive research into office occupiers' requirements for the early twenty-first century.

The Group has completed the refurbishment of 43 Grosvenor Street, a Grade II listed office building. The accommodation comprises 870 sq metres of air-conditioned offices on seven floors with a mix of contemporary and more traditional space. It is due to be launched on the market in March 1996. The Group was also involved as joint venture partners with Land Securities' redevelopment of 59/60 Grosvenor Street. The 1,800 sq metre office building was pre-let to Barclays Bank. The refurbishment of 74/75 Grosvenor Street to provide 1,650 sq metres of air-conditioned offices received planning permission in December and work is expected to start on site shortly, as is work on a new office building of 1,200 sq metres at 8/10 Bourdon Street.

There has also been considerable residential development activity on the London Estate. At Grosvenor Crescent Mews, in a joint venture with Mountcity Residential, 11 substantial houses and three apartments are being created, while at Burton Mews the Group has completed the construction of three new mews houses. In addition planning permission has been received for conversion of 1-4 Eaton Square into 11 luxury flats and work is expected to start in Spring 1996.

In Scotland the Group has formed a joint venture with GA Properties Limited to extend and refurbish Princes Square, East Kilbride. This will include building 15 new units, rearranging and improving a further 15 units and changing the existing open square into a covered mall linked to the heart of the town centre shopping complex.

GROSVENOR INTERNATIONAL

Operating profit of C$46.5m (£21.4m) was 4.1% up on 1994. Profit after interest improved by some 30%. However, the need to write down the cost of certain properties resulted in a lower profit before taxation. The carrying value of the Group's investment in Grosvenor International is significantly understated as it takes no account of the unrealised revaluation surplus inherent in Grosvenor International's property portfolio.

1995 was an active year for Grosvenor International in all its areas of operation. In Canada 32 acres of land were acquired on Vancouver Island for residential and business park development. The programme of renovation, expansion and upgrading of the Canadian portfolio continued with the renovation and remerchandising of the concourse and mall area of the 43,200 sq metre Vancouver Centre and a C$13m extension to the 21,300 sq metre Cherry Lane regional shopping centre in Penticton, B.C.

In the USA, Grosvenor International increased its ownership interest in 1701 Pennsylvania Avenue, Washington DC, a 12-storey 17,200 sq metre office building on a corner site near the White House. The redevelopment of 830 North Michigan Avenue in Chicago, Illinois, a five- storey 11,400 sq metre retail building owned by one of Grosvenor International's investment partnerships, was completed and let, while in California redevelopment of Stevens Creek Central, an 18,200 sq metre community retail centre owned in partnership with several private British investors, was also completed.

Grosvenor International Australia acquired the Brook Hotel in Brisbane, in order to facilitate the extension of the adjacent 44,100 sq metre Brookside Shopping Centre, on behalf of one of its investment partnerships. The 22 acre Northlink Industrial Estate in Brisbane was also acquired and Grosvenor International Australia commenced servicing and marketing the site as industrial lots to builders and developers.

ASIA

Although market conditions were very tough in 1995, Marlin Land Corporation has now built a solid reputation in Hong Kong for its property consulting business. Grosvenor Shaw Asset Management has commenced promoting two funds for property investment in the region which are planned to make their first investments later in 1996.

OTHER ACTIVITIES

Profits from other activities were £1.7m compared with £0.8m in 1994.

Grosvenor Farms had another outstanding year with high prices being obtained in the first half of 1995 for the 1994 potato crop held over the winter in the company's environmental stores. Grosvenor Farms also launched

'Cogent', a national dairy progeny testing scheme, aimed at introducing world class genetics to UK herds. The project is a long term one, but the initial indications are encouraging.

The Chester Grosvenor Hotel also performed well with occupancy up and total revenues increasing by almost 10%. Amongst several accolades received in 1995, the Chester Grosvenor received one of only six awards made by the International Food and Wine Society and the Arkle restaurant retained its Michelin star for the sixth year in succession.

FINANCE

The Group's operating profit rose from £29.5m in 1994 to £36.0m in 1995, an increase of 22.3%. The compound rate of increase since 1993 has been 25.4% per annum. Profit before taxation grew by 17.3% to £23.5m, reflecting the additional interest costs of investment acquisitions and a reduced contribution from associated companies.

The investment portfolio increased from £720.9m to £863.9m during the year with additions of £121.1m and a year end valuation surplus of £36.5m . Adjusting for movements during the year, the surplus represents an increase of 4.4%. The substantial Central London content of the portfolio helped this very creditable performance, which was well in excess of the industry benchmarks. The portfolio outside London, which comprises mostly shopping centres, fell in value. There was strong growth in residential values.

The Group's return on capital employed in 1995 was 9.4% – down on 1994 and 1993, but a good result in a disappointing year for the property industry generally. The compound growth in net worth in the three years since 1993, the first year of positive returns following the recession, has been 10.3% per annum.

The positive cash flow from the investment portfolio continued to provide a sound financial basis for the acquisition and development programme with interest covered 1.7 times by operating profit as net borrowings rose from £130.9m to £238.7m . All new projects continue to be subjected to stringent financial analysis and risk/reward criteria and the composition of the property portfolio is under constant review in pursuit of the Group's strategic objectives. The Group' s balance sheet remains very strong with gearing of 35.5% and the Group is operating comfortably within its committed facilities which have a weighted average life of some 12 years.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

The directors present their annual report on the affairs of the Group, together with the financial statements for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business of the Group is property investment, asset management, development and trading, together with management of properties.

Details of the Group's performance and development of its business are contained in the Chairman's Statement and Operating Review on pages 3 to 7.

DIRECTORS

The directors of the Company who served during the year were as follows:
The Duke of Westminster OBE TD DL – chairman*
Sir Richard Baker Wilbraham Bt DL – deputy chairman*
J H M Newsum – chief executive
D R J de Broekert
G I M Cockburn
H A C Edwards*
J O Hagger
The Earl of Home CBE*
J N C James CBE*
J R Sclater*
*non executive

DIRECTORS' INTERESTS IN SHARE AND LOAN CAPITAL

The interests of the directors who served during the year in the share and loan capital of the Company and its subsidiaries are shown in note 20 to the financial statements.

CORPORATE GOVERNANCE

The Board of directors is responsible for the conduct of the Group's business. Its role is to determine commercial and financial strategy, take major decisions on policy and transactions, approve operating plans and budgets, monitor performance and ensure that an effective system of financial control is in place. The composition of the Board is designed to make it capable of maintaining full and effective control over the Group and the executive management. The directors meet monthly and receive appropriate reports.

Certain duties of the Board are delegated to sub-committees. The Audit Committee is responsible for ensuring that the Group maintains effective financial controls. The Remuneration Committee is responsible for recommending to the Board the terms of employment and rewards for executive directors and senior management. Both committees are chaired by Sir Richard Baker Wilbraham Bt DL. The other members of the Audit Committee are The Earl of Home CBE and Mr J R Sclater. The other members of the Remuneration Committee are Mr H A C Edwards and Mr J H M Newsum.

The directors consider that the Company complies with the recommendations contained in the Code of Best Practice of the Cadbury Committee on the Financial Aspects of Corporate Governance.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for ensuring that:

- annual financial statements are prepared which give a true and fair view of the state of affairs of the Parent Company and the Group and of the profit or loss for the year;
- suitable accounting policies are selected and consistently applied in preparing financial statements, the judgements and estimates made are reasonable and prudent, and applicable accounting standards are followed; and
- proper accounting records are kept 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.

The directors 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.

INTERNAL FINANCIAL CONTROL

The directors are responsible for the Group's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance regarding:

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The key procedures in operation which provide effective internal financial control are:

- Control environment – the directors have put in place an organisational structure with clearly defined lines of responsibility and delegation of authority.
- Risk management – significant risks facing each of the businesses are identified, and procedures are in place to mitigate and monitor risks. Risks are formally assessed during the annual business planning process which is monitored by the Board.
- Information systems – the Group has a comprehensive system of financial reporting. The annual budgets and strategic plans of each business are approved by the directors, and the Board approves the overall Group budget and plan. Actual results are reported against budget quarterly and any significant adverse variances are examined by the directors and remedial action taken. There is continuous cash reporting. Revised financial forecasts for the year are prepared each quarter.
- Control procedures – a policies and procedures manual is maintained by the Group. In particular, there are clearly defined policies for capital expenditure including appropriate authorisation levels. Larger transactions require Board approval. Acquisitions and projects are subject to rigorous financial appraisal and due diligence.
- Monitoring – the control system is monitored by the directors.

The Audit Committee has reviewed the effectiveness of the Group's internal financial control system for the year ended 31 December 1995 in relation to the 'Criteria for assessing effectiveness' described in 'Internal control and financial reporting' issued by the Cadbury Internal Control Working Group.

GOING CONCERN

The directors have adopted the going concern basis in preparing the accounts.

Results and Dividends

The results for the year are set out in the consolidated profit and loss account. The directors recommend payment of dividends of £2,407,000.

Investment Properties

Movements in investment properties during the year are included in note 9 to the financial statements. The Group's investment properties were revalued by external valuers, Gerald Eve, Chartered Surveyors as at 31 December 1995. The revaluation has been incorporated into the financial statements and the surplus arising has been added to the revaluation reserve.

Charitable Contributions

Charitable contributions during the year amounted to £8,000.

Employees

The Group gives full and fair consideration to applications by disabled persons for employment. Disabled employees and those who become disabled are afforded the same training, career development and promotion opportunities as other staff. The directors recognise the importance of good communications and relations with employees in the Group. Each part of the Group maintains employee relationships appropriate to its own particular needs and environment.

By Order of the Board

A A Hargreaves
Secretary
14 March 1996

AHargreaves

Company registration number 1414189

AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY

We have audited the financial statements on pages 12 to 30.

Respective Responsibilities of Directors and Auditors

As described in the directors' report on page 9, 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 Group'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 and the Group as at 31 December 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Saffery Champness

Saffery Champness
Chartered Accountants
Registered Auditors
London

14 March 1996

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

Results of continuing operations:	Notes	1995 £000	Restated 1994 £000
Turnover	2	84,110	88,309
Direct costs		(42,107)	(52,241)
Net rental and other income		42,003	36,068
Administrative expenses		(5,983)	(6,608)
Operating profit	3	36,020	29,460
Share of results of associated undertakings		1,086	2,272
		37,106	31,732
Profit on sale of investment properties		3,761	3,818
Profit before interest	2	40,867	35,550
Interest	5	(17,348)	(15,499)
Profit on ordinary activities before taxation	2	23,519	20,051
Taxation on profit on ordinary activities	6	(8,747)	(6,462)
Profit on ordinary activities after taxation		14,772	13,589
Minority interest (non-equity)		(375)	(344)
Profit for the financial year	7	14,397	13,245
Dividends on equity and non-equity shares	8	(2,407)	(1,817)
Retained profit for the year attributable to the members of Grosvenor Estate Holdings	24	11,990	11,428

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995 £000	Restated 1994 £000
Profit for the financial year		14,397	13,245
Unrealised surplus on revaluation of properties	22	36,520	63,886
Movement on share premium account		–	(6)
Taxation on profit on sale of investment properties relating to revaluation gains recognised in prior periods	22	(1,166)	(376)
Currency translation differences on foreign currency net investments	23	420	(1,834)
Total recognised gains and losses relating to the year		50,171	74,915
Prior year adjustment (including £37,000 profit recognised in 1994 restated figures)	24	(8,214)	
Total recognised gains and losses since last annual report		41,957	

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1995

	1995 £000	Restated 1994 £000
Reported profit on ordinary activities before taxation	23,519	20,051
Realisation of property revaluation gains of previous years	7,103	1,190
Historical cost profit on ordinary activities before taxation	30,622	21,241
Historical cost profit for the year retained – after taxation, minority interest and dividends	17,927	12,242

The excess of the historical cost profit over the profits included in the profit and loss account represents the additional profit that would have been reported had the investment properties sold during the year not been revalued in earlier years.

BALANCE SHEETS AT 31 DECEMBER 1995

	Notes	Group 1995 £000	Group Restated 1994 £000	Parent Company 1995 £000	Parent Company 1994 £000
Fixed assets					
Tangible assets					
Investment properties	9	863,940	720,926	–	–
Plant and machinery	10	3,883	3,940	–	–
Investments	11, 12	55,273	38,542	162,839	162,239
		923,096	763,408	162,839	162,239
Current assets					
Development projects	13	27,017	20,788	–	–
Other trading stocks		4,474	3,714	–	–
Debtors	14	21,340	18,890	296,083	190,889
Cash at bank and in hand		5,082	31,977	2,500	32,034
		57,913	75,369	298,583	222,923
Creditors: amounts falling due within one year	15	(62,520)	(45,824)	(76,839)	(82,782)
Net current (liabilities)/assets		(4,607)	29,545	221,744	140,141
Total assets less current liabilities		918,489	792,953	384,583	302,380
Creditors: amounts falling due after more than one year	16	(239,850)	(162,850)	(239,750)	(162,750)
Provisions for liabilities and charges	17	(1,283)	(886)	–	–
Net assets	2	677,356	629,217	144,833	139,630
Capital and reserves					
Called up share capital	19	55,796	55,796	55,796	55,796
Share premium account	21	61,397	61,397	61,397	61,397
Revaluation reserve	22	471,867	442,450	–	–
Other reserves	23	44,206	35,154	246	165
Profit and loss account	24	39,543	30,248	27,394	22,272
Shareholders' funds – including non-equity interests	25	672,809	625,045	144,833	139,630
Minority interest (non-equity)		4,547	4,172	–	–
		677,356	629,217	144,833	139,630

Approved by the Board on 14 March 1996

The Duke of Westminster OBE TD DL
Chairman

J O Hagger
Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995 £000	1994 £000
Net cash inflow from operating activities	27	28,459	52,120
Returns on investments and servicing of finance			
Interest received		1,750	1,881
Interest paid		(20,133)	(14,362)
Dividends paid		(1,817)	(1,002)
Net cash outflow from returns on investments and servicing of finance		(20,200)	(13,483)
Taxation			
Corporation tax paid		(5,093)	(2,759)
Investing activities			
Purchases of, and improvements to, property		(111,326)	(43,011)
Sale of property		241	16,681
Lease premiums received		18,030	12,703
Purchase of plant and machinery		(1,467)	(1,190)
Sale of plant and machinery		88	141
Purchase of shares in associated undertakings		(668)	(338)
Loans to associated undertakings		(15,939)	(4,011)
Repayment of loan by associated company		–	43
Net cash outflow from investing activities		(111,041)	(18,982)
Net cash (outflow) / inflow before financing		(107,875)	16,896
Financing			
Bank loans (drawn down) / repaid	28	(77,000)	3,203
Expenses relating to issue of 8.375% loan stock 2019		–	6
Net cash (outflow) / inflow from financing		(77,000)	3,209
Change in cash and cash equivalents	29	(30,875)	13,687
		(107,875)	16,896

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

(a) Basis of accounting and consolidation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with the provisions of the Companies Act 1985 and applicable accounting standards.

The Group financial statements incorporate the financial statements of the Parent Company and all of its subsidiary undertakings. The Parent Company has taken advantage of the dispensation under s.230 of the Companies Act 1985 not to publish its own profit and loss account.

The basis of accounting for rents and service charges has been changed in 1995. In prior years rents and service charges were accounted for in the year in which they fell due. This treatment is not in accordance with industry practice and, therefore, the directors have decided to change the policy so that rents and service charges are now apportioned to the period to which they relate. The 1994 figures have been restated. The effect of the change of accounting policy is to reduce profit before taxation by £1,811,000 in 1995 but to increase it by £37,000 in 1994.

(b) Turnover

Turnover comprises gross income net of VAT including rents receivable and service charges.

(c) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling on the balance sheet date. The results of the overseas associated undertakings are translated using average rates. Unrealised exchange differences are taken directly to reserves.

(d) Investment properties

Investment properties are valued annually by independent surveyors or by the directors at open market value. Any surplus or deficit on revaluation is transferred to the revaluation reserve. The cost of major improvements, including attributable interest paid where such interest is reflected in the value of the property, is added to the cost. Net profits and losses on the disposal of freehold and leasehold interests in investment properties are calculated by reference to book value and are included in the profit and loss account.

(e) Depreciation

In accordance with Statement of Standard Accounting Practice 19 no depreciation is provided on freeholds or on leasehold properties with an unexpired term exceeding twenty years. The directors consider that this departure from the requirement of the Companies Act 1985 for all properties to be depreciated is necessary for the financial statements to show a true and fair view, since depreciation is reflected in the open market valuation and cannot be identified or quantified separately. Compliance with the Companies Act would not result in any change in the net assets of the Group.

Depreciation is provided on short leasehold properties with 20 years or less unexpired over the period of the lease. Plant and machinery are depreciated on a straight line basis so as to spread their cost over their expected useful lives at rates varying between 10% and 33⅓ % per annum.

1. ACCOUNTING POLICIES *(CONTINUED)*

(f) Development projects

Development projects are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, professional fees, construction costs and interest charges but excludes overheads. Sales of development projects are recognised on exchange of contracts or, if exchange is conditional, on the date all material conditions have been satisfied. Credit is not taken for profit during the construction period. Provision is made for any foreseeable losses.

In the event that a development project is retained as an investment, it is transferred to the investment portfolio at the lower of cost and net realisable value at the date of transfer and any profit or loss dealt with in the profit and loss account.

(g) Capitalisation of interest

Interest relating to the financing of development projects and investment properties being improved is capitalised, subject to the resulting value being no higher than net realisable value or market value respectively. Interest capitalised is calculated by reference to the actual interest payable on borrowings made for development purposes or, where a project is financed out of general funds, to the average rate for all borrowings. Interest is capitalised from the commencement of the project until the earliest of the date of sale, full letting, the time when interest cost is exceeded by rental income or six months after practical completion of the building.

(h) Other trading stocks

Stocks are stated at the lower of cost or net realisable value.

(i) Deferred taxation

Provision for deferred taxation is made in respect of short term timing differences where the directors expect the timing differences to reverse in the foreseeable future. No provision has been made for any taxation which would become payable in the event of the sale of investment properties at their balance sheet values.

(j) Pension schemes

Pension costs are charged to the profit and loss account on a systematic basis over the period expected to benefit from the service of the employees concerned.

(k) Associated undertakings

Associated undertakings are those in which the Group holds a qualifying capital interest of at least 20%. The consolidated profit and loss account includes the Group's share of profits less losses of these undertakings and the taxation attributable thereto. In the consolidated balance sheet the investments are stated at cost, less amounts written off, plus the share of post-acquisition reserves attributable to the Group. In the case of Grosvenor International Holdings Limited the accounts are drawn up in accordance with Canadian accounting practices: the major difference, compared with the Group's accounting policies, is that investment properties are included at cost, less provisions for permanent diminutions in value, and not at open market value.

2. Segmental Analysis

	Turnover		Profit/(loss) before taxation		Net assets	
	1995 £000	Restated 1994 £000	1995 £000	Restated 1994 £000	1995 £000	Restated 1994 £000
Property investment	**50,830**	45,396	**34,972**	30,347	**820,819**	705,483
Property development and trading	**13,340**	24,652	**(704)**	(1,704)	**46,349**	20,300
Associated undertakings:						
Great Britain	**–**	–	**(48)**	–	**16,731**	957
Overseas	**–**	–	**1,134**	2,272	**34,784**	33,827
Profit on sale of investment properties	**–**	–	**3,761**	3,818	**–**	–
Other	**19,940**	18,261	**1,752**	817	**(2,579)**	(477)
	84,110	88,309	**40,867**	35,550	**916,104**	760,090
Net interest/borrowings	**–**	–	**(17,348)**	(15,499)	**(238,748)**	(130,873)
	84,110	88,309	**23,519**	20,051	**677,356**	629,217

The business of Grosvenor Estate Holdings and its subsidiary undertakings is conducted within Great Britain. The profit before taxation and net assets of the overseas associated undertakings, Grosvenor International Holdings Limited, Marlin Land (Holdings) Limited and Grosvenor Shaw Asset Management Limited, attributable to the Group are analysed geographically as follows:

	Profit/(loss) before taxation		Net assets	
	1995 £000	1994* £000	1995 £000	1994* £000
Canada	**4,755**	4,813	**45,989**	41,829
United States	**4,188**	4,563	**63,913**	55,917
Australia	**655**	1,517	**14,055**	14,709
Far East	**(1,009)**	(381)	**–**	209
	8,589	10,512	**123,957**	112,664
Net interest/borrowings	**(7,455)**	(8,240)	**(89,173)**	(78,837)
	1,134	2,272	**34,784**	33,827

*Restated, see note 26.

3. Operating Profit

(a) Operating profit is stated after charging:	1995 £000	1994 £000
Auditors' remuneration:		
Audit	157	157
Non-audit services	27	26
Depreciation of tangible fixed assets	1,565	2,170
Operating lease payments:		
Plant and machinery	236	199
Land and buildings	990	939
Staff costs:		
Wages and salaries	8,486	8,350
Social security costs	722	785
Other pension costs	1,100	1,560
	10,308	10,695

(b) The average number of persons employed by the Group during the year, including executive directors, was as follows:	1995 No.	1994 No.
Property investment	129	127
Property development and trading	28	26
Other	270	270
	427	423

(c) Directors' emoluments comprised:	1995 £000	1994 £000
Fees	–	22
Salaries and pension contributions	878	938
Bonus	43	145
	921	1,105
Chairman	–	–
Highest paid director – including bonus of £13,500 (1994 – £45,200)	226	247

3. Operating Profit (continued)

Number of other directors with emoluments, including bonus, within the following bands:	1995 No.	1994 No.
£0 – £5,000	5	6
£20,001 – £25,000	–	1
£125,001 – £130,000	1	–
£165,001 – £170,000	–	1
£175,001 – £180,000	1	–
£190,001 – £195,000	1	–
£195,001 – £200,000	–	1
£205,001 – £210,000	–	1

The Group operates a bonus scheme. The amounts payable under the scheme, which are determined by the Remuneration Committee, are linked to the achievement of performance targets for the Group's property activities.

4. Pension Schemes

The Group's main pension scheme is the Grosvenor Estates Pension Scheme, a defined benefit pension scheme. The funds of the scheme are administered by trustees and are separate from the Group. Independent qualified actuaries complete valuations at least every three years and, in accordance with their recommendations, annual contributions are paid to the scheme so as to secure the benefits set out in the rules.

The latest formal actuarial valuation of this scheme was at 31 December 1993. The valuation was carried out using the projected unit funding method. The most important actuarial assumptions used were that investment returns would be 1% to 2% above the rate of salary increases, 4.9% higher than the annual increase in present and future pensions in payment and 4.5% higher than the annual increase in dividend income. At 31 December 1993 the market value of the GEPS assets was £40.8m and the actuarial value of the assets was sufficient to cover 106.7% of the benefits that had accrued to members, after allowing for expected increases in earnings.

The Group's contributions to the scheme were £898,000 (1994 – £1,341,000). The pension cost for the year is lower than for 1994 due to benefit changes in respect of service from 21 February 1995 and the decision by the Group to pay the scheme's expenses directly.

The Group operates two additional pension schemes in order to satisfy pension commitments not catered for by the main scheme. The cost of these schemes to the Group was £202,000 (1994 – £219,000).

5. Interest

	1995 £000	1994 £000
On loans and overdrafts:		
Repayable within five years other than by instalments	**6,532**	5,281
Repayable after more than five years	**14,134**	12,145
	20,666	17,426
Bank and other interest receivable	**(1,741)**	(1,905)
Capitalised interest	**(1,577)**	(22)
	17,348	15,499

Included in cost of sales of development projects sold in 1995 is £65,000 of capitalised interest (1994 – £nil).

6. Taxation on Profit on Ordinary Activities

	1995 £000	1994 £000
Corporation tax at 33%	5,580	4,720
Deferred taxation	279	(171)
Taxation on profit on sale of investment properties	2,349	986
Less proportion relating to revaluation gains recognised in prior periods	(1,166)	(376)
	1,183	610
	7,042	5,159
Adjustment for prior years:		
Corporation tax	450	(55)
Deferred taxation	(10)	9
Taxation on profit on sale of investment properties	(117)	84
	7,365	5,197
Associated undertakings:		
Overseas taxation	1,382	1,265
	8,747	6,462

7. Profit for the Year Attributable to the Members of Grosvenor Estate Holdings

Of the consolidated results for the financial year attributable to the members of Grosvenor Estate Holdings, a profit of £7,529,000 (1994 – £4,105,000) has been dealt with in the profit and loss account of the Parent Company.

8. Dividends

	1995 £000	1994 £000
Proposed dividends on:		
Ordinary shares, 3.460p per share (1994 – 2.285p)	193	127
Non-voting ordinary shares, 3.460p per share (1994 – 2.285p)	1,544	1,020
12% Non-cumulative irredeemable preference shares, 12p per share (1994 – 12p)	670	670
	2,407	1,817

9. Investment Properties

	Freehold £000	Long leasehold £000	Short leasehold £000	Total £000
Cost or valuation:				
Balance at 1 January 1995	446,790	272,678	2,362	721,830
Additions	62,544	55,014	3,575	121,133
Disposals	(11,359)	(3,121)	(30)	(14,510)
Surplus transferred to revaluation reserve	21,806	14,670	44	36,520
Balance at 31 December 1995	519,781	339,241	5,951	864,973
Depreciation:				
Balance at 1 January 1995	–	–	(904)	(904)
Charge for the year	–	–	(129)	(129)
Balance at 31 December 1995	–	–	(1,033)	(1,033)
Net book value:				
1 January 1995	446,790	272,678	1,458	720,926
31 December 1995	519,781	339,241	4,918	863,940

	1995 £000	1994 £000
Valuation	863,314	720,257
Depreciated cost	626	669
	863,940	720,926

With the exception of properties held on leases with 20 years or less unexpired and properties with a value of £17.9m which were valued by the directors, the freehold and leasehold investment properties were revalued by external valuers, Gerald Eve, Chartered Surveyors, as at 31 December 1995, on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, except that individual lots have not been certified unless held in subsidiary undertakings owning a single property asset. Any value which the properties might possess for the purposes of redevelopment or any change of use has been excluded (a special assumption). The value of the properties disregarding the special assumption has not been reported. The revaluation has been incorporated into the consolidated financial statements and the surplus has been added to the revaluation reserve.

The historical cost of properties at valuation was £315m (1994 – £206m). The taxation on capital gains which would be payable on the surplus arising on the revaluation of fixed assets, in the event of their sale at their valuation, is estimated to be approximately £92m (1994 – £81m).

10. Plant and Machinery

	Cost £000	Depreciation £000	Total £000
Balance at 1 January 1995	11,069	(7,129)	3,940
Additions	1,467	–	1,467
Charge for the year	–	(1,436)	(1,436)
Disposals	(610)	522	(88)
Balance at 31 December 1995	11,926	(8,043)	3,883

11. INVESTMENTS

(a) Group

	Associated undertakings £000	Investments £000	Total £000
Shares, at cost:			
Balance at 1 January 1995	13,339	204	13,543
Movement during the year	668	–	668
Balance at 31 December 1995	14,007	204	14,211
Loans:			
Balance at 1 January 1995	1,049	3,554	4,603
Movement during the year	15,939	–	15,939
Balance at 31 December 1995	16,988	3,554	20,542
Share of post-acquisition profits:			
Balance at 1 January 1995	20,396	–	20,396
Results for the year	(296)	–	(296)
Exchange differences	420	–	420
Balance at 31 December 1995	20,520	–	20,520
Total at 31 December 1995	51,515	3,758	55,273

(b) Parent Company

	Shares in subsidiary undertakings £000	Shares in associated undertakings £000	Loans to associated undertakings £000	Total £000
Balance at 1 January 1995	154,202	7,445	592	162,239
Movement during the year	600	–	–	600
Balance at 31 December 1995	154,802	7,445	592	162,839

(c) Associated undertakings

Grosvenor International Holdings Limited (GIHL)

GIHL's principal business is property investment, asset management, development and trading, together with management of properties. The company is incorporated in British Columbia, Canada.

The Parent Company owns 605,835 'D' common shares, being all the issued shares in that class. These shares carry 49% of the voting rights and rank *pari passu* with the 'B' common shares except that they are not entitled to participate in the growth in value of the underlying assets between December 1982 and December 1987. A wholly owned subsidiary owns 74,578 'E' common shares, being the issued equity shares other than the 'B' shares and 'D' shares. These shares rank *pari passu* with 'B' shares except that they are non-voting and redeemable. £34.8m of the Group's interest in associated undertakings at 31 December 1995 (1994 – £33.6m) is in respect of GIHL. Abridged accounts of GIHL are set out in note 26.

Grosvenor Laing Urban Enterprise Limited (GLUEL)

The business of GLUEL is property development. The Parent Company owns 50% of the issued share capital of GLUEL, a company registered in England and Wales.

11. INVESTMENTS *(CONTINUED)*

Marlin Land (Holdings) Limited

Marlin Land (Holdings) Limited is a holding company for companies involved in property services and property asset management. The company is incorporated in the British Virgin Islands. A wholly owned subsidiary undertaking owns 20 'A' voting shares, being half the issued shares in that class. 60 'B' shares, in which the Group has no interest, are also in issue and have a right to convert into 'A' shares.

Grosvenor Shaw Asset Management Limited (formerly Grosvenor Marlin Asset Management Limited)

The principal activity of Grosvenor Shaw Asset Management Limited is property asset management. The company is incorporated in the British Virgin Islands. A wholly owned subsidiary undertaking owns 166,667 shares being 16.67% of the issued share capital. The remainder are held by Marlin Land (Holdings) Limited.

Realty Assets Three Limited

The principal activity of Realty Assets Three Limited is property investment. A wholly owned subsidiary undertaking owns 334 redeemable preference shares and 451 deferred shares, being 45.1% of the issued shares in those classes. Realty Assets Three Limited is incorporated in Guernsey.

Princes Square Development Limited

The principal activity of Princes Square Development Limited is property development and trading. The company is incorporated in Scotland. A wholly owned subsidiary undertaking owns 50 ordinary shares, being 50% of the issued share capital.

No dividends were received from any of the associated undertakings during 1995.

(d) Investments

Realty Assets Limited

A wholly owned subsidiary undertaking owns 50 redeemable preference shares and one deferred share, being 10% of the issued shares in those classes. Realty Assets Limited is incorporated in Guernsey.

Realty Assets Two Limited

A wholly owned subsidiary undertaking owns 52 redeemable preference shares and one deferred share, being 10% of the issued shares in those classes. Realty Assets Two Limited is incorporated in Guernsey.

12. SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings of the Group, each of which is wholly owned and registered in England and Wales, are set out below:

Property investment

Grosvenor (Mayfair) Estate*
Eaton Square Properties Limited
Grosvenor Precinct (Chester) Limited†
Market Place Bolton Limited†
Grosvenor Investment Management Limited
Grosvenor Investments Limited

Property development and trading

Grosvenor Developments Limited

Other

Grosvenor Estate Management Limited
Realty Insurances Limited
Grosvenor Farms Limited
Chester Grosvenor Hotel Company Limited
Grosvenor Garden Centre*

*Unlimited company
†Not directly owned by Grosvenor Estate Holdings

13. Development Projects

Capitalised interest included in development projects amounted to £280,000 (1994 – £40,000).

14. Debtors

	Group		Parent Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Trade debtors	**13,488**	11,966	–	–
Amounts owed by subsidiary undertakings	–	–	**295,027**	189,591
Taxation recoverable	**1,056**	704	**1,056**	1,292
Other debtors	**4,002**	3,592	–	6
Prepayments and accrued income	**2,794**	2,628	–	–
	21,340	18,890	**296,083**	190,889

The following amounts included above were due after more than one year:

	Group 1995	Group 1994	Parent 1995	Parent 1994
Amounts owed by subsidiary undertakings	–	–	**13,561**	5,478
Taxation recoverable	**602**	454	**602**	454
Other debtors	**25**	66	–	–

Other debtors includes a secured loan to Mr D R J de Broekert who became a director on 1 January 1991. This loan was made in 1977 and is repayable in 1998. The balance remained at £24,500 throughout 1995.

15. Creditors: Amounts Falling Due Within One Year

	Group		Parent Company	
		Restated		
	1995 £000	1994 £000	1995 £000	1994 £000
Bank overdrafts	**3,980**	–	**1,085**	–
Trade creditors	**12,321**	14,700	–	–
Amounts owed to subsidiary undertakings	–	–	**67,746**	76,241
Other creditors	**4,687**	5,327	**21**	–
UK corporation tax on profits	**9,483**	6,076	**1,226**	704
Other taxes	**1,672**	1,532	**735**	759
Accruals and deferred income	**27,970**	16,372	**3,619**	3,261
Proposed dividends	**2,407**	1,817	**2,407**	1,817
	62,520	45,824	**76,839**	82,782

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Parent Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Bank loans repayable other than by instalments – unsecured:				
Amounts falling due after one year but within two years	**10,000**	–	**10,000**	–
Amounts falling due after two years but within five years	**50,000**	40,000	**50,000**	40,000
Amounts falling due after more than five years	**72,000**	15,000	**72,000**	15,000
	132,000	55,000	**132,000**	55,000
Other loans repayable other than by instalments:				
12.5% Redeemable loan stock 1996-2010 – unsecured	**5,250**	5,250	**5,250**	5,250
8.375% Loan stock 2019 – unsecured	**52,500**	52,500	**52,500**	52,500
10.42% Mortgage debenture 2034 – secured*	**50,000**	50,000	**50,000**	50,000
4.5% Mortgage – no repayment date – secured*	**100**	100	–	–
	107,850	107,850	**107,750**	107,750
	239,850	162,850	**239,750**	162,750

*Secured on land and buildings.

Of the Group's bank and other loans due after more than one year outstanding at 31 December 1995 £212.85m were on fixed rate terms at an average interest rate of 9.7% (1994 – 9.8%) with the balance subject to variable market rates of interest.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £000	Deferred repairs £000	Pension obligations £000	Total £000
Balance at 1 January 1995	–	536	350	886
Profit and loss account	269	(74)	88	283
Transfer from current tax	114	–	–	114
Balance at 31 December 1995	383	462	438	1,283

The analysis of the deferred taxation account is as follows:

	1995 £000	1994 £000
Capital allowances	267	267
Other	582	313
Tax losses	(466)	(580)
	383	–

18. Commitments and Contingent Liabilities

	1995 £000	1994 £000
(a) Property expenditure commitments:		
Investment properties:		
Contracted but not provided for	10,874	11,380
Authorised but not contracted	6,105	45,658
	16,979	57,038
Development projects:		
Contracted but not provided for	19,802	6,689
Authorised but not contracted	24,000	29,932
	43,802	36,621

(b) Annual commitments under non-cancellable operating leases which expire:	1995		1994	
	Land and buildings £000	Other assets £000	Land and buildings £000	Other assets £000
Within one year	316	–	286	–
Within two to five years	20	128	20	129
After five years	697	–	683	–

The Parent Company had no commitments for property expenditure or under operating leases.

(c) Contingent liabilities:

The Parent Company and certain subsidiary undertakings have given performance undertakings to third parties in respect of various contractual obligations entered into in the ordinary course of business.

19. Share Capital

	Authorised £000	Allotted, called up and fully paid £000
At 1 January 1995 and 31 December 1995		
Equity interests:		
Ordinary shares of £1	8,000	5,580
Non-voting ordinary shares of £1	64,000	44,636
Non-equity interests:		
12% Non-cumulative irredeemable preference shares of £1	8,000	5,580
	80,000	55,796

The profits which the Company determines to distribute are to be applied first in paying a fixed non-cumulative dividend of 12% per annum on the amounts paid up on the 12% non-cumulative irredeemable preference shares. The balance of profits for distribution are payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

On a return of the Company's assets to shareholders the assets are to be applied first in repaying to the holders of the 12% non-cumulative irredeemable preference shares the amounts paid up on their shares. The balance of the assets is payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

Holders of the 12% non-cumulative irredeemable preference shares and non-voting ordinary shares are not entitled to vote at General Meetings of the Company except on resolutions varying or abrogating any of the special rights or privileges attaching to their shares.

20. Directors' Interests in Share and Loan Capital

	Ordinary shares	Non-voting ordinary shares	12% Non-cumulative irredeemable preference shares	Redeemable loan stock 1996-2010
Grosvenor Estate Holdings				
At 1 January 1995 and 31 December 1995:				
Beneficial				
The Duke of Westminster OBE TD DL	5,579,541	44,636,328	5,579,541	–
Non-beneficial				
Sir Richard Baker Wilbraham Bt DL	5,076,998	40,615,984	5,076,998	–
J H M Newsum	2,572,302	20,578,416	2,572,302	–
H A C Edwards	5,232,083	41,856,664	5,232,083	–
The Earl of Home CBE	3,788,654	30,309,232	3,788,654	–
J N C James CBE	1,911,972	15,295,776	1,911,972	5,250,000
J R Sclater	2,659,781	21,278,248	2,659,781	–

Grosvenor Estate International Investments Limited

The Duke of Westminster OBE TD DL had a beneficial interest and Sir Richard Baker Wilbraham Bt DL, H A C Edwards, The Earl of Home CBE and J R Sclater had non-beneficial interests in 100 preferred 'A' shares of £1 each at 1 January 1995 and 31 December 1995.

The other directors who served during the year had no interests. Where joint interests are involved, the amount of the relative holding has been included against the name of each director interested.

21. Share Premium Account

	£000
Balance at 1 January 1995 and 31 December 1995	61,397

22. Revaluation Reserve

	Subsidiary undertakings £000
Balance at 1 January 1995	442,450
Surplus on revaluation of investment properties	36,520
Taxation on profit on sale of investment properties relating to revaluation gains recognised in prior periods	(1,166)
Transfer to surplus on disposal of investment properties	(5,937)
Balance at 31 December 1995	471,867

Where full historical cost information is not available, the earliest available values have been used to determine the amount of revaluation surplus to be transferred to other reserves on the disposal of investment properties.

23. OTHER RESERVES

	Parent Company £000	Subsidiary undertakings £000	Associated undertakings £000	Total £000
(a) Surplus on disposal of investment properties				
Balance at 1 January 1995	–	17,724	–	17,724
Disposals during the year:				
Transfer from profit and loss account	–	2,695	–	2,695
Transfer from revaluation reserve	–	5,937	–	5,937
Balance at 31 December 1995	–	26,356	–	26,356
(b) Exchange differences				
Balance at 1 January 1995	165	(544)	3,360	2,981
Unrealised gain / (loss) during the year	81	(81)	420	420
Balance at 31 December 1995	246	(625)	3,780	3,401
(c) Reserve arising on consolidation				
Balance at 1 January 1995 and 31 December 1995	–	14,449	–	14,449
Total other reserves at 31 December 1995	246	40,180	3,780	44,206

24. PROFIT AND LOSS ACCOUNT

	Parent Company £000	Subsidiary undertakings £000	Associated undertakings £000	Total £000
Balance at 1 January 1995 as previously reported	22,272	(481)	16,671	38,462
Prior year adjustment (note 1a)	–	(8,214)	–	(8,214)
Balance at 1 January 1995 as restated	22,272	(8,695)	16,671	30,248
Retained profit for the year	5,122	7,164	(296)	11,990
Transfer to surplus on disposal of investment properties	–	(2,695)	–	(2,695)
Balance at 31 December 1995	27,394	(4,226)	16,375	39,543

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £000	1994 £000
Profit for the financial year	14,397	13,245
Dividends	(2,407)	(1,817)
	11,990	11,428
Other recognised gains and losses relating to the year (net)	35,774	61,670
Net addition to shareholders' funds	47,764	73,098
Opening shareholders' funds as previously reported	633,259	560,198
Prior year adjustment	(8,214)	(8,251)
Opening shareholders' funds as restated	625,045	551,947
Closing shareholders' funds	672,809	625,045
Attributable to:		
Equity shareholders	667,229	619,465
Non-equity shareholders	5,580	5,580
	672,809	625,045

26. ABRIDGED ACCOUNTS OF GROSVENOR INTERNATIONAL HOLDINGS LIMITED

	1995 £000	Restated 1994 £000
Consolidated balance sheet		
Assets		
Income – producing properties (at cost less provisions)	247,867	213,119
Development properties	15,613	20,733
Other assets	24,485	26,780
	287,965	260,632
Liabilities and preference shares		
Mortgages and loans	(171,320)	(155,529)
Other creditors and provisions	(39,043)	(30,248)
Minority interests	(7,691)	(7,292)
Preference shares	(482)	(465)
	(218,536)	(193,534)
Net assets attributable to equity shareholders	69,429	67,098
Equity shareholders' interests		
Share capital	11,523	11,119
Retained earnings	54,412	51,054
Exchange differences	3,494	4,925
	69,429	67,098
Consolidated profit and loss account		
Turnover	37,187	36,906
Operating profit	21,430	21,322
Interest payable	(14,364)	(15,877)
	7,066	5,445
Property write-downs	(2,570)	–
Profit before taxation	4,496	5,445
Taxation	(2,900)	(2,632)
Profit after taxation	1,596	2,813
Minority interests	(130)	(139)
Retained profit for the year	1,466	2,674

The comparative figures for 1994 have been restated to reflect a change in the basis of consolidation adopted by GIHL whereby investments in joint ventures in which GIHL has joint control are now proportionally consolidated. Previously proportional consolidation was used only where GIHL had a minimum 50% non-controlling interest in joint ventures. The change has no impact on either profit before taxation or equity shareholders' interests.

26. Abridged Accounts of Grosvenor International Holdings Limited *(continued)*

GIHL's principal subsidiaries are as follows:

	Holding	Nature of business
Grosvenor International Canada Limited	100%	Property investment, development, trading and asset management.
Grosvenor International Investments (IFP) Limited	100%	
Grosvenor International (USA) Limited	77%	
Grosvenor International Australia Pty Limited	100%	

27. Reconciliation of Operating Profit to Net Cash Inflow From Operating Activities

	1995 £000	Restated 1994 £000
Operating profit	**36,020**	29,460
Depreciation	**1,565**	2,170
Provisions	**14**	145
(Increase) in development projects and other trading stocks	**(6,749)**	(4,005)
(Increase) / decrease in debtors	**(2,107)**	23,023
(Decrease) / increase in creditors	**(284)**	1,327
Net cash inflow from operating activities	**28,459**	52,120

28. Analysis of Changes in Financing

	1995 £000	1994 £000
Bank loans drawn down / (repaid)	**77,000**	(3,203)
Bank and other loans brought forward	**162,850**	166,053
Bank and other loans carried forward	**239,850**	162,850
Amounts falling due – after more than one year	**239,850**	162,850

29. Analysis of Change in Cash and Cash Equivalents

	1995 £000	1994 £000
Cash at bank and in hand	**5,082**	31,977
Bank overdrafts	**(3,980)**	–
	1,102	31,977
Less: balance brought forward	**(31,977)**	(18,290)
Change in year	**(30,875)**	13,687

PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

UK Property Investment and Asset Management

Grosvenor Investments Limited
The Grosvenor Office, 53 Davies Street, London W1Y 1FH

Directors
J H M Newsum FRICS **Chairman**
G I M Cockburn ARICS **Managing Director**
C J Redman FRICS, J R Milne ARICS, R C Williams FCCA,
J G Wright FRICS, D R J de Broekert MICE,
J O Hagger FCA FCT, G Hammond FRICS,
R S Handley FCA

Associate Directors
Mrs S-J Curtis ARICS, N A Hughes ARICS,
J H Lindgren FRICS, Mrs L McConnachie ARICS,
I D McInnes ARICS, I A Sowton

UK Property Development

Grosvenor Developments Limited
The Grosvenor Office, 53 Davies Street, London W1Y 1FH

Directors
D R J de Broekert MICE **Chairman and Managing Director**
M Aldred FCA, W J A Bullough ARICS, M L Galloway MICE,
G Hammond FRICS, J E Irvine ARICS, G I M Cockburn ARICS,
J O Hagger FCA FCT, J H M Newsum FRICS

Associate Directors
L S Chadwick FRICS, J D T Titchen ARICS

International Property Investment, Asset Management and Development

Associated Companies

Grosvenor International Holdings Limited
2100 The Grosvenor Building, 1040 West Georgia Street,
Vancouver, British Columbia V6E 4H1, Canada

Directors
R G P Styles **Chairman***
D J A Delmotte ARICS **Group Chief Executive and President**
R W Hayward ARICS, D A N Murray, D A Taylor CA,
N E Gibson FRICS*, J H M Newsum FRICS, Ms B J Rae*,
W K McCourt*, D H Bodel*

Marlin Land (Holdings) Limited
Grosvenor Shaw Asset Management Limited
30th Floor, Tower 2, The Gateway, 25 Canton Road,
Tsimshatsui, Kowloon, Hong Kong

Directors
V F Shaw, N J Loup, M J Shaw, D T S Shaw, C R G Wallace,
J H M Newsum FRICS, R W Hayward ARICS, J Shaw, R How

Hotel Management

Chester Grosvenor Hotel Company Limited
Eastgate Street, Chester CH1 1LT

Directors
C B Bond FCA **Chairman***
J W Slater **Managing Director**
J O Hagger FCA FCT, I M P Staines FCA*

Retailing

Grosvenor Garden Centre
Wrexham Road, Belgrave, Chester CH4 9EB

Directors
M Thompstone **Chairman**
Dr H Bodsworth*, B S Bowden ARICS,
J O Hagger FCA FCT, F G Thompstone

Farming

Grosvenor Farms Limited
Woodhouse Farm, Aldford, Chester CH3 6JD

Directors
J H Parker **Chairman***
T J Heywood **Managing Director**
B S Bowden ARICS, J O Hagger FCA FCT,
J Kerr MBE JP DL*, I M P Staines FCA*

Insurance Management

Realty Insurances Limited
31 Davies Street, London W1Y 1FN

Directors
J O Hagger FCA FCT **Chairman**
M P L Tompsett FCII **Managing Director**
C M D Hague, A B Roberts

*non executive

FIVE YEAR SUMMARY 1991 TO 1995

	1991	1992	1993	1994 Restated†	1995
	£m	£m	£m	£m	£m
Assets employed					
Investment properties	742.2	596.8	656.4	720.9	**863.9**
Other tangible fixed assets	6.8	6.2	5.0	3.9	**3.9**
Investments	28.8	33.0	35.1	38.5	**55.3**
Development projects	59.2	33.6	17.2	20.8	**27.0**
Other net current assets/(liabilities)	9.8	13.4	17.1	8.8	**(31.7)**
Provisions for liabilities and charges	(0.4)	(0.6)	(0.7)	(0.9)	**(1.3)**
	846.4	682.4	730.1	792.0	**917.1**
Financed by					
Share capital	55.8	55.8	55.8	55.8	**55.8**
Reserves	584.8	445.5	504.4	569.2	**617.0**
Loans	202.6	177.6	166.1	162.8	**239.8**
Minority interest	3.2	3.5	3.8	4.2	**4.5**
	846.4	682.4	730.1	792.0	**917.1**
Turnover					
Property investment	33.8	38.0	39.6	45.4	**50.8**
Property development and trading	48.4	36.7	46.3	24.6	**13.3**
Other	14.9	15.2	16.8	18.3	**20.0**
	97.1	89.9	102.7	88.3	**84.1**
Profit / (loss) on ordinary activities before taxation					
Property investment	21.7	24.8	27.9	30.4	**35.0**
Property development and trading	(26.3)	(2.3)	(5.2)	(1.7)	**(0.7)**
Other	(4.5)	0.2	0.2	0.8	**1.7**
Operating profit / (loss)	(9.1)	22.7	22.9	29.5	**36.0**
Associated undertakings	3.2	–	3.8	2.3	**1.1**
Profit on sale of investment properties*	–	3.4	1.2	3.8	**3.8**
Interest	(22.9)	(19.9)	(16.2)	(15.5)	**(17.4)**
Profit / (loss) before taxation	(28.8)	6.2	11.7	20.1	**23.5**

†The results for 1991, 1992 and 1993 have not been restated for the change of accounting policy in 1995 for rents and service charges.

*The results for 1991 have not been restated for the change of accounting policy in 1993 for premiums received on the disposal of leasehold interests in investment properties.