

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

COMPANY REGISTRATION NUMBER 1414189

ANNUAL REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004



GROSVENOR ESTATE HOLDINGS

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of a holding company for investments and property, and the provision of administrative services to the ultimate parent company, Grosvenor Group Limited.

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 £1,390,000 (2003 - £25,375,000).

The directors have recommended the following dividends:

	2004 £000	2003 £000
Proposed dividends on ordinary shares	7,568	16,219
Proposed dividends on preference shares	719	719
	<u>8,287</u>	<u>16,938</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

S R H Beavor
J O Hagger
S H R Musgrave
J H M Newsum

Except as disclosed in the financial statements of the ultimate parent company, none of the directors in office at 31 December 2004 had any interests in the securities of the company, Grosvenor Group Limited (formerly Grosvenor Group Holdings Limited), its ultimate parent undertaking, or any of its fellow subsidiary undertakings which are required to be disclosed under the Companies Act 1985.

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 financial year and of the profit or loss for the year then ended.

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

select suitable accounting policies 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.

GROSVENOR ESTATE HOLDINGS**DIRECTORS' REPORT** *(continued)***DIRECTORS' RESPONSIBILITIES (continued)**

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.

POLICY ON THE PAYMENT OF CREDITORS

Payments terms are agreed with suppliers on an individual basis. It is the policy of the company to abide by the agreed terms, provided the suppliers comply with all relevant terms and conditions.

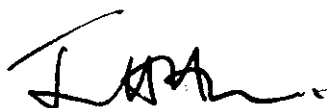
CHARITABLE DONATIONS

Charitable contributions during the year amounted to £351,080 (2003 - £1,111,000) of which £347,120 (2003 - £1,100,000) was donated to the Westminster Foundation which supports a wide range of charitable causes.

AUDITORS

The company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

Signed by order of the Board



J O Hagger
Company Secretary

17 MAR 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GROSVENOR ESTATE HOLDINGS
YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements of Grosvenor Estate Holdings for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GROSVENOR ESTATE HOLDINGS
YEAR ENDED 31 DECEMBER 2004 *(continued)*

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

17 MAR 2005

GROSVENOR ESTATE HOLDINGS**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	2004 £000	2003 £000
Turnover		—	—
Exceptional charges		—	(3,000)
Administrative expenses		(13,603)	(9,631)
Operating loss	2	(13,603)	(12,631)
Income from shares in group undertakings		18,900	40,096
Interest receivable	4	852	1,169
Interest payable and similar charges	5	(4,759)	(3,259)
Profit on ordinary activities before taxation		1,390	25,375
Tax credit on profit on ordinary activities	6	5,011	843
Profit on ordinary activities after taxation		6,401	26,218
Dividends (including non-equity)	7	(8,287)	(16,938)
Retained (loss)/profit for the financial year	15	(1,886)	9,280

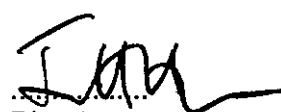
The company has no recognised gains or losses in the current or preceding year other than the results as set out above.

All results are derived from continuing operations.

GROSVENOR ESTATE HOLDINGS**BALANCE SHEET AS AT 31 DECEMBER 2004**

	Note	2004 £000	2003 £000
Fixed Assets			
Tangible fixed assets	8	1,095	157
Investments	9	858,685	858,685
		<u>859,780</u>	<u>858,842</u>
Current assets			
Debtors	10	252,175	311,961
Cash at bank and in hand		35,822	18,172
		<u>287,997</u>	<u>330,133</u>
Creditors: amounts falling due within one year	11	<u>(138,362)</u>	<u>(178,087)</u>
Net current assets		<u>149,635</u>	<u>152,046</u>
Total assets less current liabilities		<u>1,009,415</u>	<u>1,010,888</u>
Provisions for liabilities and charges			
Pensions	12	<u>(2,000)</u>	<u>(1,587)</u>
		<u>1,007,415</u>	<u>1,009,301</u>
Capital and reserves			
Called up share capital	14	59,905	59,905
Share premium account	15	173,940	173,940
Other reserves	15	554	554
Profit and loss account	15	773,016	774,902
Shareholders' funds (including non-equity interests)	16	<u>1,007,415</u>	<u>1,009,301</u>

These financial statements were approved by the Board on the **17 MAR 2005** and are signed on its behalf by:


Director


Director

GROSVENOR ESTATE HOLDINGS**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 applicable United Kingdom accounting standards. The accounting policies have been applied consistently throughout the current and prior year.

(b) Cash flow statement

The directors have taken advantage of the exemption in FRS1 '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) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Improvements	- 12.5%
Fixtures and Fittings	- 12.5%
Motor Vehicles	- 25%
Computer Systems	- 33.3%

(d) Deferred taxation

Deferred taxation is provided in full in respect of timing differences between the recognition of income and expenditure for accounting and taxation purposes. Deferred taxation is not provided in respect of unrealised revaluation surpluses where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(e) Foreign currency translation

Monetary 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.

(f) Investments

Investments held as fixed assets are stated at cost less provision for any material diminution in value.

(g) Current taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

GROSVENOR ESTATE HOLDINGS**NOTES TO THE FINANCIAL STATEMENTS****2. OPERATING LOSS**

Operating loss is stated after charging/(crediting):

	2004 £000	2003 £000
Depreciation	133	66
Auditors' remuneration		
- as auditors	126	125
- accountancy related advice	48	40
Net loss/(profit) on foreign currency translation	103	(1,332)
Exceptional charges (see below)	—	3,000

In connection with the demerger of Deva Group Limited (non-core activities) in 1999 the company has provided guarantees up to a maximum of £22m (2003 - £22m). During 2003 £3m was provided in respect of loans made to Deva Group Limited in early 2004.

3. PARTICULARS OF EMPLOYEES

The average number of employees by business:

	2004 No.	2003 No.
Management and administration	35	32

All employees are based in the United Kingdom.

The aggregate payroll costs of the above were:

	2004 £000	2003 £000
Wages and salaries	5,539	3,158
Social security costs	449	311
Other pension costs	1,595	1,351
	<u>7,583</u>	<u>4,820</u>

The costs of the 35 employees (2003 - 32), who were employed by Grosvenor Estate Management Limited, were borne by the company.

No fees or other emoluments were paid to the directors of the company during either the current or the prior year in respect of their services to the company.

4. INTEREST RECEIVABLE

	2004 £000	2003 £000
Bank interest receivable	507	1,153
Interest receivable from group undertakings	345	16
	<u>852</u>	<u>1,169</u>

GROSVENOR ESTATE HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £000	2003 £000
Interest payable on bank borrowings	1,180	928
Interest payable to group undertakings	3,579	2,331
	<u>4,759</u>	<u>3,259</u>

6. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES

Taxation

	2004 £000	2003 £000
Current tax:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	(3,744)	(18)
Deferred tax	(36)	(28)
Prior year adjustments	(1,231)	(797)
Tax credit on profit on ordinary activities	<u>(5,011)</u>	<u>(843)</u>

Factors affecting current tax charge

	2004 £000	2003 £000
Profit before taxation – the company	1,390	25,375
(Loss)/profit before taxation – other entities	<u>(1,115)</u>	<u>15,754</u>
	275	41,129
Corporation tax at 30% (2003 – 30%)	83	12,339
Expenses not deductible	518	2,136
UK dividend income	(5,670)	(12,029)
Prior year adjustment	(1,707)	(797)
Other items attracting no tax liability or relief	1,765	(2,492)
Total current tax credit	<u>(5,011)</u>	<u>(843)</u>

7. DIVIDENDS

	2004 £000	2003 £000
Equity shares:		
Proposed dividend on ordinary shares 14.04p per share	841	1,802
Proposed dividend on non-voting ordinary shares 14.04p per share	6,727	14,417
Non-equity shares:		
Proposed dividend on preference shares 12p per share	719	719
	<u>8,287</u>	<u>16,938</u>

GROSVENOR ESTATE HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

8. TANGIBLE FIXED ASSETS

	Leasehold improvements £000	Fixtures and fittings £000	Motor vehicles £000	Computer systems £000	Total £000
Cost					
At 1 January 2004	171	15	75	—	261
Additions	—	—	38	1,033	1,071
Disposals	—	—	(33)	—	(33)
At 31 December 2004	171	15	80	1,033	1,299
Depreciation					
At 1 January 2004	50	7	47	—	104
Charge for the year	43	4	14	72	133
Disposals	—	—	(33)	—	(33)
At 31 December 2004	93	11	28	72	204
Net book value					
At 31 December 2004	78	4	52	961	1,095
At 31 December 2003	121	8	28	—	157

9. INVESTMENTS

SUBSIDIARY UNDERTAKINGS

	£000
Cost:	
At 1 January 2004 and 31 December 2004	858,685
Net book value:	
At 31 December 2004	858,685
At 31 December 2003	858,685

The principal direct subsidiary undertakings at 31 December 2004 are:

Property investments:

Grosvenor (Mayfair) Estate *

Grosvenor (Belgravia) Estate *

Intermediate holding companies:

Grosvenor Limited

Grosvenor Overseas Holdings Limited

Grosvenor International Limited

* Unlimited company

All of the above companies are incorporated in Great Britain and are wholly-owned direct subsidiaries of Grosvenor Estate Holdings, apart from Grosvenor International Limited which is majority owned by Grosvenor Overseas Holdings Limited.

GROSVENOR ESTATE HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS (continued)

The above mentioned are the company's principal subsidiary undertakings and a full list will be filed with the next Annual Return.

The principal indirect subsidiary undertakings at 31 December 2004 are:

Grosvenor Australia Asia Pacific Limited
 Grosvenor Continental Europe Holdings Limited
 Grosvenor Americas Limited
 Grosvenor International SA
 Grosvenor First European Property Investments SA
 Grosvenor Australia Properties Pty Limited
 Grosvenor Asset Management Limited

10. DEBTORS

	2004 £000	2003 £000
Amounts owed by group undertakings	248,645	310,151
Other debtors	1,655	–
Deferred tax(note 13)	430	394
Prepayments and accrued income	1,445	1,416
	<u>252,175</u>	<u>311,961</u>

11. CREDITORS: amounts falling due within one year

	2004 £000	2003 £000
Bank loans and overdrafts	291	14,163
Trade creditors	1,265	747
Amounts owed to group undertakings	132,689	153,623
Corporation tax	–	3,018
Other taxation and social security	–	26
Other creditors	–	3,000
Accruals and deferred income	4,117	3,510
	<u>138,362</u>	<u>178,087</u>

12. PENSIONS

The principal pension schemes are the Grosvenor Pension Plan (the "Plan", formerly the Grosvenor Estates Pension Scheme), a defined benefit pension scheme, and the Grosvenor Estate Money Purchase Scheme (GEMPS), a defined contribution scheme. Both schemes are administered by independent trustees. The Plan is open to all staff and provides a defined benefit pension up to an upper earnings limit. Above this limit the Group contributes between 25% and 30% of that tranche of salary into GEMPS. Some members of the Plan accrue benefits on historical scales which pension full salary (subject to earnings cap).

GROSVENOR ESTATE HOLDINGS**NOTES TO THE FINANCIAL STATEMENTS****12. PENSIONS (continued)**

Independent qualified actuaries complete valuations of the Plan 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. Details of the most recent actuarial valuation, which was carried out on 31 December 2002, are disclosed in the financial statements of the ultimate parent company, Grosvenor Group Limited.

At 31 December 2002 the market value of the Plan assets was £49,500,000 which was sufficient to cover 72% of the funding target for benefits that had accrued to members after allowing for expected increases in earnings. The company's share of the funding shortfall is being met by annual fixed payments of £550,000 plus a one-off contribution of £1,380,000 paid during 2003. These contributions will be reviewed following the 31 December 2005 valuation.

The disclosures below are given to comply with requirements of FRS 17. There is a phased implementation period for FRS 17 and until it is fully adopted it requires certain supplementary disclosures to be given in the notes to the accounts. During this period the accounting treatment for retirement benefits in the financial statements remains on the existing basis (in accordance with SSAP 24) which is explained above.

Although the Plan is a defined benefit scheme, it is a multi-employer scheme and the company's share of the underlying assets and liabilities cannot be identified. As a result, FRS17 requires that the scheme is accounted for on a contributions basis and therefore the defined benefit disclosures are not required. The FRS17 disclosures for the Plan in total are shown in full in the accounts of Grosvenor Group Limited.

In addition, the company operates an unfunded defined benefit scheme to satisfy pension commitments not catered for by the principal schemes. The total provision for this scheme at 31 December 2004 is £2,000,000 (2003 - £1,587,000). Under the assumptions required by FRS17, this provision would be £2,000,000 (2003 - £1,600,000).

The company's contributions to the defined contribution scheme were £42,000 (2003 - £23,000).

13. DEFERRED TAXATION

The debtor for deferred taxation of £430,000 (2003 - £394,000) consists of the tax effect of timing differences in respect of short term timing differences.

GROSVENOR ESTATE HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

14. CALLED UP SHARE CAPITAL**Authorised share capital:**

	2004 £000	2003 £000
8,000,000 ordinary shares of £1.00 each	8,000	8,000
64,000,000 non voting ordinary shares of £1.00 each	64,000	64,000
8,000,000 12% non cumulative irredeemable preference shares of £1.00 each	8,000	8,000
	<u>80,000</u>	<u>80,000</u>

Allotted, called up and fully paid:

	2004 £000	2003 £000
5,990,524 ordinary shares of £1.00 each	5,991	5,991
47,924,192 non voting ordinary shares of £1.00 each	47,924	47,924
5,990,524 12% non cumulative irredeemable preference shares of £1.00 each	5,990	5,990
	<u>59,905</u>	<u>59,905</u>

15. RESERVES

	Share premium account £000	Other reserves £000	Profit and loss account £000
Balance brought forward	173,940	554	774,902
Retained profit for the year	—	—	6,401
Dividends	—	—	(8,287)
Balance carried forward	<u>173,940</u>	<u>554</u>	<u>773,016</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**EQUITY SHAREHOLDERS' FUNDS**

	2004 £000	2003 £000
Profit for the financial year	6,401	26,218
Dividends	(8,287)	(16,938)
	(1,886)	9,280
Opening equity shareholders' funds	1,003,311	994,031
Closing equity shareholders' funds	<u>1,001,425</u>	<u>1,003,311</u>

NON-EQUITY SHAREHOLDERS' FUNDS

Opening and closing non-equity shareholders' funds	<u>5,990</u>	<u>5,990</u>
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TOTAL SHAREHOLDERS' FUNDS	<u>1,007,415</u>	<u>1,009,301</u>
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GROSVENOR ESTATE HOLDINGS**NOTES TO THE FINANCIAL STATEMENTS****17. CONSOLIDATED ACCOUNTS**

Consolidated accounts have not been produced as Grosvenor Estate Holdings is a wholly owned subsidiary of Grosvenor Group Limited (formerly Grosvenor Group Holdings Limited).

18. RELATED PARTY TRANSACTIONS

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

19. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking is Grosvenor Group Limited (formerly Grosvenor Group Holdings Limited), a company incorporated in Great Britain and 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. Grosvenor Group Limited is the immediate parent company.

Copies of the consolidated financial statements of Grosvenor Group Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.