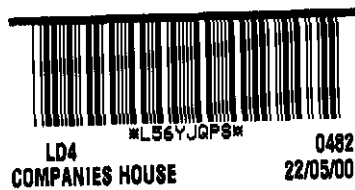


GROSVENOR ASSETS LIMITED

Registered No: 1816074

ANNUAL REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999



GROSVENOR ASSETS LIMITED**DIRECTORS' REPORT**

The directors submit their annual report together with the financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The company's principal activity during the year was investment in real property in the United Kingdom. The directors do not anticipate any significant change in the activities of the company.

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 4. Loss on ordinary activities before taxation was £28,261 (1998 - £216,122).

The directors do not anticipate any significant changes in the activity of the company and its profitability.

DIRECTORS

The directors of the company at 31 December 1999, all of whom were directors throughout the year, were:

C J Redman
R C Williams
J G Wright
J R Milne

DIRECTORS' INTERESTS

None of the company's directors had any interests in the shares or loan capital of the company, its ultimate parent company, Grosvenor Group Holdings Limited, or any of its fellow subsidiary undertakings required to be disclosed under the Companies Act 1985.

DIRECTORS' RESPONSIBILITIES

The directors have responsibility for preparing financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the year.

In preparing the financial statements, the directors are required to ensure that suitable accounting policies are selected and consistently applied, that the judgements and estimates made are reasonable and prudent, and that applicable accounting standards are followed.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the company's system of internal financial control and for safeguarding the assets of the company and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

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

GROSVENOR ASSETS LIMITED

DIRECTORS' REPORT (continued)

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 15 to the financial statements.

YEAR 2000

The directors continue to be alert to the potential risks and uncertainties surrounding the Year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect activities of the business, although the situation is being monitored.

The cost to date of achieving Year 2000 compliance has been borne by Grosvenor Estate Holdings, an intermediate holding company, and, therefore, it has not been reflected in these financial statements. Any future costs associated with this issue cannot be quantified but are not anticipated to be significant.

AUDITORS

Pursuant to S386 of the Companies Act 1985 (as amended by the Companies Act 1989) an elective resolution has been passed to dispense with the requirement to reappoint auditors annually.

By Order of the Board



C M Tolhurst
Secretary

10 March 2000

GROSVENOR ASSETS LIMITED**AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY**

We have audited the financial statements on pages 4 to 9, which have been prepared under the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the report of the directors on page 1, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

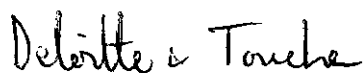
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

13 March 2000

GROSVENOR ASSETS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999**

	<u>Note</u>	<u>1999</u> £	<u>1998</u> £
Turnover	2	1,157,101	1,184,232
Cost of sales		(120,821)	(211,668)
<u>Gross profit</u>		<u>1,036,280</u>	<u>972,564</u>
Administrative expenses		(46,900)	(51,090)
<u>Operating profit</u>		<u>989,380</u>	<u>921,474</u>
Net interest payable	4	(1,017,641)	(1,137,596)
<u>Loss on ordinary activities before taxation</u>		<u>(28,261)</u>	<u>(216,122)</u>
Tax credit on loss on ordinary activities	5	8,549	66,947
<u>Retained loss for the year</u>	11	<u>(19,712)</u>	<u>(149,175)</u>

All activities derive from continuing operations.


STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**FOR THE YEAR ENDED 31 DECEMBER 1999**

		<u>1999</u> £	<u>1998</u> £
Loss on ordinary activities after taxation		(19,712)	(149,175)
Unrealised surplus on revaluation of investment property	10	1,900,000	495,000
Recognised gain for the year		<u><u>1,880,288</u></u>	<u><u>345,825</u></u>

GROSVENOR ASSETS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1999

	<u>Note</u>	<u>1999</u> £	<u>1998</u> £
<u>Fixed assets</u>			
Tangible assets: investment property	6	12,400,000	10,500,000
<u>Current assets</u>			
Debtors	7	302,225	292,956
<u>Creditors:</u> amounts falling due within one year	8	(13,142,664)	(13,113,683)
<u>Net current liabilities</u>		(12,840,439)	(12,820,727)
<u>Net liabilities</u>		(440,439)	(2,320,727)
<u>Capital and reserves</u>			
Called up share capital	9	1,000	1,000
Revaluation reserve	10	266,103	(1,633,897)
Profit and loss account	11	(707,542)	(687,830)
<u>Equity shareholders' deficit</u>	12	(440,439)	(2,320,727)

Approved by the Board on 12 March 2000 and signed on its behalf by:



 R C Williams

Director

GROSVENOR ASSETS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****1. ACCOUNTING POLICIES****(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, and in accordance with accounting standards applicable in the UK. The company's principal accounting policies are unchanged compared with the year ended 31 December 1998.

The company is a wholly owned subsidiary of Grosvenor Group Holdings Limited, its ultimate parent undertaking, which is registered in England and Wales and prepares consolidated financial statements. Consequently, the company is not required to present a cash flow statement.

These accounts have been prepared on the going concern basis. The directors have received confirmation from the board of Grosvenor Group Holdings Limited that finance will be available for 18 months from the date of these accounts.

(b) Turnover

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

(c) Investment properties

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

(d) Depreciation

In accordance with SSAP 19 (Revised) "Accounting for investment properties" no depreciation is provided on leasehold investment 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.

(e) Deferred taxation

Deferred taxation is accounted for in respect of timing differences between the recognition of income and expenditure for accounting and taxation purposes and in respect of unrealised revaluation surpluses to the extent that it is considered probable that a tax liability or asset will crystallise in the foreseeable future.

2. SEGMENTAL INFORMATION

Turnover and loss before taxation are generated from investment property activities in the United Kingdom.

GROSVENOR ASSETS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION****Directors' emoluments**

None of the directors of the company received any emoluments during the year in respect of services to the company.

Employee information

The company has no employees. All staff costs are borne by Grosvenor Estate Management Limited, a fellow subsidiary undertaking and other employee information is disclosed in the report and accounts of that company.

Auditors' remuneration

Auditors' remuneration has been borne by a fellow subsidiary undertaking.

4. NET INTEREST PAYABLE

	<u>1999</u> £	<u>1998</u> £
Interest payable:		
Loan from group undertakings	1,017,641	1,137,632
Interest receivable	-	(36)
	<u>1,017,641</u>	<u>1,137,596</u>

5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	<u>1999</u> £	<u>1998</u> £
<u>Tax credit on loss on ordinary activities:</u>		
UK Corporation tax credit at 30.25% (1998 - 31%)	8,549	66,998
Adjustments for prior years:		
Corporation tax	-	(51)
	<u>8,549</u>	<u>66,947</u>

6. TANGIBLE FIXED ASSETS: INVESTMENT PROPERTIES**Long leasehold**

	<u>1999</u> £
<u>Valuation:</u>	
At 1 January	10,500,000
Revaluation surplus	1,900,000
At 31 December	<u>12,400,000</u>

The long leasehold investment property was valued as at 31 December 1999 by the directors, on the basis of open market value as defined in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

The historical cost of the property held at valuation was £12,133,897 (1998 - £12,133,897). The taxation on capital gains which would be payable on the surplus arising on the revaluation of the long leasehold property, in the event of its sale at valuation, would be £Nil (1998: £Nil).

GROSVENOR ASSETS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**

7.	<u>DEBTORS</u>	<u>1999</u>	<u>1998</u>
		£	£
	Amounts falling due within one year:		
	Trade debtors	34,190	125,179
	Amounts owed by group undertakings	202,646	57,942
	Other debtors	12,251	16,952
	Group relief receivable	8,549	66,998
	Prepayments and accrued income	44,589	25,885
		<hr/>	<hr/>
		302,225	292,956
		<hr/>	<hr/>
8.	<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>1999</u>	<u>1998</u>
		£	£
	Trade creditors	6,946	-
	Loan from group undertakings (unsecured)	12,804,776	12,809,602
	Accruals and deferred income	319,955	304,081
	Other creditors	10,987	-
		<hr/>	<hr/>
		13,142,664	13,113,683
		<hr/>	<hr/>
9.	<u>SHARE CAPITAL</u>	<u>1999</u>	<u>1998</u>
		£	£
	<u>Authorised, allotted, called up and fully paid:</u>		
	<u>Equity interests</u>		
	1,000 Ordinary shares of £1 each	1,000	1,000
		<hr/>	<hr/>
10.	<u>REVALUATION RESERVE</u>	<u>1999</u>	<u>1998</u>
		£	£
	At 1 January	(1,633,897)	(2,128,897)
	Surplus on revaluation (note 6)	1,900,000	495,000
		<hr/>	<hr/>
	At 31 December	266,103	(1,633,897)
		<hr/>	<hr/>

The revaluation reserve represents the excess of the valuation over the historical cost of investment properties held at 31 December 1999.

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 reserve on the disposal of investment properties.

GROSVENOR ASSETS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**

11.	<u>PROFIT AND LOSS ACCOUNT</u>	<u>1999</u>	<u>1998</u>
		£	£
	At 1 January	(687,830)	(538,655)
	Retained loss for the year	(19,712)	(149,175)
		<hr/>	<hr/>
	At 31 December	(707,542)	(687,830)
		<hr/>	<hr/>

12.	<u>RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT</u>	<u>1999</u>	<u>1998</u>
		£	£
	Loss for the financial year	(19,712)	(149,175)
	Other recognised gains relating to the year	1,900,000	495,000
		<hr/>	<hr/>
	Net increase in shareholders' funds	1,880,288	345,825
	Opening shareholders' deficit	(2,320,727)	(2,666,552)
		<hr/>	<hr/>
	Closing shareholders' deficit	(440,439)	(2,320,727)
		<hr/>	<hr/>

13. **ULTIMATE PARENT UNDERTAKING**

The company's ultimate parent undertaking and controlling entity 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 group of undertakings of which the company is a member and for which group accounts are prepared. Grosvenor Limited, an intermediate holding company, is the 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, CF4 3UZ.

14. **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.

15. **POST BALANCE SHEET EVENTS**

The Investment Property was sold after the year end, with exchange of contracts taking place on 11 January 2000 and completion occurring 2 February 2000.