

GROSVENOR ASSETS LIMITED

Registered No: 1816074

ANNUAL REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1998



GROSVENOR ASSETS LIMITED**DIRECTORS' REPORT**

The directors submit their annual report together with the financial statements for the year ended 31 December 1998.

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 £216,122 (1997 - £158,898). The directors do not propose the payment of a dividend (1997 - £nil).

A retained loss of £149,175 has been withdrawn from reserves.

DIRECTORS

The directors of the company at 31 December 1998, 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 Estate Holdings, 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 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)****YEAR 2000**

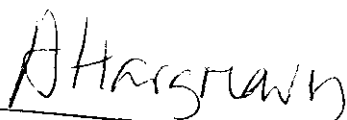
The company's ultimate parent undertaking, Grosvenor Estate Holdings, has recently completed a review of its systems to identify those which may not be Year 2000 compliant. During 1999, these systems will be tested and, where necessary, remedial action will be taken and contingency plans established. Principal suppliers have been contacted to establish the extent to which their systems are likely to be Year 2000 compliant.

The directors consider that the cost of achieving Year 2000 compliance will be borne by its ultimate parent company and, therefore, it has not been reflected in these financial statements.

AUDITORS

Deloitte & Touche were appointed as auditors on 12 June 1997. 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

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

A A Hargreaves
Secretary

31 March 1999

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.

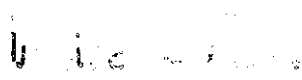
BASIS OF OPINION

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 1998 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

31 March 1999

GROSVENOR ASSETS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998**

| <u>Results of continuing operations</u> | <u>Note</u> | <u>1998</u> <u>£</u> | <u>1997</u> <u>£</u> |
|-----------------------------------------------------------|--------------------|---------------------------------------|---------------------------------------|
| Turnover | 2 | 1,184,232 | 1,214,279 |
| Cost of sales | | (211,668) | (205,768) |
| <u>Gross profit</u> | | 972,564 | 1,008,511 |
| Administrative expenses | | (51,090) | (25,000) |
| <u>Operating profit</u> | 3 | 921,474 | 983,511 |
| Interest | 4 | (1,137,596) | (1,142,409) |
| <u>Loss on ordinary activities before taxation</u> | | (216,122) | (158,898) |
| Tax credit on loss on ordinary activities | 5 | 66,947 | 50,054 |
| <u>Retained loss for the year</u> | 11 | (149,175) | (108,844) |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**FOR THE YEAR ENDED 31 DECEMBER 1998**

| | | <u>1998</u> <u>£</u> | <u>1997</u> <u>£</u> |
|----------------------------------------------------------|----|---------------------------------------|---------------------------------------|
| Loss on ordinary activities after taxation | | (149,175) | (108,844) |
| Unrealised surplus on revaluation of investment property | 10 | 495,000 | 1,063,400 |
| Recognised gain for the year | | 345,825 | 954,556 |


NOTE OF HISTORICAL COST PROFITS AND LOSSES**FOR THE YEAR ENDED 31 DECEMBER 1998**

| | | <u>1998</u> <u>£</u> | <u>1997</u> <u>£</u> |
|--------------------------------------------------------------------------|--|---------------------------------------|---------------------------------------|
| Historical cost loss on ordinary activities before taxation | | (216,122) | (158,898) |
| Historical cost retained loss for the year - after taxation and dividend | | (149,175) | (108,844) |

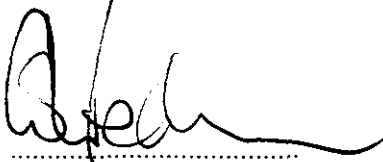
GROSVENOR ASSETS LIMITED**BALANCE SHEET AS AT 31 DECEMBER 1998**

| | <u>Note</u> | <u>1998</u> £ | <u>1997</u> £ |
|--------------------------------------------------------------|-------------|------------------|------------------|
| <u>Fixed assets</u> | | | |
| Tangible assets: investment property | 6 | 10,500,000 | 10,005,000 |
| <u>Current assets</u> | | | |
| Debtors | 7 | 292,956 | 413,415 |
| <u>Creditors:</u> amounts falling due within one year | 8 | (13,113,683) | (13,084,967) |
| <u>Net current liabilities</u> | | (12,820,727) | (12,671,552) |
| <u>Net liabilities</u> | | (2,320,727) | (2,666,552) |
| <u>Capital and reserves</u> | | | |
| Called up share capital | 9 | 1,000 | 1,000 |
| Revaluation reserve | 10 | (1,633,897) | (2,128,897) |
| Profit and loss account | 11 | (687,830) | (538,655) |
| <u>Equity shareholders' deficit</u> | 12 | (2,320,727) | (2,666,552) |

Approved by the Board on 31 March 1999 and signed on its behalf by:



 R C Williams



 C J Redman

Directors

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 1997.

The company is a wholly owned subsidiary of Grosvenor Estate Holdings, 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 Estate Holdings 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. OPERATING PROFIT****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. <u>INTEREST</u> | <u>1998</u> | <u>1997</u> |
|------------------------------------------|--------------------|--------------------|
| | £ | £ |
| <u>Interest payable:</u> | | |
| On loan from ultimate parent undertaking | 1,137,632 | 1,142,409 |
| Interest receivable | (36) | - |
| | <u>1,137,596</u> | <u>1,142,409</u> |

| 5. <u>TAXATION</u> | <u>1998</u> | <u>1997</u> |
|---------------------------------------------------|--------------------|--------------------|
| | £ | £ |
| <u>Tax credit on loss on ordinary activities:</u> | | |
| Corporation tax credit at 31% (1997 - 31.5%) | 66,998 | 50,053 |
| <u>Adjustments for prior years:</u> | | |
| Corporation tax (charge)/credit | (51) | 1 |
| | <u>66,947</u> | <u>50,054</u> |

6. TANGIBLE FIXED ASSETS: INVESTMENT PROPERTIES

| <u>Long leasehold</u> | <u>1998</u> |
|------------------------------|--------------------|
| | £ |
| <u>Valuation:</u> | |
| At 1 January | 10,005,000 |
| Revaluation surplus | 495,000 |
| | <u>10,500,000</u> |
| At 31 December | |

The long leasehold investment property was valued as at 31 December 1998 by Gerald Eve, independent chartered surveyors, 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 (1997 - £12,133,897). The taxation payable on the deficit arising on the revaluation of the long leasehold property, in the event of its sale at valuation, would be £nil (1997: £nil).

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

| | | | |
|----|---------------------------------------------|--------------------|--------------------|
| 7. | <u>DEBTORS</u> | <u>1998</u> | <u>1997</u> |
| | | £ | £ |
| | <u>Amounts falling due within one year:</u> | | |
| | Trade debtors | 125,179 | - |
| | Amounts owed by group undertaking | 57,942 | 262,522 |
| | Other debtors | 16,952 | 74,955 |
| | Group relief receivable | 66,998 | 50,053 |
| | Prepayments and accrued income | 25,885 | 25,885 |
| | | <hr/> | <hr/> |
| | | 292,956 | 413,415 |
| | | <hr/> | <hr/> |

| | | | |
|----|--------------------------------------------------------------|--------------------|--------------------|
| 8. | <u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u> | <u>1998</u> | <u>1997</u> |
| | | £ | £ |
| | Loan from ultimate parent undertaking (unsecured) | 12,809,602 | 12,758,705 |
| | Accruals and deferred income | 304,081 | 326,262 |
| | | <hr/> | <hr/> |
| | | 13,113,683 | 13,084,967 |
| | | <hr/> | <hr/> |

The loan from the ultimate parent undertaking is subject to interest at 2% above the London inter-bank offered rate (LIBOR) and is repayable on demand.

| | | | |
|----|--------------------------------------------------------|--------------------|--------------------|
| 9. | <u>SHARE CAPITAL</u> | <u>1998</u> | <u>1997</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>1998</u> | <u>1997</u> |
| | | £ | £ |
| | At 1 January | (2,128,897) | (3,192,297) |
| | Surplus on revaluation (note 6) | 495,000 | 1,063,400 |
| | | <hr/> | <hr/> |
| | At 31 December | (1,633,897) | (2,128,897) |
| | | <hr/> | <hr/> |

The revaluation reserve represents the deficit arising as a result of the revaluation of the investment property held at 31 December 1998 compared to its historical cost.

GROSVENOR ASSETS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****11. PROFIT AND LOSS ACCOUNT**

| | <u>1998</u> £ | <u>1997</u> £ |
|----------------------------|------------------|------------------|
| At 1 January | (538,655) | (429,811) |
| Retained loss for the year | (149,175) | (108,844) |
| At 31 December | <u>(687,830)</u> | <u>(538,655)</u> |

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | <u>1998</u> £ | <u>1997</u> £ |
|---------------------------------------------|--------------------|--------------------|
| Loss for the financial year | (149,175) | (108,844) |
| Other recognised gains relating to the year | 495,000 | 1,063,400 |
| Net increase in shareholders' funds | <u>345,825</u> | <u>954,556</u> |
| Opening shareholders' deficit | (2,666,552) | (3,621,108) |
| Closing shareholders' deficit | <u>(2,320,727)</u> | <u>(2,666,552)</u> |

13. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking and controlling entity is Grosvenor Estate Holdings, an unlimited company registered in England and Wales which is wholly owned by trusts and members of the Grosvenor family, headed by the Duke of Westminster. The ultimate parent undertaking heads the largest and smallest group of undertakings of which the company is a member and for which group accounts are prepared.

Copies of the consolidated financial statements of Grosvenor Estate Holdings 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 Estate Holdings, fellow subsidiaries of Grosvenor Estate Holdings 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.