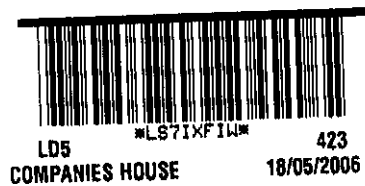


GROSVENOR COMMERCIAL PROPERTIES
(AN UNLIMITED COMPANY HAVING A SHARE CAPITAL)

COMPANY REGISTRATION NUMBER 1847458

ANNUAL REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005



GROSVENOR COMMERCIAL PROPERTIES

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was investment in real estate property in the United Kingdom.

The directors do not anticipate any significant change in the activity of the company and 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 £5,472,081 (2004 - £6,017,684).

The following dividends have been paid:

	2005 £	2004 £ Restated
Dividends paid on ordinary shares	<u>6,017,684</u>	<u>6,048,190</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

S J Curtis
R S Handley
J R Milne
S H R Musgrave
R C Williams
P S Vernon

(Appointed 7 April 2005)

None of the directors in office at 31 December 2005 had any interests in the securities of the company, Grosvenor Group Limited, its ultimate parent undertaking, or any of its fellow subsidiary undertakings which are required to be disclosed under the Companies Act 1985.

D J P Rawcliffe was appointed as a director on 1 February 2006.

R C Williams resigned as a director on 1 February 2006.

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 COMMERCIAL PROPERTIES

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.

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

A handwritten signature in black ink, appearing to read 'C M Tolhurst', with a stylized flourish at the end.

C M Tolhurst
Company Secretary

31 MAR 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GROSVENOR COMMERCIAL PROPERTIES
YEAR ENDED 31 DECEMBER 2005

We have audited the financial statements of Grosvenor Commercial Properties for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework 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 or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

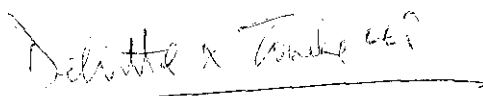
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GROSVENOR COMMERCIAL PROPERTIES
YEAR ENDED 31 DECEMBER 2005 *(continued)*

OPINION

In our opinion:

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended;

the financial statements have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read "Deloitte & Touche LLP", is written over a horizontal line.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

.....
31 MAR 2006

GROSVENOR COMMERCIAL PROPERTIES**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 £ Restated
Turnover	2	5,749,170	6,117,890
Cost of sales		<u>(255,359)</u>	<u>(69,338)</u>
Gross profit		5,493,811	6,048,552
Administrative expenses		<u>(23,610)</u>	<u>(30,868)</u>
Operating profit		5,470,201	6,017,684
Interest receivable and similar income		1,880	—
Profit on ordinary activities before taxation		5,472,081	6,017,684
Tax on profit on ordinary activities		—	—
Profit on ordinary activities after taxation		5,472,081	6,017,684
Equity dividends	6	(6,017,684)	(6,048,190)
Retained loss for the financial year		<u>(545,603)</u>	<u>(30,506)</u>

All results are derived from continuing operations.

GROSVENOR COMMERCIAL PROPERTIES**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 £	2004 £
Profit for the financial year attributable to the shareholders	5,472,081	6,017,684
Unrealised gain on revaluation of investment properties	8,117,867	8,735,500
Total recognised gains and losses relating to the year	13,589,948	14,753,184
Total recognised gains and losses	13,589,948	14,753,184

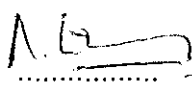
NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2005 £	2004 £
Reported profit on ordinary activities before taxation	5,472,081	6,017,684
Realisation of gains/(losses) recognised in previous periods	4,122,500	—
Historical cost profit on ordinary activities before taxation	9,594,581	6,017,684
Historical cost profit/(loss) for the year retained after taxation and dividends	3,576,897	(30,506)

GROSVENOR COMMERCIAL PROPERTIES
BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £	2004 £ Restated
Tangible fixed assets			
Investment properties	8	<u>83,565,001</u>	<u>96,820,000</u>
Current assets			
Debtors	9	<u>30,373,668</u>	<u>9,949,723</u>
Creditors: amounts falling due within one year	10	<u>(1,176,634)</u>	<u>(1,579,952)</u>
Net current assets		<u>29,197,034</u>	<u>8,369,771</u>
Total assets less current liabilities		<u>112,762,035</u>	<u>105,189,771</u>
Capital and reserves			
Called up equity share capital	12	<u>86,190,100</u>	<u>86,190,100</u>
Revaluation reserve	13	<u>16,976,267</u>	<u>12,980,900</u>
Profit and loss account	14	<u>9,595,668</u>	<u>6,018,771</u>
Equity shareholders' funds	15	<u>112,762,035</u>	<u>105,189,771</u>

These financial statements were approved by the Board on the 31 MAR 2006 and are signed on its behalf by:



 Director



 Director

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom law and accounting standards. The accounting policies have been applied consistently throughout the current and preceding year with the exception of FRS21 'Events after the balance sheet date', the impact of which is explained in note 7.

(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) Turnover

The turnover shown in the profit and loss account represents rents and service charges receivable in the year, excluding VAT.

(d) Depreciation

In accordance with SSAP19 (Revised) 'Accounting for Investment Properties' no depreciation is provided on freehold 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 quantified separately.

Depreciation is provided on short leasehold properties with twenty years or less unexpired over the period of the lease.

(e) Investment properties

Investment properties are valued annually at open market value by independent valuers. Any surplus or deficit on revaluation is transferred to the revaluation reserve, except that if a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged or credited to the profit and loss account.

Investment properties under development are stated at cost, except where the directors consider that the value has fallen below cost, when they are revalued to the lower amount. The revaluation deficit is transferred to the revaluation reserve unless it is considered permanent, in which case it is charged to the profit and loss account.

Profits and losses on the disposal of investment properties are recognised on unconditional exchange of contracts and are calculated by reference to book value and are included in the profit and loss account. On the disposal or recognition of a provision for impairment of a revalued asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

GROSVENOR COMMERCIAL PROPERTIES

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES *(continued)*

(f) 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.

(g) Taxation

Current UK corporation tax is provided at a group level 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.

2. TURNOVER

Turnover and profit before tax are attributable to the one principal activity of the company in the United Kingdom.

3. AUDITORS' REMUNERATION

Auditors' remuneration for Grosvenor Commercial Properties has been borne by a fellow subsidiary undertaking for both the current and preceding year.

4. PARTICULARS OF EMPLOYEES

No fees or other emoluments were paid to the directors of the company during either the current or the preceding year in respect of their services to the company. The directors are paid by Grosvenor Estate Management Limited. There were no employees of the company for the current or preceding year.

5. TAXATION

The taxation charge will be borne by the intermediate holding company, Grosvenor Limited, both in the current and preceding year.

6. DIVIDENDS

	2005 £	2004 £ Restated
Dividend paid on equity shares	<u>6,017,684</u>	<u>6,048,190</u>

Refer to note 7 for the effect of the adoption of FRS21 'Events after the balance sheet date' on the dividends paid in the current and preceding year.

GROSVENOR COMMERCIAL PROPERTIES**NOTES TO THE FINANCIAL STATEMENTS****7. PRIOR YEAR ADJUSTMENT**

The company has adopted FRS21 'Events after the balance sheet date' in the current year. In accordance with this standard, when dividends are declared after the balance sheet date, the entity shall not recognise these dividends as an asset or a liability at the balance sheet date. The balance sheet and profit and loss account at 31 December 2004 have been restated to reflect this change in accounting policy. The impact on the balance sheet was to reduce creditors and increase net assets by £6,017,684 being the proposed dividend for that 2004. The retained result for the year was reduced by £(30,506) comprising of £(6,048,190) being the proposed dividend for 2003 which was paid in 2004 and £6,017,684 being the proposed dividend for 2004.

8. INVESTMENT PROPERTIES

	Long leasehold £
Cost or valuation	
At 1 January 2005	96,820,000
Additions	7,857,134
Disposals	(29,230,000)
Revaluation	8,117,867
At 31 December 2005	83,565,001
Net book value	
At 31 December 2005	83,565,001
At 31 December 2004	96,820,000

Revaluation of fixed assets

Long leasehold investment properties were valued at 31 December 2005 by CB Richard Ellis on the basis of open market value as defined in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

The historical cost of properties was £66,588,733 (2004 - £83,839,100).

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 valuation, is estimated to be approximately £9,868,000 (2004 - £13,365,000).

Investment properties with a market value of £82,615,000 (2004 - £96,000,000) at 31 December 2005 are held as security for a mortgage debenture taken out by an intermediate parent undertaking, Grosvenor Estate Holdings, and subsequently novated to Grosvenor Limited on 21 September 2001.

9. DEBTORS

	2005 £	2004 £
Trade debtors	68,697	87,348
Amounts owed by group undertakings	30,096,564	9,717,665
Other debtors	90,136	56,972
Prepayments and accrued income	118,271	87,738
	30,373,668	9,949,723

GROSVENOR COMMERCIAL PROPERTIES**NOTES TO THE FINANCIAL STATEMENTS****10. CREDITORS: amounts falling due within one year**

	2005 £	2004 £ Restated
Trade creditors	103,480	94,703
Other creditors	81,978	56,400
Accruals and deferred income	991,176	1,428,849
	<u>1,176,634</u>	<u>1,579,952</u>

11. 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.

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

	2005 £	2004 £
100,000,000 ordinary shares of £1.00 each	<u>100,000,000</u>	<u>100,000,000</u>

Allotted, called up and fully paid:

	2005 £	2004 £
86,190,100 ordinary shares of £1.00 each	<u>86,190,100</u>	<u>86,190,100</u>

13. REVALUATION RESERVE

	2005 £	2004 £
At 1 January	12,980,900	4,245,400
Revaluation of fixed assets	8,117,867	8,735,500
Transfer from/(to) the profit and loss account on realisation	(4,122,500)	—
At 31 December	<u>16,976,267</u>	<u>12,980,900</u>

GROSVENOR COMMERCIAL PROPERTIES**NOTES TO THE FINANCIAL STATEMENTS****14. PROFIT AND LOSS ACCOUNT**

	2005 £	2004 £ Restated
Original balance at 1 January	1,087	1,087
Prior year adjustment (note 7)	6,017,684	6,048,190
Restated balance at 1 January	6,018,771	6,049,277
Retained loss for the financial year	(545,603)	(30,506)
Transfer from revaluation reserve	4,122,500	—
At 31 December	9,595,668	6,018,771

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £ Restated
Profit for the financial year	5,472,081	6,017,684
Dividends	(6,017,684)	(6,048,190)
	(545,603)	(30,506)
Other net recognised gains and losses	8,117,867	8,735,500
Net addition to funds	7,572,264	8,704,994
Opening equity shareholders' funds as previously stated	99,172,087	90,436,587
Prior year adjustment (see note 7)	6,017,684	6,048,190
Opening equity shareholders' funds as restated	105,189,771	96,484,777
Closing equity shareholders' funds	112,762,035	105,189,771

16. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company's ultimate parent undertaking is Grosvenor Group 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 group of undertakings of which the company is a member and for which group accounts are prepared. Grosvenor Limited, an intermediate holding company, heads the smallest group of undertakings of which the company is a member and for which group accounts are prepared. Grosvenor Limited is the immediate holding company.

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