

QUARRYVALE TWO LIMITED

COMPANY REGISTRATION NUMBER 3118887

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2001



QUARRYVALE TWO LIMITED

DIRECTORS' REPORT

The directors submit their annual report together with the audited financial statements of the company for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was property investment.

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 4. Profit on ordinary activities before taxation was £2,402,851 (2000 - £1,270,987).

The directors have not recommended payment of a dividend (2000 - £500,000).

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

S J Curtis
R S Handley
S H R Musgrave
R C Williams

None of the directors in office at 31 December 2001 had any interests in the securities of the company, 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 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, as described on page 7, 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.

QUARRYVALE TWO LIMITED

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, the system of internal control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Pursuant to S386 of the Companies Act 1985 an elective resolution has been passed to dispense with the requirement to reappoint auditors annually.

Signed by order of the Board



C M Tolhurst
Company Secretary

07 MAR 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
QUARRYVALE TWO LIMITED
YEAR ENDED 31 DECEMBER 2001

We have audited the financial statements of Quarryvale Two Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes on pages 7 to 11. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

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 2001 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

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

07 MAR 2002
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QUARRYVALE TWO LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001**

	Note	2001 £	2000 £
Turnover	3	2,315,395	1,978,861
Cost of sales		(52,576)	(305)
Gross profit		2,262,819	1,978,556
Administrative expenses		25,735	22,744
Operating profit	4	2,288,554	2,001,300
Interest receivable		114,308	24,761
Interest payable and similar charges	7	(11)	(755,074)
Profit on ordinary activities before taxation		2,402,851	1,270,987
Tax on profit on ordinary activities	8	-	(381,296)
Profit on ordinary activities after taxation		2,402,851	889,691
Dividends	9	-	(500,000)
Profit for the financial year		<u>2,402,851</u>	<u>389,691</u>

All of the activities of the company are classed as continuing.

QUARRYVALE TWO LIMITEDSTATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2001


	2001 £	2000 £
Profit for the financial year attributable to the shareholders	2,402,851	889,691
Unrealised (loss)/gain on revaluation of investment properties	(954,869)	4,981,499
	1,447,982	5,871,190
Currency translation differences on revaluation of investment properties	(1,036,042)	354,014
Total gains and losses recognised since the last annual report	<u>411,940</u>	<u>6,225,204</u>

QUARRYVALE TWO LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2001

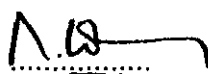
	Note	2001 £	2000 £
Tangible fixed assets			
Investment properties	10	37,090,266	39,071,111
Current assets			
Debtors	11	51,426	979,203
Cash at bank and in hand		1,111,942	30,440
		1,163,368	1,009,643
Creditors: amounts falling due within one year	12	(10,581,548)	(12,820,608)
Net current liabilities		(9,418,180)	(11,810,965)
Total assets less current liabilities		27,672,086	27,260,146
Capital and reserves			
Called-up equity share capital	14	2	2
Revaluation reserve	15	24,337,059	26,327,970
Profit and loss account	16	3,335,025	932,174
Equity shareholders' funds	17	27,672,086	27,260,146

07 MAR 2002

These financial statements were approved by the Board on the, and are signed on its behalf by:



 Director



 Director

QUARRYVALE TWO LIMITED
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 accounting standards.

(b) Cash flow statement

The directors have taken advantage of the exemption in FRS1 (revised) '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 amounts invoiced during the year.

(d) Depreciation

In accordance with SSAP 19 (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.

(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 any permanent diminution in value below original cost is taken to the profit and loss account. Investment properties under development are stated at the lower of cost and net realisable value. Profits and losses on the disposal of investment properties are calculated by reference to book value and included in the profit and loss account.

(f) 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.

(g) Foreign currency translation

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date the transaction is recorded. Monetary assets and liabilities denominated in foreign currency are retranslated at the exchange rate ruling at the balance sheet date or if hedged, at the exchange rate under the related hedging transaction and the resultant exchange differences are dealt with in the profit and loss account. Non-monetary assets are reported at historical exchange rates.

QUARRYVALE TWO LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

The ultimate parent company has confirmed its intention to provide financial support as necessary and on this basis the directors are satisfied the going concern basis of preparation continues to be appropriate.

3. TURNOVER

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

4. OPERATING PROFIT

Operating profit is stated after crediting:

	2001 £	2000 £
Net profit on foreign currency translation	(111,527)	(47,537)

5. AUDITORS' REMUNERATION

Auditors' remuneration for Quarryvale Two Limited has been borne by a fellow subsidiary undertaking both in the current and prior year.

6. PARTICULARS OF EMPLOYEES

No salaries or wages have been paid to employees, including the directors, during both the current or prior year.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Interest payable on bank loans and overdrafts	11	-
Interest payable to group undertakings	-	755,074
	<u>11</u>	<u>755,074</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
Corporation tax based on the results for the year at 30% (2000 - 30%)	-	381,296

The taxation charge for the year will be borne by the intermediate holding company Grosvenor Limited.

9. DIVIDENDS

	2001 £	2000 £
Proposed dividend on ordinary shares	-	500,000

QUARRYVALE TWO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****10. INVESTMENT PROPERTIES**

	Freehold £
Cost or valuation	
At 1 January 2001	39,071,111
Additions	10,066
Revaluation	(954,869)
Deficit on translation of foreign currency valuation	(1,036,042)
At 31 December 2001	<u>37,090,266</u>
Net book value	
At 31 December 2001	<u>37,090,266</u>
At 31 December 2000	<u>39,071,111</u>

Revaluation of fixed assets

Freehold investment properties were valued at 31 December 2001 by Insignia 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 £12,753,207 (2000 - £12,743,141). 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 £7,098,000 (2000 - £7,723,000) none of which has been provided as deferred tax (2000 - £nil).

11. DEBTORS

	2001 £	2000 £
Trade debtors	39,613	940,549
Other debtors	11,813	38,654
	<u>51,426</u>	<u>979,203</u>

12. CREDITORS: Amounts falling due within one year

	2001 £	2000 £
Amounts owed to group undertakings	9,385,776	10,557,606
Other creditors including:		
Corporation tax	-	225,978
Other creditors	59,467	-
Accruals and deferred income	1,136,305	1,537,024
Dividends payable	-	500,000
	<u>10,581,548</u>	<u>12,820,608</u>

QUARRYVALE TWO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****13. 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.

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

	2001 £	2000 £
2 Ordinary shares of £1.00 each	2	2

Allotted, called up and fully paid:

	2001 £	2000 £
Ordinary share capital	2	2

In addition to the above authorised share capital, in both current and prior years, there are also 50,000,000 ordinary shares of 1 IEP each, none of which are issued.

15. REVALUATION RESERVE

	2001 £	2000 £
At 1 January	26,327,970	20,992,457
(Deficit)/surplus on revaluation of fixed assets	(954,869)	4,981,499
(Deficit)/surplus on translation of foreign currency valuation	(1,036,042)	354,014
At 31 December	24,337,059	26,327,970

16. PROFIT AND LOSS ACCOUNT

	2001 £	2000 £
At 1 January	932,174	542,483
Retained profit for the financial year	2,402,851	389,691
At 31 December	3,335,025	932,174

QUARRYVALE TWO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2001 £	2000 £
Profit for the financial year	2,402,851	889,691
Dividends	-	(500,000)
	<hr/> 2,402,851	<hr/> 389,691
Other net recognised gains and losses	(954,869)	4,981,499
Other movements	(1,036,042)	354,014
Net addition in funds	411,940	5,725,204
Opening equity shareholders' funds	27,260,146	21,534,942
Closing equity shareholders' funds	<hr/> 27,672,086	<hr/> 27,260,146

18. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking 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, heads 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 and Grosvenor Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.