

QUARRYVALE TWO LIMITED

COMPANY REGISTRATION NUMBER 3118887

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2007

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QUARRYVALE TWO LIMITED**DIRECTORS' REPORT**

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2007

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is a wholly owned subsidiary of Grosvenor Group Limited, its ultimate parent company. Grosvenor Limited is the immediate holding company and is responsible for the operations of the Grosvenor Group in the United Kingdom and Ireland

The principal activity of the company during the year was property investment. The investment held was in the Liffey Valley shopping centre, Dublin

The directors do not anticipate any significant change in the activity of the company

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 6. Profit on ordinary activities before taxation was £4,908,763 (2006 - £10,983,978)

The following dividends have been paid

	2007 £	2006 £
Dividends paid on ordinary shares	<u>10,983,978</u>	<u>5,816,574</u>

The balance sheet on page 8 shows that the company's net assets grew from £126,161,755 to £133,403,051 during the year

There have been no significant events since the balance sheet date

KEY PERFORMANCE INDICATORS

The directors of Grosvenor Limited manage its group operations on a divisional basis. For this reason, the company's directors believe that further key financial performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business of Quarryvale Two Limited. The performance of the Grosvenor Limited Group, which includes the company, is discussed in the directors' report in the annual report of that company which does not form part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company arise from the investment in property, including

- demand from occupiers which affects the amount of rent obtainable for buildings in the company's market and the level of occupancy in its portfolio,
- supply of properties for rent in the company's market,
- demand from investors for assets which drives the valuation of investment properties,
- tenant default

The company is financed by equity and intra group loans. It has no external debt. It therefore has no interest rate exposure.

QUARRYVALE TWO LIMITED

DIRECTORS' REPORT *(continued)*

Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided in the Grosvenor Limited and Grosvenor Group Limited directors' reports in the annual reports which do not form part of this report

THE DIRECTORS OF THE COMPANY

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

S J Curtis
M R Preston
D J P Rawcliffe
P S Vernon

R S Handley (Resigned 3 April 2008)
R F Blundell (Appointed 3 April 2008)

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

United Kingdom company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company for that period.

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 United Kingdom accounting standards have been followed, and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a director at the date of approval of this report confirms that

so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

the directors have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This information is given in accordance with S 234ZA of the Companies Act 1985.

QUARRYVALE TWO LIMITED

DIRECTORS' REPORT *(continued)*

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 large circular flourish at the beginning.

C M Tolhurst
Company Secretary

30 APR 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
QUARRYVALE TWO LIMITED
YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements of Quarryvale Two Limited for the year ended 31 December 2007 which comprise the profit and loss account, statement of total recognised gains and losses, balance sheet and the related notes 1 to 16. These financial statements have been prepared under 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 auditor's 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions 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 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
QUARRYVALE TWO LIMITED
YEAR ENDED 31 DECEMBER 2007 *(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 2007 and of its profit for the year then ended,

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

the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

30 April 2008

QUARRYVALE TWO LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £	2006 £
Turnover	2	5,527,210	6,116,090
Cost of sales		(764,779)	(279,363)
Gross profit		4,762,431	5,836,727
Administrative expenses		(35,952)	(227,343)
Operating profit	3	4,726,479	5,609,384
Profit on disposal of investment property	5	—	5,299,538
		4,726,479	10,908,922
Interest receivable and similar income		182,284	75,056
Profit on ordinary activities before taxation		4,908,763	10,983,978
Tax on profit on ordinary activities	6	—	—
Profit for the financial year		4,908,763	10,983,978

All results are derived from continuing operations

QUARRYVALE TWO LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
FOR THE YEAR ENDED 31 DECEMBER 2007

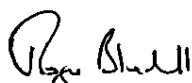
	2007 £	2006 £
Profit for the financial year attributable to the shareholders	4,908,763	10,983,978
Unrealised gain on revaluation of investment properties	1,371,842	27,714,172
UITF 28 adjustment to property valuation	102,737	(157,292)
	6,383,342	38,540,858
Foreign currency translation gain/(loss)	11,841,932	(2,046,791)
Total recognised gains and losses relating to the year	<u>18,225,274</u>	<u>36,494,067</u>

The notes on pages 9 to 13 form part of these financial statements

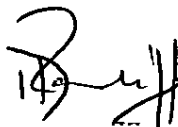
QUARRYVALE TWO LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 £	2006 £
Fixed assets			
Investment properties	7	144,616,116	131,073,210
Investments	8	100	100
		<u>144,616,216</u>	<u>131,073,310</u>
Current assets			
Debtors	9	528,765	3,367,740
Cash at bank and in hand		2,909,951	181,485
		<u>3,438,716</u>	<u>3,549,225</u>
Creditors: amounts falling due within one year	10	(14,651,881)	(8,460,780)
Net current liabilities		<u>(11,213,165)</u>	<u>(4,911,555)</u>
Total assets less current liabilities		<u>133,403,051</u>	<u>126,161,755</u>
Capital and reserves			
Called up share capital	12	2	2
Revaluation reserve	13	128,494,286	115,177,775
Profit and loss account	14	4,908,763	10,983,978
Shareholders' funds	15	<u>133,403,051</u>	<u>126,161,755</u>

These financial statements were approved by the Board on the **30 APR 2008** and are signed on its behalf by



Director



Director

QUARRYVALE TWO LIMITED**NOTES TO THE FINANCIAL ACCOUNTS****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.

The company is a wholly owned subsidiary of Grosvenor Group Limited, its ultimate parent undertaking, which is incorporated in Great Britain and registered in England and Wales and prepares consolidated financial statements. Consequently the company is not required to prepare consolidated financial statements.

(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 receivable in the year, excluding VAT.

(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 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.

QUARRYVALE TWO LIMITED
NOTES TO THE FINANCIAL ACCOUNTS

1. ACCOUNTING POLICIES *(continued)*

(f) Deferred taxation

Deferred taxation is provided in full at a group level 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) Foreign currency translation

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

(h) 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.

(i) Investments

Fixed asset investments, including subsidiaries, are stated at cost less provision for impairment.

2. TURNOVER

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

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2007 £	2006 £
Auditors' remuneration		
- for the audit of the annual accounts	2,100	-
Net (profit)/loss on foreign currency translation	<u>(123,370)</u>	<u>42,067</u>

Auditors' remuneration for 2006 of £2,000 was borne by Grosvenor Estate Management Limited, a fellow subsidiary undertaking.

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.

QUARRYVALE TWO LIMITED**NOTES TO THE FINANCIAL ACCOUNTS****5. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES**

	2007 £	2006 £
Profit on disposal of investment properties	—	5,299,538
	<u>—</u>	<u>5,299,538</u>

6. TAXATION

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

7. INVESTMENT PROPERTIES

	Freehold Property £
Cost or valuation	
At 1 January 2007	131,073,210
Additions	226,395
UITF adjustment to property valuation	102,737
Revaluation	1,371,842
Foreign currency translation gain	11,841,932
At 31 December 2007	<u>144,616,116</u>
Net book value	
At 31 December 2007	<u>144,616,116</u>

Freehold investment properties were valued at 31 December 2007 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 £16,121,823 (2006 - £15,895,428) 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 £35,199,805 (2006 - £32,793,132) none of which has been provided as deferred tax (2006 - £nil)

8. INVESTMENTS

	£
Cost:	
At 1 January 2007 and 31 December 2007	<u>100</u>
Net book value:	
At 31 December 2007	<u>100</u>
At 31 December 2006	<u>100</u>

QUARRYVALE TWO LIMITED**NOTES TO THE FINANCIAL ACCOUNTS****8. INVESTMENTS** *(continued)*

Subsidiary undertakings

The company owns 100% of the issued share capital of the following company which is incorporated in Great Britain

	Nature of business
Grosvenor Quarryvale Limited	Property development

9. DEBTORS

	2007 £	2006 £
Trade debtors	287,447	3,039,435
Other debtors	17,182	1,432
Prepayments and accrued income	224,136	326,873
	<u>528,765</u>	<u>3,367,740</u>

10. CREDITORS: amounts falling due within one year

	2007 £	2006 £
Trade creditors	5,184	—
Amounts owed to group undertakings	9,824,402	4,797,880
Other creditors	491,983	—
Accruals and deferred income	4,330,312	3,662,900
	<u>14,651,881</u>	<u>8,460,780</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:**

	2007 £	2006 £
2 Ordinary shares of £1 00 each	<u>2</u>	<u>2</u>

Allotted, called up and fully paid:

	2007 £	2006 £
2 Ordinary shares of £1 00 each	<u>2</u>	<u>2</u>

QUARRYVALE TWO LIMITED**NOTES TO THE FINANCIAL ACCOUNTS****13. REVALUATION RESERVE**

	2007 £	2006 £
At 1 January	115,177,775	89,667,686
Revaluation of fixed assets	1,371,842	27,714,172
UITF 28 adjustment to property valuation	102,737	(157,292)
Translation of foreign currency valuation	11,841,932	(2,046,791)
At 31 December	<u>128,494,286</u>	<u>115,177,775</u>

14. PROFIT AND LOSS ACCOUNT

	2007 £	2006 £
At 1 January	10,983,978	5,816,574
Profit for the financial year	4,908,763	10,983,978
Dividends paid	(10,983,978)	(5,816,574)
At 31 December	<u>4,908,763</u>	<u>10,983,978</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit for the financial year	4,908,763	10,983,978
Other net recognised gains and losses	1,371,842	27,714,172
Equity dividends paid	(10,983,978)	(5,816,574)
Translation of foreign currency valuation	11,841,932	(2,046,791)
UITF 28 adjustment to property valuation	102,737	(157,292)
Net addition to shareholders' funds	7,241,296	30,677,493
Opening shareholders' funds	126,161,755	95,484,262
Closing shareholders' funds	<u>133,403,051</u>	<u>126,161,755</u>

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