

QUARRYVALE TWO LIMITED

Registered Number 3118887

ANNUAL REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1998



QUARRYVALE TWO LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The company's sole activity during the year was property investment.

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 4. Loss on ordinary activities before taxation was £15 compared with a loss of £15 in 1997.

The directors do not recommend the payment of a dividend (1997 - nil).

A retained loss of £15 has been withdrawn from reserves.

DIRECTORS

The directors of the company at 31 December 1998, all of whom were directors throughout the year, except as noted below, were:

M Aldred

D R J de Broekert (resigned 31 December 1998)

S H R Musgrave (appointed 31 December 1998)

R C Williams

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 accounts.

QUARRYVALE TWO LIMITED

DIRECTORS' REPORT (continued)

YEAR 2000

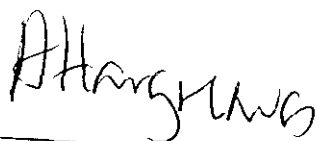
The company's ultimate parent undertaking, Grosvenor Estate Holdings, has recently completed a review of its systems to identify those which may not be Year 2000 compliant. During 1999, these systems will be tested and, where necessary, remedial action will be taken and contingency plans established.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

26 May 1999

QUARRYVALE TWO LIMITED

AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY

We have audited the financial statements on pages 4 to 8, 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 as 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

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

27 May 1999

QUARRYVALE TWO LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
<u>Results of continuing operations</u>			
Administrative expenses		(15)	(15)
		<hr/>	<hr/>
<u>Loss on ordinary activities before taxation</u>		(15)	(15)
Tax on loss on ordinary activities	3	-	(30)
		<hr/>	<hr/>
<u>Retained loss for the year</u>	8	(15)	(45)
		<hr/> <hr/>	<hr/> <hr/>

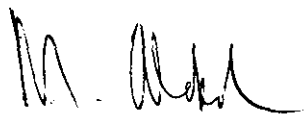
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
Loss for the financial year		(15)	(45)
Unrealised surplus on revaluation of investment properties	9	22,672,282	-
		<hr/>	<hr/>
Total recognised gains and losses for the year		22,672,267	(45)
		<hr/> <hr/>	<hr/> <hr/>

QUARRYVALE TWO LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
<u>Tangible Assets</u>			
Investment Properties	4	25,397,022	-
<u>Current Assets</u>			
Debtors	5	-	2
<u>Creditors:</u> amounts falling due within one year	6	(2,724,858)	(105)
<u>Net Current Liabilities</u>		(2,724,858)	(103)
Net Assets/(Liabilities)		22,672,164	(103)
<u>Capital And Reserves</u>			
Called up share capital	7	2	2
Revaluation reserve	9	22,672,282	-
Profit and loss account	8	(120)	(105)
<u>Equity Shareholders' Funds/(Deficit)</u>	10	22,672,164	(103)

Approved by the Board on 26 May and signed on its behalf by:



M Aldred

Director



R C Williams

Director

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

(b) 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 that any permanent diminution in the value of an investment property is taken to the profit and loss account. Investment properties under development are stated at the lower of cost and net realisable value. Net profits and losses on the disposal of freehold and leasehold interests in investment properties are calculated by reference to book value and are included in the profit and loss account.

2. OPERATING LOSS**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.

Auditors' remuneration

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

3. TAX ON LOSS ON ORDINARY ACTIVITIES

	<u>1998</u> £	<u>1997</u> £
Under provision in prior year	-	30
	<u> </u>	<u> </u>

4. TANGIBLE FIXED ASSETS: INVESTMENT PROPERTIES

	<u>Freehold</u> £
At 1 January 1998	-
Property in the course of construction	2,724,740
Surplus arising on revaluation in the year (note 9)	22,672,282
	<u> </u>
At 31 December 1998	<u>25,397,022</u>

Freehold investment properties were 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.

Property in the course of construction has been transferred to the investment portfolio at cost.

QUARRYVALE TWO LIMITED**NOTES TO THE ACCOUNTS (continued)**

5.	<u>DEBTORS</u>	<u>1998</u> £	<u>1997</u> £
	<u>Amounts falling due within one year:</u>		
	Amount owed by group undertaking	-	2
		<u><u> </u></u>	<u><u> </u></u>
6.	<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>		
		<u>1998</u> £	<u>1997</u> £
	Loan from group undertaking (unsecured)	2,724,858	105
		<u><u> </u></u>	<u><u> </u></u>
7.	<u>SHARE CAPITAL</u>	<u>1998</u> £	<u>1997</u> £
	<u>Authorised:</u>		
	2000 ordinary shares of £1 each	2,000	2,000
		<u><u> </u></u>	<u><u> </u></u>
	<u>Allotted, called up and fully paid:</u>		
	2 ordinary shares of £1 each	2	2
		<u><u> </u></u>	<u><u> </u></u>
8.	<u>PROFIT AND LOSS ACCOUNT</u>	<u>1998</u> £	<u>1997</u> £
	At 1 January	(105)	(60)
	Retained loss for the year	(15)	(45)
		<u><u> </u></u>	<u><u> </u></u>
	At 31 December	(120)	(105)
		<u><u> </u></u>	<u><u> </u></u>
9.	<u>REVALUATION RESERVE</u>	<u>1998</u> £	<u>1997</u> £
	At 1 January	-	-
	Surplus on revaluation (note 4)	22,672,282	-
		<u><u> </u></u>	<u><u> </u></u>
	At 31 December	22,672,282	-
		<u><u> </u></u>	<u><u> </u></u>

The revaluation reserve represents the excess of the valuation over the historical cost of investment properties held at 31 December 1998.

QUARRYVALE TWO LIMITED**NOTES TO THE ACCOUNTS (continued)****10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>1998</u> £	<u>1997</u> £
Loss for the financial year	(15)	(45)
Other recognised gains and losses relating to the year	22,672,282	-
Net increase/(decrease) in shareholders' funds	22,672,267	(45)
Opening shareholders' deficit	(103)	(58)
Closing shareholders' funds/(deficit)	<u>22,672,164</u>	<u>(103)</u>

11. COMMITMENTS**Capital expenditure**

At 31 December 1998, the company was committed to capital expenditure for which contracts had been placed amounting to £11,650,000 (1997 - £14,050,000).

12. 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.

13. 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 year under review there were no transactions or balances with related parties which require disclosure in these financial statements.