

QUARRYVALE TWO LIMITED

Registered Number 3118887

ANNUAL REPORT AND

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000



QUARRYVALE TWO LIMITED

DIRECTORS' REPORT

The directors submit their annual report together with the financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 4. Profit on ordinary activities before taxation was £1,270,987 compared with £777,926 in 1999.

The directors do not anticipate any significant changes in the activities of the company and its profitability.

With regard to the company's ordinary shares, the directors recommend a final dividend of £500,000 (1999 - £Nil).

DIRECTORS

The directors of the company at 31 December 2000, all of whom were directors throughout the year except as noted below, were:

M Aldred	(retired 31 March 2000)
S J Curtis	(appointed 10 April 2000)
R S Handley	(appointed 10 April 2000)
S H R Musgrave	
R C Williams	

DIRECTORS' INTERESTS

None of the company's directors at 31 December 2000 had any interests in the shares or loan capital of the company, its ultimate parent company, Grosvenor Group Holdings Limited, 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 as at the end of the financial year 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.

QUARRYVALE TWO LIMITED
DIRECTORS' REPORT (continued)

AUDITORS

Pursuant to 5386 of the Companies Act 1985 an elective resolution has been passed to dispense with the requirement to reappoint auditors annually.

By Order of the Board

A handwritten signature in black ink, appearing to read 'C M Tolhurst', written in a cursive style.

C M Tolhurst
Secretary

8 March 2001

QUARRYVALE TWO 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 directors' report on page 1, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 affairs of the company as at 31 December 2000 and of its profit 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

8 March 2001

QUARRYVALE TWO LIMITEDPROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	<u>Note</u>	<u>2000</u> £	<u>1999</u> £
Turnover	1(b)	1,978,861	891,793
Cost of sales		(305)	(222,108)
<u>Gross profit</u>		1,978,556	669,685
Administrative expenses		22,744	503,475
<u>Operating profit</u>	2	2,001,300	1,173,160
Net interest payable	3	(730,313)	(395,234)
<u>Profit on ordinary activities before taxation</u>		1,270,987	777,926
Tax on profit on ordinary activities	4	(381,296)	(235,323)
<u>Profit on ordinary activities after taxation</u>		889,691	542,603
Dividends on equity shares	5	(500,000)	-
<u>Retained profit for the year</u>	11	389,691	542,603

All activities derive from continuing operations


STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSESFOR THE YEAR ENDED 31 DECEMBER 2000


	<u>Note</u>	<u>2000</u> £	<u>1999</u> £
Profit on ordinary activities after taxation		889,691	542,603
Unrealised surplus on revaluation of investment properties	10	4,981,499	1,819,689
Exchange adjustment	10	354,014	(3,499,514)
<u>Recognised gains/(losses) for the year</u>		6,225,204	(1,137,222)

QUARRYVALE TWO LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2000

	<u>Note</u>	<u>2000</u> £	<u>1999</u> £
<u>Fixed assets</u>			
Tangible assets: Investment properties	6	39,071,111	33,579,440
<u>Current assets</u>			
Debtors	7	979,203	199,895
Cash at bank and in hand		30,440	920,330
		1,009,643	1,120,225
<u>Creditors:</u> amounts falling due within one year	8	(12,820,608)	(13,164,723)
<u>Net current liabilities</u>		(11,810,965)	(12,044,498)
<u>Net assets</u>		27,260,146	21,534,942
<u>Capital and reserves</u>			
Called up share capital	9	2	2
Revaluation reserve	10	26,327,970	20,992,457
Profit and loss account	11	932,174	542,483
<u>Equity Shareholders' funds</u>	12	27,260,146	21,534,942

Approved by the Board on 8 March 2001 and signed on its behalf by:


 R S HANDLEY
 Director


 R C WILLIAMS
 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, as modified by the revaluation of investment properties, and in accordance with accounting standards applicable in the United Kingdom.

These accounts have been prepared on the going concern basis. The directors have received confirmation from the board of Grosvenor Group Holdings Limited 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 receivable.

(c) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling on the dates the transactions are recorded. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date.

Exchange differences are normally dealt with in the profit and loss account. Non-monetary assets are generally reported at historical exchange rates. However, foreign equity investments financed by foreign currency borrowings are retranslated at the rate of exchange ruling at the balance sheet date and the resulting exchange differences are taken to reserves. To the extent permitted by SSAP 20 "Foreign Currency Transaction" the exchange differences arising on the related foreign currency borrowings are also taken to reserves.

(d) Investment properties

Investment properties are valued annually at open market value, by independent valuers 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. 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.

(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.

(f) Depreciation

In accordance with SSAP 19 (Revised) "Accounting for investment properties" no depreciation is provided on freehold properties or 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 quantified separately.

QUARRYVALE TWO LIMITEDNOTES TO THE FINANCIAL STATEMENTS (continued)2. OPERATING PROFIT

The foreign exchange difference of £47,537 (1999 - £581,159) arises on the retranslation into sterling of the company's Irish Punt liabilities at the rate of exchange prevailing at the end of the year.

	<u>2000</u> £	<u>1999</u> £
Operating profit is stated after charging:		
Exchange difference	47,537	581,159

Auditors' remuneration has been borne by a fellow subsidiary undertaking in both the current and prior years.

The company had no employees in the current or prior year. All staff costs are borne by Grosvenor Estate Management Limited, a fellow subsidiary undertaking and all other employee information is disclosed in the report and accounts of that company.

No director received any remuneration for his services as a director in the year (1999 - £Nil),

3. NET INTEREST PAYABLE

	<u>2000</u> £	<u>1999</u> £
Interest payable:		
Loans from group undertakings	755,074	395,788
Interest receivable	(24,761)	(554)
	<u>730,313</u>	<u>395,234</u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2000</u> £	<u>1999</u> £
Tax on profit on ordinary activities:		
UK Corporation tax at 30% (1999 - 30.25%)	381,296	235,323

5. DIVIDENDS ON EQUITY SHARES

	<u>2000</u> £	<u>1999</u> £
Ordinary shares		
Final	500,000	-

QUARRYVALE TWO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**

6.	<u>TANGIBLE FIXED ASSETS: INVESTMENT PROPERTIES</u>	<u>2000</u>	<u>1999</u>
		£	£
	<u>Freehold</u>		
	At 1 January	33,579,440	25,397,022
	Additions at cost	156,158	9,862,243
	Exchange adjustment (note 11)	354,014	(3,499,514)
	Surplus arising on revaluation in the year (note 11)	4,981,499	1,819,689
		<hr/>	<hr/>
	At 31 December	39,071,111	33,579,440
		<hr/>	<hr/>
<p>Freehold investment properties were valued as at 31 December 2000 by the directors using employees who are Chartered Surveyors, on the basis of open market value as defined in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.</p> <p>The historical cost of investment properties was £12,743,141 (1999 - £12,586,983). 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 their valuation, is estimated to be approximately £7,723,000 (1999 - £6,287,469), none of which has been provided as deferred tax.</p>			
7.	<u>DEBTORS</u>	<u>2000</u>	<u>1999</u>
		£	£
	Trade debtors	940,549	80,932
	Other debtors	38,654	118,963
		<hr/>	<hr/>
		979,203	199,895
		<hr/>	<hr/>
8.	<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>2000</u>	<u>1999</u>
		£	£
	Amounts owed to group undertakings	10,557,606	11,411,573
	Taxation and social security	225,978	235,323
	Other creditors	-	2,687
	Accruals and deferred income	1,537,024	1,515,140
	Proposed dividend	500,000	-
		<hr/>	<hr/>
		12,820,608	13,164,723
		<hr/>	<hr/>
9.	<u>SHARE CAPITAL</u>	<u>2000</u>	<u>1999</u>
		£	£
	<u>Authorised</u>		
	2 Ordinary shares of £1 each	2	2
		<hr/>	<hr/>
	IEP		IEP
	50,000,000 Ordinary shares of IEP1 each	50,000,000	50,000,000
		<hr/>	<hr/>
	<u>Allotted, called up and fully paid</u>		
	<u>Equity interests</u>	£	£
	2 Ordinary shares of £1 each	2	2
		<hr/>	<hr/>

QUARRYVALE TWO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****10. REVALUATION RESERVE**

	<u>2000</u> £	<u>1999</u> £
At 1 January	20,992,457	22,672,282
Exchange adjustment (note 7)	354,014	(3,499,514)
Surplus on revaluation (note 7)	4,981,499	1,819,689
	<hr/>	<hr/>
At 31 December	26,327,970	20,992,457

The revaluation reserve represents the excess of the valuation over the historical cost of investment properties held at 31 December 2000.

11. PROFIT AND LOSS ACCOUNT

	<u>2000</u> £	<u>1999</u> £
At 1 January	542,483	(120)
Retained profit for the year	389,691	542,603
	<hr/>	<hr/>
At 31 December	932,174	542,483

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2000</u> £	<u>1999</u> £
Profit on ordinary activities after taxation	889,691	542,603
Dividends	(500,000)	-
Other recognised gains and losses relating to the year	5,335,513	(1,679,825)
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Net increase/(decrease) in shareholders' funds	5,725,204	(1,137,222)
Opening shareholders' fund	21,534,942	22,672,164
	<hr/>	<hr/>
Closing shareholders' funds	27,260,146	21,534,942

13. ULTIMATE PARENT UNDERTAKING

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.

14. 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.