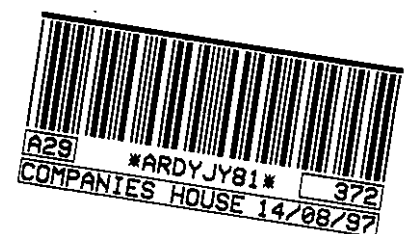


QUARRYVALE TWO LIMITED

(Registered Number 3118887)

ANNUAL REPORT

31ST DECEMBER 1996



QUARRYVALE TWO LIMITED

The following directors were appointed on 20th December 1995:-

Directors

M Aldred
G I M Cockburn
D R J de Broekert
R C Williams

Secretary

Mrs A A Hargreaves

Registered Office

53 Davies Street, London, W1Y 1FH

REPORT OF THE DIRECTORS

IN RESPECT OF THE PERIOD ENDED 31ST DECEMBER 1996

The directors have pleasure in submitting their report together with the audited accounts of the company for the period ended 31st December 1996.

INCORPORATION OF THE COMPANY AND CHANGE OF NAME

The Company was incorporated on 27th October as Trushelfco (No 2123) Limited and changed its name to Quarryvale Two Limited on 11th December 1995.

PRINCIPAL ACTIVITY

The company's sole activity is property investment.

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

RESULTS AND DIVIDENDS

The results for the period are set out in the profit and loss account. The directors do not propose the payment of a dividend. The state of the company's affairs at 31st December 1996 is set out in the balance sheet.

DIRECTORS

The directors listed above were directors throughout the period.

DIRECTORS' INTERESTS

No director had any interest in the share and loan capital of the company or other group companies at 31st December 1996.

QUARRYVALE TWO LIMITED
REPORT OF THE DIRECTORS
IN RESPECT OF THE PERIOD ENDED 31ST DECEMBER 1996

DIRECTORS' RESPONSIBILITIES

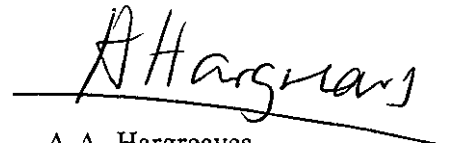
The directors have responsibility for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for the period.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors have adopted the going concern basis in preparing the accounts.

On behalf of the Board


A.A. Hargreaves
Secretary

13 March 1997

QUARRYVALE TWO LIMITED
AUDITORS' REPORT
TO THE MEMBERS OF THE COMPANY

We have audited the financial statements on pages 4 to 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the report of the directors on page 2, 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 31st December 1996 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



SAFFERY CHAMPNESS
Chartered Accountants
Registered Auditors
London

7th March 1997

QUARRYVALE TWO LIMITED
PROFIT AND LOSS ACCOUNT
PERIOD ENDED 31ST DECEMBER 1996

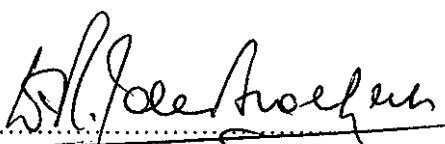
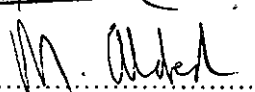
	<u>Note</u>	27.10.95 to <u>31.12.96</u>
Results of Continuing Operations:		
<u>Turnover</u>		-
Cost of sales		- <hr/>
Administration expenses		(90) <hr/>
<u>Operating loss</u>	2	(90)
Interest		- <hr/>
<u>Loss on ordinary activities before taxation</u>		(90)
Taxation	3	30 <hr/>
<u>Loss for the period</u>	9	£(60) <hr/> <hr/>

There are no recognised gains or losses other than the loss for the period.

QUARRYVALE TWO LIMITEDBALANCE SHEET31ST DECEMBER 1996

	<u>Note</u>	<u>1996</u>
<u>Current Assets</u>		
Development projects	1b	-
Debtors	4	32
		<hr/> 32
<u>Creditors:</u> amounts falling due within one year	6	(90)
<u>Net Current Liabilities</u>		<hr/> £(58) <hr/>
<u>Capital And Reserves</u>		
Share capital	8	2
Profit and loss account	9	(60)
<u>Shareholders' Funds</u>	10	<hr/> £(58) <hr/>

Approved by the Board on 13 March 1997


.....
 Directors

QUARRYVALE TWO LIMITED**NOTES ON ACCOUNTS****31ST DECEMBER 1996****1. ACCOUNTING POLICIES****(a) Basis of Accounting**

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

(b) Development Projects

Development projects are valued at the lower of cost or net realisable value. "Cost" includes the cost of leasehold interests, professional fees, construction costs and interest charges, but excludes overheads.

The company's policy is not to take credit for any profit during the construction period. Provision is made for any losses when it is expected that they may be incurred and can be reasonably assessed.

Where developments are unsold at completion, they are reclassified as completed development projects and are valued at the lower of cost or net realisable value.

2. OPERATING LOSS

	<u>1996</u>
Operating loss is arrived at after charging the following:-	
Staff costs	-
Directors' emoluments	-
Auditors' remuneration (Borne by group undertaking)	-
	<u> </u>

3. TAXATION

Group relief receivable for 1996 loss	£ 30
	<u> </u>

4. DEVELOPMENT PROJECTS

The company has a 20% interest in a property development held by a fellow subsidiary, Quarryvale One Limited. In exchange for this interest the company has undertaken to bear any development cost overruns.

5. DEBTORS

Due within one year:	
Amount owed by group undertaking	2
Taxation - group relief receivable	30
	<u> </u>
	£ 30
	<u> </u>

6. CREDITORS

	<u>1996</u>
Amounts falling due within one year:	
Amounts owed to group undertakings	90
	<u> </u>
	£ 90
	<u> </u>

The loan from Intermediate Holdings Limited is unsecured, repayable on demand and is interest free.

QUARRYVALE TWO LIMITED**NOTES ON ACCOUNTS****31ST DECEMBER 1996****7. COMMITMENTS**

Capital expenditure contracted for amounted to £NIL.

8. SHARE CAPITAL**1996**

Authorised:

2000 ordinary shares of £1 each

£2,000

Allotted, called up and fully paid:

2 ordinary shares of £1 each

£ 2

The shares were issued at par for cash on 20th December 1995.

9. PROFIT AND LOSS ACCOUNT

Loss for the period

(60)

31st December 1996

£(60)

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**1996**

Loss for the period

(60)

Share capital subscribed

2

Closing shareholders' funds

£(58)

11. The company's ultimate parent company is Grosvenor Estate Holdings, an unlimited company registered in England and Wales.