

GROSVENOR GROUP HOLDINGS LIMITED**GROSVENOR****ACCOUNTS CONTENTS**

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FINANCIAL OVERVIEW

TOTAL OPERATING PROFIT was £90.0 million against £67.4 million in 1999, an increase of 33.5%. This includes contributions from associates and joint ventures of £11.0 million (1999 - £26.9 million). Our share of operating profit of associates in 1999 included 57.7% of Grosvenor Americas Limited (formerly Grosvenor International Holdings Limited), which became a 100% subsidiary on 31 December 1999. On a like for like basis, total operating profit in 1999 would have been £81.4 million, giving an increase in 2000 of 10.6%.

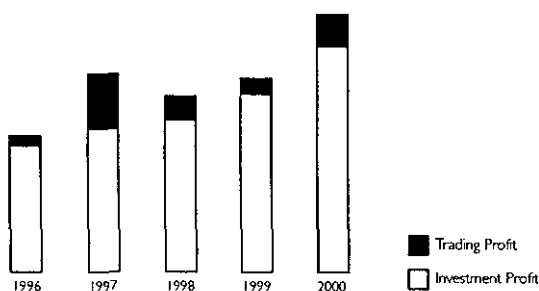
GROUP PROFIT BEFORE TAX of £97.5 million, compared with £48.8 million in 1999, includes £30.2 million from the sale of the Group's shareholding in Wates City of London Properties plc and £21.4 million from investment property disposals (1999 - £10.5 million). Revenue profit, which excludes profits from investment property sales, increased to £45.9 million from £38.3 million. Treating Grosvenor Americas Limited on a like for like basis, revenue profit in 1999 would have been £43.9 million, giving an increase in 2000 of 4.6%.

TAXATION charged to the profit and loss account in the year was £25.8 million, equivalent to an effective rate of 26.5% (1999 - £13.0 million and 26.6%).

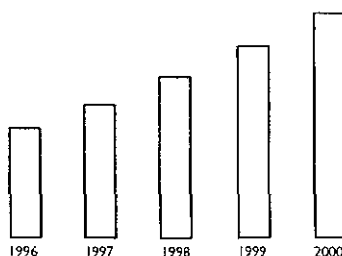
THE BALANCE SHEET has shareholders' funds of over £1.5 billion and gearing of 36.5%, down from 46.7% last year. Total property assets, including shares of associates and joint ventures, were £2.2 billion (1999 - £2.0 billion).

CASHFLOW Net cash inflow from operating activities was £80.0 million. Expenditure on acquisitions and improvements to properties was £70 million and on other acquisitions was £24 million. After proceeds from sales of lease premiums and disposals of investment properties of £179 million, net cash inflow before financing was £95 million, which was used to reduce our net debt.

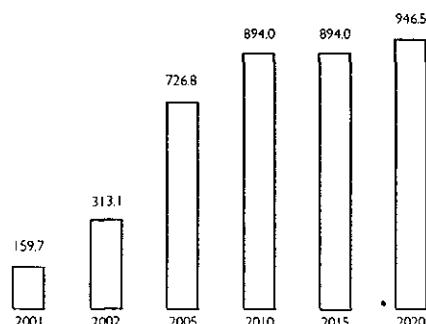
TOTAL OPERATING PROFIT £90M



SHAREHOLDERS' FUNDS £1,555M



DEBT FACILITIES MATURING



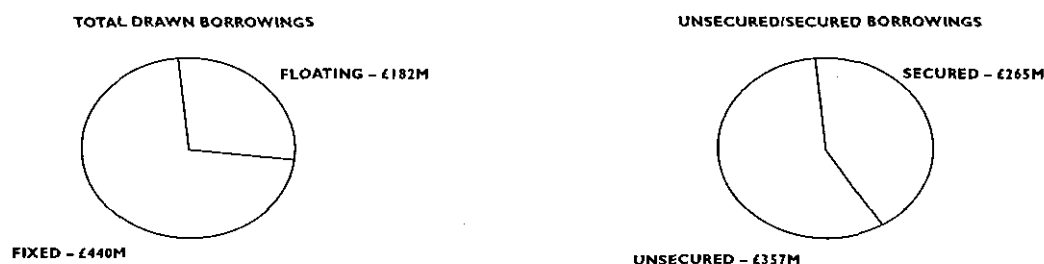
Committed Debt Facilities including bonds at the year end totalled £997million with an average life of 5.6 years. Undrawn committed facilities of £375 million were available at the year end.

FINANCIAL OVERVIEW

AVERAGE DEBT UTILISATION during the year was £685 million. At the year end consolidated borrowings were £621.6 million.

In the notes to the Accounts we have shown the fair value of Group debt in accordance with FRS13. There would be an adverse impact of £58.3 million if debt was marked to market on the balance sheet.

The mix of fixed and floating rate (after interest rate swaps) and secured and unsecured debt is shown below.



INTEREST The average interest rate during the year on gross borrowing was 7.3%.

Net interest paid during the year was £49.7 million of which £3.5 million was capitalised in respect of development expenditure.

We view the interest cost in respect of the funds attributable to the development of a property, whether as an addition to our investment portfolio or as a development property, as an inherent part of the cost of development. This reflects the economics of development which are always subject to rigorous appraisal prior to commitment. The Board and shareholders are kept fully informed of the sums capitalised which are referred to in note 10.

INTEREST COVER for the year, excluding development profits and profits on sale of investment properties and trade investments, was 1.5 times. Given the ground rented and reversionary nature of our core assets on the London Estate and our private status, the level of cover is more than adequate.

FOREIGN CURRENCY borrowings amounting to £372.6 million were drawn at the end of 2000. This represents borrowings of overseas subsidiaries of £304.4 million and UK subsidiaries of £68.2 million. The latter represents the residue of currency debt drawn to finance new investment overseas which is being unwound in accordance with the Board's foreign exchange hedging policy, as referred to below.

The net effect of currency movements of unhedged overseas assets was favourable, resulting in a gain of £8.6 million taken directly to reserves.

TREASURY POLICIES

As a company committed to private ownership our expansion capital is drawn from banks and financial institutions rather than from shareholders. Additional financial resources for our operations are provided by jointly investing with partners.

Treasury Policies, approved by the Board, are:

- to raise all core debt at operating company level and operate a decentralised treasury management structure;
- to ensure sufficient committed loan facilities to support current and future business requirements;
- to ensure that the Group's debt can be supported from maintainable cashflow through clear internal guidelines;
- to manage interest rate exposure with a combination of fixed rate debt and interest rate swaps, maintaining a fixed interest rate floor of 60% of borrowings;
- not to hedge long-term net asset positions held in foreign currencies;
- to pool funds efficiently on a regional basis and invest short-term cash with approved institutions up to limits agreed by the Board.

Transactions in financial instruments are either governed by specific delegations to operating company boards or have prior Board approval. The Group does not enter into any speculative positions.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE COMBINED CODE

The Group follows the principles of corporate governance recommended as best practice by the UK Listing Authority ("the Combined Code"). The Group has been in full compliance with the principles and provisions set out in Section 1 of the Combined Code throughout the year, except for Part B3 which addresses disclosure of director's remuneration and Part C which is not relevant. The Board believes that the principles behind the Code's recommendations in these areas are fully satisfied in the context of the ownership of the Group. The Group adopted the transitional approach for the internal control aspects of the Combined Code with full compliance being achieved by the end of the third quarter of the year.

BOARD OF DIRECTORS

The Board comprises ten directors, four of whom work full time for the Group. The Board is responsible to the shareholders for the proper management of the Group. It is responsible for setting and monitoring Group strategy, reviewing performance, ensuring adequate funding, formulating policy on key issues, and reporting to shareholders.

The roles of Chairman and Chief Executive are clearly defined. The Chairman is primarily responsible for overseeing the working of the Board. The Chief Executive is responsible for the implementation of the strategy and policies set by the Board and the day to day management of the business. The Deputy Chairman is the senior independent director.

The biographies of the members of the Board are on page 32 and demonstrate a range of experience and calibre to bring independent judgement on issues of strategy, performance, resources (including key appointments) and standards of conduct. A statement of the directors' responsibilities in respect of the accounts is set out on page 42 and a statement on going concern is given on page 40.

To enable the Board to discharge its duties, all directors receive appropriate and timely information, including briefing papers distributed in advance of board meetings. The directors have access to the Company Secretary, and may, at the Company's expense, take independent professional advice and receive training as they see fit.

AUDIT COMMITTEE

The Audit Committee comprises three non-executive directors and is chaired by the Deputy Chairman. The Committee meets at least twice a year with the auditors and is attended by invitation by the Group Chief Executive, Group Finance Director and other senior personnel as appropriate. It is responsible for reviewing a wide range of financial matters including the annual financial statements and accompanying reports, Group audit arrangements, accounting policies, internal control and the actions and procedures involved in the management of risk throughout the group.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three non-executive directors and is chaired by the Deputy Chairman. It has the responsibility for determining the remuneration and contract terms of executive directors and other senior staff. The Committee also considers and makes recommendations to the Board on the Group's overall remuneration and employment policies. The composition of directors' remuneration is not included in the Remuneration Report although a schedule of the Group's directors' remuneration is provided to and is approved by the shareholders. The Remuneration Report is set out on pages 38 to 39. Details of directors' remuneration required to be disclosed under the Companies Act 1985 are set out in note 9 to the accounts.

NOMINATIONS COMMITTEE

The Board considers that a separate Nominations Committee is not necessary as there is a formal procedure under which the non-executive directors discuss and agree any nomination prior to approval and discussion by the Board.

RELATIONS WITH SHAREHOLDERS AND LENDERS

Given the private ownership of the Group, the requirements of the Combined Code to communicate with institutional shareholders are not fully relevant. The shareholders are fully represented on the Board and receive a monthly report. This Annual Report is widely distributed and the Group's policy is to maintain close contact during each financial year with bondholders and other lenders at Group and operating company levels.

CORPORATE GOVERNANCE

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. This is designed to manage rather than eliminate the risk of not achieving business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board considers that there is a continuous process for identifying, evaluating and managing significant risks faced by the Group in the course of its business. This has been fully in place from the beginning of October 2000 up until the date of approval of the annual report and accounts. During the preceding part of the financial year procedures were being established to meet the requirements for risk management determined by the Board. This process is regularly reviewed by the Audit Committee and the Board, is consistent with the internal control guidance for directors in the Combined Code and enhances the existing system of internal control which has complied with best practice for many years.

A key part of the system of internal control is the delegation of management responsibility for all the Group's property investment, development and fund management activities together with supporting functions to regional management teams. Both the UK and Ireland and Americas regions have local boards with non-executive chairmen which oversee the regions' operations. These boards form an integral part of the overall internal control process. Local boards for Continental Europe and Australia Asia Pacific work closely with the holding company team to ensure appropriate internal controls are maintained. The relationship between regional boards and the Group Board is clearly defined and is set out in formally approved financial delegation procedures.

During the year the processes for internal control and risk management were reviewed in depth. The results were considered, together with the Group's wider business risks, by the Audit Committee in October 2000. The Board carried out the annual assessment of internal control for the year 2000 at its meeting in March 2001 by considering reports from the management and the Audit Committee and taking account of events since December 2000.

Steps are being taken to embed risk management further into the operations of the business and to deal with areas of improvement which come to management attention. Specific financial and other controls can be summarised under the following headings:

OPERATING AND HOLDING COMPANY CONTROLS

Key controls over major business risks include reviews against performance indicators and exception reporting. Each team makes regular assessments of its exposure to major financial, operational and strategies risks and the extent to which these are controlled.

QUALITY AND INTEGRITY OF PERSONNEL

It is the Group's policy to retain employees of high calibre, professional integrity and potential. Comprehensive training and development programmes are in place for all key personnel.

FINANCIAL INFORMATION

The Group and each operating company have comprehensive systems for reporting financial results. Financial results are reviewed on a quarterly basis (consistent with the pattern of rent billing in the majority of the Group's operations) with comparisons against budget and prior periods together with a forecast for the full financial year and the potential variances to that forecast. Treasury reporting is reviewed on a monthly basis.

SYSTEMS

There are established controls and procedures over the security and integrity of data held on computer systems and the Group has put in place appropriate disaster recovery arrangements which are tested and reviewed regularly.

The Group does not currently have an internal audit function, however, the Board reviews the need for this additional control on a regular basis.

IMRO

Grosvenor Investment Management Limited, a wholly owned subsidiary, is regulated by the Investment Management Regulatory Organisation (IMRO) for the purposes of undertaking regulated property management activities. All transactions with managed funds are separately accounted for under a full client accounting regime.

REMUNERATION REPORT

REMUNERATION OF THE EXECUTIVE DIRECTORS AND SENIOR STAFF

POLICY

In determining the remuneration policy for executive directors and senior staff, the Committee recognises the importance of attracting, retaining and motivating executives of the appropriate calibre and experience to enhance the performance and reputation of the Group. The size, complexity and international perspective plus the long-term nature of the Group's business are important factors in the Committee's considerations.

The remuneration of executive directors and senior staff includes a blend of short and long-term reward and has been designed to address the interests of both directors and shareholders. It currently comprises four main elements:

- basic salary and benefits
- annual performance related bonus and incentive plan
- long-term savings plan and internal reinvestment scheme
- pension and life assurance

The Committee is committed to the continuous development of executive directors and senior staff.

BASIC SALARY AND BENEFITS

Basic salaries are reviewed annually, or on promotion, and are assessed having regard to individual skill and performance. Salary levels are competitive within the local market, particularly within the property industry.

Taxable benefits are provided at levels similar to those for comparable positions in industry, and include life and health insurance, long term savings plan and car allowance.

ANNUAL PERFORMANCE RELATED BONUS SCHEMES AND LONG-TERM INCENTIVE PLANS

Executive directors, with the exception of Ralph Hayward, and senior staff, with the exception of those employed by Grosvenor Americas Limited (GAL), participated in 2000 in an annual performance related bonus scheme and a long-term incentive plan overseen by the Remuneration Committee. The annual performance related bonus scheme is linked to the achievement of total return above the Group's weighted average cost of capital. The incentive arrangements are designed to reward outstanding performance at the team and individual level. It is a requirement of the scheme that at least 50% of the long-term incentive element of the award is deferred for a minimum period of two years after any award is made. This deferred element attracts a return equivalent to the total return for each subsequent year after the award is made.

Management staff of GAL, including Ralph Hayward, participated in a separate annual performance related bonus scheme and a long-term incentive plan administered by GAL. The long-term incentive plan sets a notional share value for GAL based on net assets per share and notional shares are awarded based on measures of performance over the previous three years. The benefits arising under this scheme crystallise at the earlier of redemption or the executive's retirement or resignation date.

PENSIONS AND LIFE ASSURANCE

Executive directors, with the exception of Ralph Hayward, and senior staff, with the exception of those employed by GAL, are eligible to be members of the Grosvenor Estate Pension Scheme (GEPS) and, if applicable, supplementary pension arrangements. GEPS is non-contributory and provides members with a maximum pension of up to two-thirds of pensionable salary on retirement. The cost of the Group's contribution to GEPS in respect of each director is based on the senior executive member current contribution rate of 29.5% per year. The scheme also provides for dependants' pensions of two-thirds of the member's pension and an insured lump sum payment of four times basic salary in the event of death in service. GAL has made separate arrangements for provision of pensions for directors and staff. Details of the pension schemes' funding and assumptions are given in note 8 of the Accounts.

CONTRACTS OF SERVICE

The notice period for the termination of the employment of each executive director is six months.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The fees of non-executive directors are reviewed periodically by the Chairman. Non-executive directors do not have service contracts and are not eligible for the annual performance related bonuses.

DIRECTORS' INTERESTS

DIRECTORS' INTERESTS IN CONTRACTS

As shown on page 32, certain of the company's directors are trustees of Grosvenor Trusts. Transactions between the Group and Grosvenor Trusts are disclosed in note 35 to the financial statements. Certain of the company's directors are also directors of other companies with which the Group may from time to time enter into transactions on normal commercial terms. In the opinion of the Board, none of these relationships is such as to impair the independence of the non-executive directors.

REMUNERATION REPORT

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors who served during the year in the share and loan capital of the company and its subsidiaries are shown below.

GROSVENOR GROUP HOLDINGS LIMITED

	Ordinary shares		Non-voting ordinary shares		12% Non-cumulative irredeemable preference shares	
	At 1 January 2000	At 31 December 2000	At 1 January 2000	At 31 December 2000	At 1 January 2000	At 31 December 2000
BENEFICIAL						
The Duke of Westminster	5,978,588	5,978,588	47,828,704	47,828,704	5,978,588	5,978,588
NON-BENEFICIAL						
John R Sclater	2,659,781	2,659,781	21,278,248	21,278,248	2,659,781	2,659,781
Jeremy H M Newsum	5,232,083	5,232,083	41,856,664	41,856,664	5,232,083	5,232,083
The Earl of Home	3,788,654	3,788,654	30,309,232	30,309,232	3,788,654	3,788,654
Sir John N C James	4,484,274	4,484,274	35,874,192	35,874,192	4,484,274	4,484,274
Mark A Loveday	5,076,998	5,076,998	40,615,984	40,615,984	5,076,998	5,076,998

There have been changes in non-beneficial interests since 31 December 2000. Since 1 January 2001 the non-beneficial interests of Jeremy Newsum and Robin Broadhurst (appointed 1 January 2001) have been as follows:

	At 1 January 2001	At 1 January 2001	At 1 January 2001
NON-BENEFICIAL			
Jeremy H M Newsum	4,170,816	33,366,528	4,170,186
Robin S Broadhurst	3,633,569	29,068,552	3,633,569

The Earl of Home, Sir John James and Mark Loveday are no longer directors.

GROSVENOR ESTATE HOLDINGS

At 1 January 2000 and 31 December 2000 Sir John James held a non-beneficial interest in £5,250,000 Redeemable Loan Stock 1996-2010.

GROSVENOR ESTATE INTERNATIONAL INVESTMENTS LIMITED

	Preferred 'A' shares	
	At 1 January 2000	At 31 December 2000
NON-BENEFICIAL		
John R Sclater	100	100
Jeremy H M Newsum	100	100
The Earl of Home	100	100
Mark A Loveday	100	100

Where a director has a joint interest in securities, the above disclosures include for each director the number of securities that are jointly held.

Except as disclosed above, none of the directors of the company who served during the year had any interests in the securities of the company or any of its subsidiary undertakings.

By order of the Board

Jonathan Hagger
Secretary
15 March 2001

DIRECTORS' REPORT

for the year ended 31 December 2000

The directors present their annual report and the Group's audited consolidated financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group's principal activities are property development, investment and fund management in UK and Ireland, North America, Continental Europe, Australia and Asia Pacific.

Information on the Group's business and an analysis of its performance during the year are presented in the Chairman's Statement and the Reviews on pages 2 to 31.

CHANGE OF NAME

On 1 March 2000, the Company changed its name from Grosvenor Limited to Grosvenor Group Holdings Limited.

RESULTS AND DIVIDENDS

The results for the year are set out in the consolidated profit and loss account on page 44. Profit for the year after taxation was £71,665,000 (1999 – £35,786,000). The directors recommend payment of dividends of £4,000,000 (1999 – £1,847,000 and dividend in specie £28,804,000).

GOING CONCERN

After reviewing detailed cashflow projections including capital expenditure proposals, taking into account resources and borrowing facilities and making such further enquiries as they consider appropriate, the directors consider that there is a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

Details of the directors of the Company are given on page 32. All directors served throughout the year with the exception of those set out below:

Robin S Broadhurst	(appointed 1 January 2001)
The Earl of Home	(resigned 21 February 2000)
Sir John N C James	(resigned 31 December 2000)
Roderick D Kent	(appointed 8 March 2000)
Mark A Loveday	(resigned 21 February 2000)

CHARITABLE CONTRIBUTIONS

Charitable contributions during the year amounted to £1,263,000 (1999 – £550,000), of which £1,200,000 (1999 – £550,000) was donated to the Westminster Foundation which supports a wide range of charitable causes.

DIRECTORS' REPORT

for the year ended 31 December 2000

ENVIRONMENTAL POLICY

The Group takes a long-term view of its activities and responsibilities. Environmental considerations are therefore an important factor throughout the management of all group companies. Two main principles are observed:

- Grosvenor seeks to identify and minimise its environmental impact, wherever it occurs, seeking continuous improvement in performance;
- Grosvenor seeks to make a positive contribution to sustainable development, giving consideration to environmental, economical and social sustainability in all its operations.

These principles are applied through specific objectives, policies, targets and benchmarks which are managed at Operating Company level.

The director responsible for environmental policy in 2000 was Jeremy Newsum.

HEALTH AND SAFETY POLICY

The Group is committed to ensuring high health and safety standards throughout its operations. In addition to its compliance role, the Group monitors local changes in practice, to ensure that it meets appropriate standards in each area of its business.

The director with responsibility for health and safety policy is Jonathan Hagger.

POLICY ON PAYMENT OF SUPPLIERS

Payment terms are agreed with suppliers on an individual basis. It is the policy of both the Company and the Group to abide by the agreed terms, provided that the suppliers also comply with all relevant terms and conditions. The Company has no trade creditors. In respect of the Group's activities in the UK, trade creditors at 31 December 2000 represented 8 days purchases (1999 – 21 days).

EMPLOYEES

The Group gives full and fair consideration to applications by disabled persons for employment. Disabled employees and those who become disabled are afforded the same training, career development and promotion opportunities as other staff. The directors recognise the importance of good communications and relations with the Group's employees. Each part of the Group maintains employee relationships appropriate to its own particular needs and environment.

AUDITORS

Pursuant to Section 386 of the Companies Act 1985 an elective resolution has been passed to dispense with the requirement to re-appoint the Group's auditors annually.

By order of the Board



Jonathan Hagger
Secretary
15 March 2001

Company registration number 3219943
Registered Office
70 Grosvenor Street
London W1X 9DB

STATEMENT OF 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 the Group and of the profit or loss of the Group 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 Group and to prevent and detect fraud and other irregularities.

CORPORATE ADVISERS AND BANKERS

AUDITORS:	Deloitte & Touche
VALUERS:	Gerald Eve, Jones Lang LaSalle, Healey & Baker
SOLICITORS:	Boodle Hatfield, Slaughter and May
LEAD BANKERS:	The Royal Bank of Scotland

REPORT OF THE AUDITORS TO THE MEMBERS OF GROSVENOR GROUP HOLDINGS LIMITED

We have audited the financial statements on pages 44 to 69 which have been prepared under the accounting policies set out on pages 48 to 50.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 42, the Company's directors are responsible for preparing the Annual Report and financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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 required for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the statement on pages 36 and 37 reflects the Company's compliance with the provisions of the Combined Code with which it is required by its shareholders to comply. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

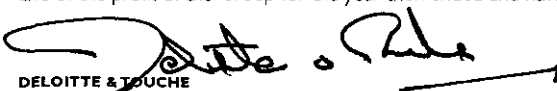
BASIS OF OPINION

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 and the Group'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 and the Group as at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

Hill House

1 Little New Street

London EC4A 3TR

15 March 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

RESULTS OF CONTINUING OPERATIONS

TURNOVER: GROUP AND SHARE OF JOINT VENTURES

Less share of joint venture's turnover

Group turnover

NET RENTAL INCOME

PROFIT ON DEVELOPMENT PROPERTIES

TOTAL GROSS PROFIT

Administrative expenses

GROUP OPERATING PROFIT

Share of operating loss of joint ventures

Share of operating profit of associated undertakings

TOTAL OPERATING PROFIT

Profit on sale of investment properties

Profit on sale of trade investment

PROFIT BEFORE INTEREST

Investment income

Net interest

PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Tax on profit on ordinary activities

PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

Minority interests (equity)

Minority interests (non-equity)

Dividends on equity and non-equity shares

Dividend in specie

RETAINED PROFIT FOR THE YEAR

Notes	2000 £'000	1999 £'000
	255,363	144,404
	(2,077)	—
3,4	253,286	144,404
	99,089	46,595
	7,517	9,635
4	106,606	56,230
4	(27,581)	(15,732)
4,5	79,025	40,498
	(143)	—
	11,163	26,923
	90,045	67,421
6	21,388	10,482
	30,160	—
	141,593	77,903
	2,049	1,580
10	(46,146)	(30,698)
	97,496	48,785
11	(25,831)	(12,999)
	71,665	35,786
	(3,382)	(2,370)
	(655)	(487)
	67,628	32,929
12	(4,000)	(1,847)
13	—	(28,804)
31	63,628	2,278

BALANCE SHEETS

31 December 2000

	Notes	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
FIXED ASSETS					
Tangible assets					
Investment properties	14	1,876,918	1,774,162	-	-
Other tangible assets	15	32,454	26,327	-	-
Investments					
Subsidiary undertakings	16	-	-	1,328,451	1,328,451
Associated undertakings	17	103,118	80,823	-	-
Trade investments	18	89,847	117,633	-	-
Joint Ventures					
Share of gross assets		40,054	-	-	-
Share of gross liabilities		(18,009)	-	-	-
	19	22,045	-	-	-
		2,124,382	1,998,945	1,328,451	1,328,451
CURRENT ASSETS					
Development properties	21	89,241	59,291	-	-
Debtors	22	114,335	47,879	18,182	20,000
Cash at bank and in hand		54,585	52,458	-	-
		258,161	159,628	18,182	20,000
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Borrowings	24	(29,386)	(34,295)	-	-
Other creditors	23	(120,362)	(80,693)	(4,000)	(1,847)
		108,413	44,640	14,182	18,153
NET CURRENT ASSETS					
		2,232,795	2,043,585	1,342,633	1,346,604
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Borrowings	24	(592,176)	(659,468)	-	-
Other creditors	23	(1,852)	(4,309)	-	-
	27	(1,389)	(1,226)	-	-
		1,637,378	1,378,582	1,342,633	1,346,604
CAPITAL AND RESERVES					
Called up share capital	30	59,787	59,787	59,787	59,787
Merger capital reserve	31	144,833	144,833	1,268,664	1,268,664
Profit and loss account	31	271,267	106,271	14,182	18,153
Revaluation reserve	31	952,204	813,426	-	-
Other reserves	31	126,939	192,685	-	-
		1,555,030	1,317,002	1,342,633	1,346,604
SHAREHOLDERS' FUNDS - INCLUDING NON-EQUITY INTERESTS					
Minority interest (equity)		75,333	55,220	-	-
Minority interest (non-equity)		7,015	6,360	-	-
		1,637,378	1,378,582	1,342,633	1,346,604

Approved by the Board on 15 March 2001 and signed on behalf of the Board

The Duke of Westminster OBE TD DL
Chairman

Jonathan Hagger FCA
Group Finance Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
Retained profit for the year before dividends		67,628	32,929
Unrealised surplus on revaluation of properties	31	175,495	111,878
Tax charged to reserves	31	(9,739)	(8,901)
Currency translation differences on foreign currency net investments	31	8,644	4,913
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		242,028	140,819

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2000

	2000 £'000	1999 £'000
Reported profit on ordinary activities before taxation	97,496	48,785
Realisation of property revaluation gains of previous years	32,785	17,260
Historical cost profit on ordinary activities before taxation	130,281	66,045
Historical cost retained profit for the year – after taxation, minority interests and dividends	86,674	10,788

The excess of the historical cost profit over the profit reported in the profit and loss account represents the additional profit that would have been reported had the investment properties sold during the year not been revalued in earlier years.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	33	79,965	31,462
DIVIDENDS FROM ASSOCIATES		1,026	904
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,229	1,652
Interest paid		(52,118)	(22,669)
Investment income		2,049	1,581
Preference dividends paid		(717)	(670)
		(47,557)	(20,106)
TAXATION			
Corporation tax paid		(23,439)	(27,525)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of, and improvements to, properties		(69,791)	(142,390)
Sale of freehold and leasehold properties		53,358	44,080
Lease premiums received		126,020	46,353
Purchase of other fixed assets		(6,231)	(4,778)
Sale of other fixed assets		645	629
Loans repaid by associates		-	9,977
		104,001	(46,129)
ACQUISITIONS AND DISPOSALS			
Purchase of shares in joint venture		(15,507)	-
Disposal of shares in associates		191	477
Purchase of trade investments		(2,607)	(44,072)
Disposal of trade investments		-	4,232
Cash acquired with subsidiary		-	10,946
Cash disposed of with subsidiary		-	(10,946)
		(17,923)	(39,363)
EQUITY DIVIDENDS PAID		(1,130)	(2,930)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		94,943	(103,687)
MANAGEMENT OF LIQUID RESOURCES			
Withdrawal/(placement) of short term deposits		10,902	(3,070)
FINANCING			
Loans drawndown		92,150	136,695
Loans repaid		(185,777)	(17,798)
		(93,627)	118,897
INCREASE IN CASH IN THE YEAR	34	12,218	12,140

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and other land and buildings, and in accordance with applicable accounting standards in the United Kingdom.

BASIS OF CONSOLIDATION

The Group's consolidated financial statements include those of the company and its subsidiary undertakings.

An undertaking is regarded as a subsidiary undertaking if the company has control over its operating and financial policies.

The Company has elected under Section 230 of the Companies Act 1985 not to include its own profit and loss account in these financial statements.

TURNOVER

Turnover comprises gross income net of VAT including rents receivable, service charges and income from property development activities.

GOODWILL

When a subsidiary undertaking, joint venture or associate is acquired, fair values are attributed to its identifiable assets and liabilities. Goodwill represents the difference between the fair value of the consideration paid for the business and the fair values of its identifiable assets and liabilities.

In accordance with FRS10 'Goodwill and intangible assets', goodwill arising on acquisitions completed on or after 1 January 1998 is capitalised and amortised to the profit and loss account over its useful economic life. Goodwill arising on acquisitions completed prior to 1 January 1998 was written off directly to reserves and has not been reinstated.

If an acquired business is subsequently sold, any goodwill relating to it which has not previously been dealt with in the profit and loss account is taken into account in calculating the profit or loss on disposal of the business.

INVESTMENTS

Investments held as fixed assets are stated at cost less provision for any material impairment.

JOINT ARRANGEMENTS

An undertaking is regarded as a joint arrangement if the Group has a participating interest and joint control over operating and financial policies but the undertaking is not an entity distinguishable from the business of its investors.

In accordance with FRS 9, Associates and Joint Ventures, the Group accounts for its share of the individual items of income, expenditure, assets, liabilities and cash flows of joint arrangements. The directors consider that this departure from the requirement of the Companies Act 1985 to account for participating interests in joint arrangements as associates is necessary for the financial statements to show a true and fair view because joint arrangements are in substance an extension of the Group's own business.

JOINT VENTURES

An undertaking is regarded as a joint venture if the Group has joint control over its operating and financial policies and the undertaking is considered to be an entity in accordance with FRS9.

The Group accounts for joint ventures under the gross equity method, which is the same as the equity method as applied to associates except that on the face of the profit and loss account, the group discloses its share of joint ventures' turnover, and on the face of the balance sheet, the Group discloses its share of joint ventures' gross assets and gross liabilities underlying the net equity amount.

ASSOCIATED UNDERTAKING

An undertaking is regarded as an associate if the Group holds a participating interest and has significant influence, but not control, over its operating and financial policies.

The Group accounts for associates under the equity method, whereby the Group's profit and loss account includes its share of the profits and losses of associates at and below operating profit and the Group's balance sheet includes its share of the net assets of its associates within fixed asset investments.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

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 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 are included in the profit and loss account.

OTHER TANGIBLE ASSETS

Tangible assets except for other land and buildings are stated at cost less provision for any impairment. Other land and buildings are stated at open market value for existing use.

DEPRECIATION

In accordance with SSAP19 'Accounting for investment properties' no depreciation is provided on freehold investment 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 separately identified.

Short leasehold properties with 20 years or less unexpired are depreciated on a straight line basis over the remaining period of the lease.

Other tangible assets are depreciated on a straight line basis so as to spread their cost over their expected useful lives at rates varying between 10% and 33⅓% per annum, except for freehold property occupied by the group which is depreciated over expected useful life where material.

DEVELOPMENT PROPERTIES

Development properties are properties under development that are not presently intended to be retained in the Group's investment portfolio. Development properties are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, professional fees, construction costs and capitalised interest but excludes overheads. Sales of development properties are recognised on exchange of contracts or, if exchange is conditional, on the date all material conditions have been satisfied. During the construction period profits are not recognised but provision is made for any foreseeable losses.

In the event that it is decided a development property will be retained as an investment, it is transferred to the Group's investment portfolio at the lower of cost and net realisable value at the date of transfer and any loss dealt with in the profit and loss account.

CAPITALISATION OF INTEREST

Interest relating to the financing of development properties and major improvements to investment properties is capitalised. Interest capitalised is calculated by reference to the actual interest payable on borrowings or, where a project is financed out of general funds, to the average rate for all borrowings. Interest is capitalised from the commencement of the project, until the date of practical completion of the project.

FOREIGN CURRENCY TRANSLATION

At entity level, 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 currencies 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.

On consolidation, the results of overseas companies are translated into sterling at the average exchange rate for the period and their assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. To the extent permitted by SSAP 20 'Foreign currency translation', exchange differences arising on foreign currency borrowings taken out to hedge foreign equity investments are taken directly to reserves.

In the cash flow statement, cash flows denominated in foreign currencies are translated into sterling at the average exchange rate for the period.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

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.

PENSION SCHEMES

Pension costs are charged to the profit and loss account on a systematic basis over the period expected to benefit from the service of the employees concerned.

FINANCIAL INSTRUMENTS

Derivative instruments utilised by the Group are interest rate swaps and forward exchange contracts. The Group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

2. FOREIGN CURRENCIES

The principal exchange rates used to translate the results, assets, liabilities and cashflows of overseas companies were as follows:

	Average rate		Year end rate	
	2000	1999	2000	1999
US dollar	1.52	1.62	1.49	1.61
Canadian dollar	2.25	2.41	2.24	2.34
Euros	1.64	1.52	1.59	1.61
Australian dollar	2.62	2.53	2.69	2.46
Hong Kong dollar	11.85	12.55	11.65	12.53
Singapore dollar	2.62	2.74	2.59	2.69

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENTAL ANALYSIS

	Turnover		Profit/(loss) before taxation		Assets employed	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Continuing operations:						
Property investment *	144,209	75,944	131,452	75,452	2,075,127	1,958,857
Property development	109,077	58,829	12,184	5,565	107,183	61,030
Demerged operations:						
Non property	-	9,631	-	(1,534)	-	-
Group	253,286	144,404	143,636	79,483	2,182,310	2,019,887
Share of joint ventures	2,077	-	6	-	22,045	-
Group and share of joint ventures	255,363	-	143,642	-	2,204,355	-
Net interest/borrowings	-	-	(46,146)	(30,698)	(566,977)	(641,305)
	255,363	144,404	97,496	48,785	1,637,378	1,378,582

* Profit on property investment includes £21.4m on sale of investment properties (1999 - £10.5m) and £30.2m (1999 - £nil) on sale of trade investments.

The business can be analysed geographically as follows:

	Turnover		Profit/(loss) before taxation		Assets employed	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
United Kingdom and Eire	169,176	125,134	91,590	45,368	1,354,803	1,319,687
Continental Europe	13,977	19,115	20,049	16,344	242,310	167,007
Canada	21,592	113	7,948	5,910	174,532	158,323
United States	40,189	42	20,958	9,528	309,173	267,170
Australia Asia Pacific	8,352	-	3,091	2,333	101,492	107,700
Group	253,286	144,404	143,636	79,483	2,182,310	2,019,887
Share of joint ventures - Continental Europe	2,077	-	6	-	22,045	-
Group and share of joint ventures	255,363	-	143,642	-	2,204,355	-
Net interest/borrowings	-	-	(46,146)	(30,698)	(566,977)	(641,305)
	255,363	144,404	97,496	48,785	1,637,378	1,378,582

NOTES TO THE FINANCIAL STATEMENTS

4. ANALYSIS OF CONTINUING AND DEMERGED OPERATIONS

	Other Continuing 2000 £'000	GAL 2000 £'000	Total Continuing 2000 £'000	Continuing 1999 £'000	Demerged 1999 £'000	Total 1999 £'000
Turnover	183,398	69,888	253,286	134,773	9,631	144,404
Direct costs	(119,186)	(27,494)	(146,680)	(78,964)	(9,210)	(88,174)
Total gross profit	64,212	42,394	106,606	55,809	421	56,230
Administrative expenses	(18,537)	(9,044)	(27,581)	(13,776)	(1,956)	(15,732)
Operating profit	45,675	33,350	79,025	42,033	(1,535)	40,498

Grosvenor Americas Limited (GAL) was accounted for as an associate until 31 December 1999 when the remaining shares not owned by the Group were acquired. GAL has been consolidated as a subsidiary with effect from 31 December 1999.

Demerged operations in 1999 relates to the demerger of Deva Holdings Limited and subsidiaries (Deva Group), which held Grosvenor's non-property business. The Deva Group was demerged by way of dividend in specie on 18 November 1999.

5. OPERATING PROFIT

OPERATING PROFIT IS STATED AFTER CHARGING:

Depreciation of tangible fixed assets
Operating lease rentals:
Land and buildings
Auditors' remuneration:
Audit – Deloitte & Touche
– Other
Other services – Deloitte & Touche
– Other

2000 £'000	1999 £'000
1,333	1,315
2,823	2,263
233	152
290	–
295	460
77	–

6. PROFIT ON SALE OF INVESTMENT PROPERTIES

Group undertakings
Share of joint venture's profits
Share of associate's losses

2000 £'000	1999 £'000
21,185	10,794
203	–
–	(312)
21,388	10,482

All of the above relate to continuing operations.

NOTES TO THE FINANCIAL STATEMENTS

7. EMPLOYEE INFORMATION

STAFF COSTS:

Wages and salaries
Social security costs

PENSION COSTS:

Defined benefit schemes
Defined contribution schemes

	2000 £'000	1999 £'000
	24,112	14,362
	1,865	1,397
	1,596	1,469
	209	199
	27,782	17,427
	267	438
	7	6
	57	-
	19	7
	350	451
	129	103
	46	44
	116	52
	59	61
	350	260
	-	191
	350	451

AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHIC REGION:

United Kingdom and Eire
Continental Europe
North America
Australia Asia Pacific

AVERAGE NUMBER OF EMPLOYEES BY BUSINESS:

Property investment
Property development
Management and administration
Shopping centre and property management

Demerged activities

Average number of employees in 1999 includes those of the Deva Group which was demerged in November 1999. In 2000 it includes the employees of Grosvenor Americas Limited which was an associate for the duration of 1999 but became a subsidiary on 31 December 1999. After demerging the Deva Group and acquiring GAL the Group had 331 employees at 31 December 1999.

Average number of employees above includes staff in offices and shopping centre staff, caretakers and wardens.

NOTES TO THE FINANCIAL STATEMENTS

8. PENSION SCHEMES

UNITED KINGDOM

In the United Kingdom the Group's principal pension schemes are the Grosvenor Estates Pension Scheme (GEPS), a defined benefit pension scheme, and the Grosvenor Estate Money Purchase Scheme (GEMPS), a defined contribution scheme. Both schemes are administered by independent trustees.

Independent qualified actuaries complete valuations of the GEPS at least every three years and in accordance with their recommendations, annual contributions are paid to the scheme so as to secure the benefits set out in the rules.

The most recent actuarial valuation was carried out at 31 December 1999 using the projected unit funding method. The most important actuarial assumptions were that investment returns would be 0.5% to 1.5% above the rate of inflationary salary increases, 3.875% higher than the annual increase in present and future pensions in payment and that returns from equities (assumed to be the asset portfolio held before retirement and 50% of the portfolio held after retirement) would be 3.5% higher than the annual increase in dividend income over the relevant period.

At 31 December 1999, the market value of the GEPS assets was £70.4m and the actuarial value of the assets was sufficient to cover 105% of the benefits that had accrued to members, after allowing for expected increases in earnings. The surplus of assets over liabilities is being amortised over an average service lifetime of 14 years, with the variation being calculated as a percentage of salary. From 1 January 2000, this resulted in a regular cost of 22.3% and a variation of 2.7%.

In addition, the Group operates an unfunded defined benefit scheme to satisfy pension commitments not catered for by the principal schemes.

OVERSEAS

Grosvenor Americas Limited operates a number of defined benefit pension schemes in Australia, Canada and the USA. These schemes provide benefits based upon pensionable salary and length of service. The contribution rate is calculated on the projected unit method and actuarial valuations of the assets and liabilities are performed by independent consulting actuaries. The market value of the assets of the plans amounted to £17.7m and the actuarial valuation of the assets was 128% of the accrued benefits.

GROUP PENSION COSTS

Defined benefit pension costs charged to the profit and loss account were £1,596,000 (1999 – £1,469,000). At 31 December 2000, the provision for pension liabilities was £1,389,000 (1999 – £1,075,000) which related wholly to the unfunded pension scheme.

The Group's contributions to the defined contribution scheme were £209,000 (1999 – £199,000).

9. DIRECTORS' REMUNERATION DETAILS

	2000		1999	
	Total £'000	Highest paid director £'000	Total £'000	Highest paid director £'000
AGGREGATE REMUNERATION:				
Emoluments	1,202	285	767	281
Performance related bonus	367	118	137	58
Long term incentive plan	512	357	–	–
	2,081	760	904	339

Directors remuneration in 1999 does not include the directors of Grosvenor Americas Limited which was equity accounted in 1999.

The long term incentive plan above includes the increase in value in 2000 of awards made in prior periods which have been deferred in accordance with plan rules, as explained on page 38.

Retirement benefits are accruing to four directors under defined benefit schemes sponsored by group companies. Retirement benefits accrued to the highest paid director under the defined benefit pension scheme are as follows:

	2000 £'000	1999 £'000
Accrued annual pension at 31 December	188	74

NOTES TO THE FINANCIAL STATEMENTS

10. NET INTEREST

	2000				1999			
	Group £'000	Share of joint ventures £'000	Share of associates £'000	Total £'000	Group £'000	Share of joint ventures £'000	Share of associates £'000	Total £'000
INTEREST PAYABLE:								
Bank loans and overdrafts	32,042	191	2,825	35,058	12,582	—	12,139	24,721
Other loans	19,989	51	—	20,040	11,675	—	—	11,675
Capitalised interest	(3,533)	—	—	(3,533)	(3,214)	—	(323)	(3,537)
Net interest payable	48,498	242	2,825	51,565	21,043	—	11,816	32,859
Interest receivable	(3,905)	(188)	(1,326)	(5,419)	(1,642)	—	(519)	(2,161)
	44,593	54	1,499	46,146	19,401	—	11,297	30,698

There is no capitalised interest in cost of sales (1999 – £146,000) relating to the carrying value of development properties sold in 2000.

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
CURRENT YEAR		
Corporation tax at 30% (1999 – 30.25%)	20,394	7,514
Overseas tax	4,099	1,709
Deferred tax	(246)	(58)
Joint Ventures:		
Overseas tax	138	—
Associated undertakings:		
Overseas tax	1,446	3,834
	25,831	12,999
TAX CHARGED TO RESERVES		
Tax relating to revaluation gains recognised in prior years		
Corporation tax	9,929	8,750
Deferred tax	(190)	151
Total tax charges recognised in the statement of total recognised gains and losses	35,570	21,900

NOTES TO THE FINANCIAL STATEMENTS

12. DIVIDENDS ON EQUITY AND NON EQUITY SHARES

	2000 £'000	1999 £'000
Equity shares		
Ordinary shares 6.1p per share (1999 – 2.1p)	365	126
Non-voting ordinary shares 6.1p per share (1999 – 2.1p)	2,918	1,004
	3,283	1,130
Non-equity shares		
12% Non-cumulative irredeemable preference shares 12p per share (1999 – 12p)	717	717
	4,000	1,847

13. DIVIDEND IN SPECIE

The dividend in specie charged to the consolidated profit and loss account of £28,804,000 in 1999 equated to the book value of non property subsidiaries demerged.

14. INVESTMENT PROPERTIES

	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Total £'000
VALUATION:				
At 1 January 2000	1,430,122	343,983	271	1,774,376
Additions	60,721	10,009	–	70,730
Disposals	(111,899)	(47,233)	–	(159,132)
Surplus transferred to revaluation reserve	130,678	35,216	–	165,894
Exchange differences	25,025	243	–	25,268
At 31 December 2000	1,534,647	342,218	271	1,877,136
DEPRECIATION:				
At 1 January 2000	–	–	(214)	(214)
Charge for year	–	–	(4)	(4)
At 31 December 2000	–	–	(218)	(218)
NET BOOK VALUE:				
At 31 December 2000	1,534,647	342,218	53	1,876,918
At 31 December 1999	1,430,122	343,983	57	1,774,162

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties were valued at 31 December 2000 by the directors using employees who are Chartered Surveyors, on the basis of open market value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Valuations by professional independent valuers are carried out every three years. The last full independent valuation took place at 31 December 1998.

The historical cost of the Group's investment properties was £825m (1999 – £809m). The tax which would be payable on the surplus arising on the revaluation of fixed assets, in the event of their sale at such valuation, is estimated to be approximately £214m (1999 – £159m).

The carrying value of investment properties includes capitalised interest of £5.4m (1999 – £4.4m).

15. OTHER TANGIBLE ASSETS

	Land and buildings £'000	Leasehold improve- ments £'000	Fixtures, fittings and motor vehicles £'000	Total £'000
COST OR VALUATION:				
At 1 January 2000	21,113	2,592	6,403	30,108
Additions	182	2,251	3,798	6,231
Disposals	–	(700)	(4,008)	(4,708)
Surplus transferred to revaluation reserve	3,705	–	–	3,705
Exchange differences	–	5	142	147
At 31 December 2000	25,000	4,148	6,335	35,483
DEPRECIATION:				
At 1 January 2000	(9)	(738)	(3,034)	(3,781)
Charge for year	–	(384)	(945)	(1,329)
Disposals	–	697	1,423	2,120
Exchange differences	–	–	(39)	(39)
At 31 December 2000	(9)	(425)	(2,595)	(3,029)
NET BOOK VALUE:				
At 31 December 2000	24,991	3,723	3,740	32,454
At 31 December 1999	21,104	1,854	3,369	26,327

The historical cost of land and buildings is £12,654,000 (1999 – £12,472,000).

Land and buildings are freehold and were valued at 31 December 2000 by the directors using employees who are Chartered Surveyors, on the basis of open market value for existing use in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Valuations by professional independent valuers are carried out every three years.

NOTES TO THE FINANCIAL STATEMENTS

16. SUBSIDIARY UNDERTAKINGS

COMPANY

At 1 January 2000 and 31 December 2000

Shares at cost £'000
1,328,451

The principal subsidiary undertakings at 31 December 2000 are:

PROPERTY INVESTMENT

Grosvenor West End Properties *
 Eaton Square Properties Limited
 Grosvenor (Basingstoke) Limited
 Grosvenor Commercial Properties *
 Grosvenor Properties *
 Grosvenor First European Property Investments SA (Luxembourg) †
 Old Broad Street Properties Limited

PROPERTY DEVELOPMENT

Grosvenor Developments Limited

INTERMEDIATE HOLDING COMPANIES

Grosvenor Estate Holdings *
 Grosvenor Limited
 Grosvenor Americas Limited (Canada) (formerly Grosvenor International Holdings Limited)
 Grosvenor Overseas Holdings Limited

* Unlimited company

† 75% owned

All the above companies except Grosvenor Estate Holdings are indirectly owned. All companies are incorporated in Great Britain except where indicated.

All interests are in the form of ordinary shares except for Grosvenor Americas Limited, where the Group also holds all the preference shares in issue.

NOTES TO THE FINANCIAL STATEMENTS

17. ASSOCIATED UNDERTAKINGS

GROUP

	Shares £'000	Share of retained profits £'000	Share of revaluation reserves £'000	Total £'000
At 1 January 2000	44,431	9,718	26,674	80,823
Retained profit for the year	–	7,192	–	7,192
Revaluation surplus for the year	–	–	13,758	13,758
Disposals	(191)	–	–	(191)
Exchange differences	470	783	283	1,536
At 31 December 2000	44,710	17,693	40,715	103,118

Shares are stated at cost, less £8,714,000 written off to reserves in respect of goodwill arising on acquisitions prior to 1 January 1999.

Principal associated undertakings at 31 December 2000:

	Principal activities	Country of incorporation	Shares held
Sonae Imobiliária SGPS SA (Listed on the Lisbon Stock Exchange)	Property investment and development	Portugal	25%

The interest is in the form of ordinary shares and is indirectly owned through a 75% subsidiary.

18. TRADE INVESTMENTS

	Listed £'000	Unlisted £'000	Total £'000
At 1 January 2000	103,597	14,036	117,633
Additions	8	2,597	2,605
Disposals	(33,484)	–	(33,484)
Exchange differences	2,569	524	3,093
At 31 December 2000	72,690	17,157	89,847

The market value of listed investments at 31 December 2000 was £53,939,000 (1999 – £125,083,000).

Principal trade investments at 31 December 2000:

	Principal activities	Country of incorporation	Effective interest
Asia Standard International Group Limited (Listed on the Hong Kong Stock Exchange)	Property investment and development	Hong Kong	15%
Hermanos Revilla SA	Property investment	Spain	5%
Hermill Investments Pte Limited	Property investment	Singapore	17.7%
Société Foncière Lyonnaise SA (Listed on the Paris Stock Exchange)	Property investment	France	7.1%

NOTES TO THE FINANCIAL STATEMENTS

19. JOINT VENTURES

GROUP

	Shares £'000	Share of retained profits £'000	Share of revaluation reserves £'000	Total £'000
At 1 January 2000	—	—	—	—
Additions	11,874	200	8,533	20,607
Retained profit for the year	—	35	—	35
Revaluation surplus for the year	—	—	1,135	1,135
Transfers	—	543	(543)	—
Exchange differences	154	4	110	268
At 31 December 2000	12,028	782	9,235	22,045

Principal joint ventures at 31 December 2000:

	Principal activities	Country of incorporation	Shares held
Grupo Lar Grosvenor BV	Property investment and development in Spain	The Netherlands	50% ordinary shares

20. JOINT ARRANGEMENTS

At 31 December 2000, the Group had the following principal interests in incorporated joint arrangements which are accounted for on the basis explained in note 1, but which are classified as associates under the Companies Act 1985:

	Principal activities	Country of incorporation	Effective interest
Grosvenor European Prime Properties SA	Property investment	Luxembourg	50%
Barkhill Limited	Property investment	Republic of Ireland	50%
Grosvenor Land Property Fund Limited	Property investment in Hong Kong	Bermuda	50%
Goldmax International Limited	Property development in Hong Kong	British Virgin Islands	30%

In addition, in Britain the Group has a 33⅓% interest in the Arkle Fund, a 31.14% interest in the GMETRO Fund, a 50% interest in the Moorgate Investment Partnership and in North America it has interests in a number of other unincorporated limited partnerships all involved in property investment.

21. DEVELOPMENT PROPERTIES

Capitalised interest included in development properties amounted to £3,443,000 (1999 – £840,000).

NOTES TO THE FINANCIAL STATEMENTS

22. DEBTORS

Amounts falling due within one year:

Trade debtors	
Amounts owed by subsidiary undertakings	
Other debtors	
Prepayments and accrued income	

Group 2000 £'000	1999 £'000	Company 2000 £'000	1999 £'000
19,152	14,602	—	—
—	—	18,182	20,000
83,378	20,955	—	—
9,229	11,206	—	—
111,759	46,763	18,182	20,000
418	323	—	—
2,158	793	—	—
2,576	1,116	—	—
114,335	47,879	18,182	20,000

Amounts falling due after more than one year:

Deferred taxation	
Prepayments	

23. OTHER CREDITORS

AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	
Other creditors	
Corporation tax	
Other taxes and social security	
Accruals and deferred income	
Proposed dividends	

Group 2000 £'000	1999 £'000	Company 2000 £'000	1999 £'000
11,986	8,253	—	—
18,924	9,257	—	—
32,958	18,596	—	—
8,519	7,852	—	—
43,975	34,888	—	—
4,000	1,847	4,000	1,847
120,362	80,693	4,000	1,847

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Other creditors	
-----------------	--

Group 2000 £'000	1999 £'000	Company 2000 £'000	1999 £'000
1,852	4,309	—	—

NOTES TO THE FINANCIAL STATEMENTS

24. BORROWINGS AND OTHER FINANCIAL LIABILITIES

BORROWINGS – UNSECURED

Bank loans and overdrafts
12.5% Redeemable Loan Stock 1996 – 2010
8.375% Loan Stock 2019

BORROWINGS – SECURED ON LAND AND BUILDINGS

Bank and institutional mortgages
10.42% Mortgage Debenture 2034

Total Borrowings

	Group 2000 £'000	1999 £'000	Company 2000 £'000	1999 £'000
	298,693	358,190	–	–
	5,250	5,250	–	–
	52,500	52,500	–	–
	356,443	415,940	–	–
	215,119	227,823	–	–
	50,000	50,000	–	–
	621,562	693,763	–	–

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments of the Group can be found in the Financial Overview on pages 34 to 35. The disclosures below exclude short-term debtors and creditors as permitted by FRS 13.

MATURITY PROFILE

The maturity profile of the Group's financial liabilities at 31 December 2000 was as follows:

	Bank loans & overdrafts £'000	Other loans £'000	2000 Total £'000	1999 Total £'000
From 1 to 2 years	91,437	–	91,437	67,463
From 2 to 5 years	243,825	–	243,825	270,385
After 5 years	149,064	107,850	256,914	321,620
Due after more than one year	484,326	107,850	592,176	659,468
Due within one year	29,386	–	29,386	34,295
	513,712	107,850	621,562	693,763

In addition, the Group has £5,979,000 (1999 – £5,979,000) of sterling irredeemable preference shares in issue.

NOTES TO THE FINANCIAL STATEMENTS

24. BORROWINGS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

INTEREST RATE RISK AND CURRENCY PROFILE

The interest rate and currency profile of the financial liabilities of the Group at 31 December 2000 was as follows:

	2000			1999		
	Weighted average Interest rate %	Years	£'000	Weighted average Interest rate %	Years	£'000
FIXED INTEREST BORROWINGS						
Sterling	9.1	19.2	152,850	9.1	15.3	192,850
US dollars	7.4	5.5	141,605	7.6	5.0	140,119
Canadian dollars	7.2	4.8	88,282	7.2	5.0	93,152
Euros	5.0	2.2	57,423	5.1	1.9	80,704
Australian dollars	—	—	—	7.5	3.0	12,161
	7.7	9.7	440,160	7.7	8.3	518,986
FLOATING RATE BORROWINGS						
Sterling	6.2	—	96,123	5.7	—	58,719
US dollars	7.7	—	27,346	6.3	—	29,509
Canadian dollars	7.7	—	24,181	7.9	—	12,848
Euros	5.0	—	6,673	3.8	—	23,058
Australian dollars	7.5	—	20,529	7.2	—	20,717
Hong Kong dollars	6.3	—	6,550	6.8	—	29,926
	6.7	—	181,402	6.1	—	174,777

The above analysis by currency and interest rate risk profile recognises the effect of currency and interest swap agreements in place at 31 December 2000 included in fixed interest borrowings above. Borrowings of £219,335,000 (1999 – £278,411,000) included in fixed interest borrowings above, were covered by interest rate swap agreements, expiring between 2000 and 2007.

BORROWING FACILITIES

Undrawn committed borrowing facilities available to the Group at 31 December 2000 were as follows:

	2000 £'000	1999 £'000
Expiring less than 1 year	149,073	—
Expiring from 1 to 2 years	37,658	17,870
Expiring from 2 to 5 years	167,217	79,743
Expiring after more than 5 years	21,089	78,390
Total	375,037	176,003

NOTES TO THE FINANCIAL STATEMENTS

25. ANALYSIS OF FINANCIAL ASSETS

The Group held the following financial assets as at 31 December 2000

	2000 £'000	1999 £'000
Cash deposits and cash in hand	54,585	52,458
Trade investments – listed	72,690	103,597
– unlisted	17,157	14,036
	144,432	170,091

ANALYSIS OF FINANCIAL ASSETS BY CURRENCY

The Group's financial assets at 31 December 2000 were held in the following currencies:

	2000 £'000	1999 £'000
Sterling	23,545	60,088
US dollars	9,583	3,959
Canadian dollars	1,281	12,985
Euros	59,437	52,901
Australian dollars	1,610	1,221
Hong Kong dollars	40,193	30,468
Singapore dollars	8,783	8,469
	144,432	170,091

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

A valuation was carried out at 31 December 2000 and 31 December 1999 to calculate the market value of the Group's debt instruments and other financial liabilities and assets on a replacement basis taking into account the prevailing interest rates for the respective periods of the appropriate debt instruments. The valuations are as follows:

appropriate debt instruments. The valuations are as follows:

		2000		1999	
		Book £'000	Fair £'000	Book £'000	Fair £'000
Borrowings	– Fixed rate	(220,825)	(257,745)	(240,575)	(273,335)
	– Floating	(400,737)	(400,737)	(453,188)	(453,188)
	– Total	(621,562)	(658,482)	(693,763)	(726,523)
Cash		54,585	54,585	52,458	52,458
Interest rate swaps		–	(393)	–	2,765
Foreign exchange hedges		–	320	–	(328)
Trade Investments – Listed		72,690	53,939	103,597	125,083
	– Unlisted	17,157	17,157	14,036	14,036
Preference shares		(5,979)	(8,516)	(5,979)	(8,287)
		(483,109)	(541,390)	(529,651)	(540,796)

NOTES TO THE FINANCIAL STATEMENTS

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The valuation indicated a value of £58.3m in excess of the actual net financial liabilities at 31 December 2000, which if taken to reserves after tax relief at 30 per cent would reduce the Group's net asset value by £40.8m.

The fair value of interest rate swap derivatives amounts to a negative present value difference of £393,000, of which gains of £78,000 were projected at 31 December 2000 to crystallise in the year to 31 December 2001 and losses of £471,000 in subsequent years.

The fair values of the Group's cash, short-term deposits and loans are not materially different from those at which they are carried in the accounts. Unlisted investments are shown at book value.

Market values have been used to determine the fair value of trade investments and interest rate swaps. The fair values of all other items have been calculated by discounting the expected future cash flows at prevailing interest rates.

GAINS AND LOSSES ON CURRENCY HEDGES

Losses on currency hedges of £1,081,000 (1999 – £549,000) have been taken to other reserves during the year as permitted under SSAP 20 as the hedges have been taken out against the carrying value of foreign investments.

No further analysis of the net amount of monetary assets and liabilities by functional currencies is given as there are no material exchange gains and losses taken to the profit and loss account.

27. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Pension obligations £'000	Total £'000
At 1 January 2000	151	1,075	1,226
Profit and loss account	(246)	314	68
Transfer to debtors	95	–	95
At 31 December 2000	–	1,389	1,389

The analysis of the deferred taxation (asset)/liability is as follows:

Revaluation surplus
Other timing differences

	2000 £'000	1999 £'000
Revaluation surplus	–	151
Other timing differences	(418)	(323)
	(418)	(172)

The deferred tax asset of £418,000 (1999 – £323,000) is included debtors in note 22.

NOTES TO THE FINANCIAL STATEMENTS

28. COMMITMENTS

(A) PROPERTY EXPENDITURE COMMITMENTS:

Investment properties:

Contracted but not provided

Development properties:

Contracted but not provided

Other:

Contracted but not provided

2000 £'000	1999 £'000
117	2,550
22,498	17,408
—	3,075

(B) ANNUAL COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES WHICH EXPIRE:

Within one year

Between two and five years

After five years

2000 Land and buildings £'000	1999 Land and buildings £'000
740	126
3,254	77
3,137	3,388
7,131	3,591

The parent company had no commitments either for property expenditure or operating leases.

29. CONTINGENT LIABILITIES

In connection with the demerger of Deva Group in 1999 a group company has provided guarantees up to a maximum of £25m.

Certain group companies have given performance undertakings to third parties in respect of various contractual obligations entered into in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

30. SHARE CAPITAL

AUTHORISED

Equity interests:

Ordinary shares of £1

Non-voting ordinary shares of £1

Non-equity interests:

12% Non-cumulative irredeemable preference shares of £1

2000		1999	
Number of shares	£'000	Number of shares	£'000
8,000,000	8,000	8,000,000	8,000
64,000,000	64,000	64,000,000	64,000
8,000,000	8,000	8,000,000	8,000
80,000,000	80,000	80,000,000	80,000
5,978,588	5,979	5,978,588	5,979
47,828,704	47,829	47,828,704	47,829
5,978,588	5,979	5,978,588	5,979
59,785,880	59,787	59,785,880	59,787

ALLOTTED, CALLED UP AND FULLY PAID

Equity interests:

Ordinary shares of £1

Non-voting ordinary shares of £1

Non-equity interests:

12% Non-cumulative irredeemable preference shares of £1

RIGHTS OF CLASSES OF SHARES

Profits determined by the directors as available for distribution are to be applied first in paying a fixed non-cumulative dividend of 12% per annum on the amounts paid up on the 12% non-cumulative irredeemable preference shares. The balance of profits available for distribution is payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

On a return of the Company's assets to shareholders the assets are to be applied first in repaying to the holders of the 12% non-cumulative irredeemable preference shares the amounts paid up on their shares. The balance of the assets is payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

Holders of the 12% non-cumulative irredeemable preference shares and non-voting ordinary shares are not entitled to vote at general meetings of the members of the Company except on resolutions varying or abrogating any of the special rights or privileges attaching to their shares.

31. RESERVES

(A) GROUP

	Merger capital reserve £'000	Profit and loss account £'000	Revaluation reserve £'000	Other reserves £'000	Total £'000
At 1 January 2000	144,833	106,271	813,426	192,685	1,257,215
Retained profit for the year	—	63,628	—	—	63,628
Surplus on revaluation of investment properties	—	—	175,495	—	175,495
Corporation tax	—	—	(9,929)	—	(9,929)
Deferred tax	—	—	190	—	190
Other transfers	—	64,675	4,895	(69,570)	—
Transfer of profit on disposal of investment properties	—	32,785	(32,785)	—	—
Translation differences	—	3,908	912	3,824	8,644
At 31 December 2000	144,833	271,267	952,204	126,939	1,495,243

NOTES TO THE FINANCIAL STATEMENTS

31. RESERVES (CONTINUED)

The cumulative amount of goodwill written off directly to reserves in respect of business acquisitions completed on or before 1 January 1998 amounted to £6,381,000 (1999 – £6,381,000).

(B) COMPANY

	Merger capital reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2000	1,268,664	18,153	1,286,817
Retained loss for the year	–	(3,971)	(3,971)
At 31 December 2000	1,268,664	14,182	1,282,846

The parent company's profit after tax was £30,000 (1999 – £20,000,000).

32. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Profit for the financial year	67,628	32,929
Dividends	(4,000)	(30,651)
	63,628	2,278
Other recognised gains and losses	174,400	107,890
Acquisition funded by issue of shares	–	87,427
	238,028	197,595
Net addition to shareholders' funds	1,317,002	1,119,407
Opening shareholders' funds	1,555,030	1,317,002
Closing shareholders' funds		
Attributable to:		
Equity shareholders	1,549,051	1,311,023
Non-equity shareholders	5,979	5,979
	1,555,030	1,317,002

NON EQUITY MINORITY INTEREST

Non equity minority interests wholly comprise preferred shares in Grosvenor Estate International Investments Limited. Preferred shareholders receive a return of their capital on a winding up of the Company in preference to the Group which owns 100% of the ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

33. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £'000	1999 £'000
Operating profit	79,025	40,498
Depreciation	1,333	1,315
Provisions	69	220
Capitalised interest	–	146
Increase in development properties	(26,722)	(6,146)
Decrease/(increase) in debtors	2,138	(15,600)
Increase in creditors	24,122	11,029
Net cash inflow from operating activities	79,965	31,462

34. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £'000	1999 £'000
Increase in cash in the year	12,218	12,140
(Withdrawal)/placement of short term deposits	(10,902)	3,070
Net repayment/(drawdown) of loans	93,627	(118,897)
Loans acquired with subsidiary	–	(283,121)
Exchange differences	(20,615)	10,583
Decrease/(increase) in net debt in the year	74,328	(376,225)
Debt in creditors falling due within one year	(27,473)	(25,378)
Debt in creditors falling due after more than one year	(592,176)	(659,468)
Cash at bank and in hand	54,585	52,458
Overdrafts	(1,913)	(8,917)
Net debt at 31 December	(566,977)	(641,305)
Net debt at 1 January	(641,305)	(265,080)
Decrease/(increase) in net debt in the year	74,328	(376,225)

35. RELATED PARTY TRANSACTIONS

Group companies paid £895,000 (1999 – £934,000) in arm's length rentals to Grosvenor Trusts, and received £375,000 (1999 – £317,000) in arm's length rentals and service charges from certain directors, members of the Grosvenor family and Grosvenor trusts. A Group company disposed of a property interest to the Chairman at market value for £520,000.

In the ordinary course of its business the Group provides services to certain members of the Grosvenor Family and Grosvenor Trusts. Income from these services totalled £4,504,000 (1999 – £4,072,000).

In 2000, the Group arranged insurance cover on normal commercial terms through a related company. Aggregate premiums paid in the year were £4,877,000 (1999 – £453,000).

The Company paid interest of £656,250 (1999 – £656,250) to a Grosvenor Trust on its holding of 12.5% Unsecured Loan Stock.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

US DOLLARS

	2000 US\$'000	1999 US\$'000
TURNOVER: GROUP AND SHARE OF JOINT VENTURES	388,228	233,617
Less share of joint venture's turnover	(3,158)	—
Group turnover	385,070	233,617
NET RENTAL INCOME	150,645	75,381
PROFIT ON DEVELOPMENT PROPERTIES	11,428	15,588
TOTAL GROSS PROFIT	162,073	90,969
Administrative expenses	(41,931)	(25,451)
GROUP OPERATING PROFIT	120,142	65,518
Share of operating profit of joint ventures	(217)	—
Share of operating profit of associated undertakings	16,971	43,556
TOTAL OPERATING PROFIT	136,896	109,074
Profit on sale of investment properties	32,516	16,958
Profit on sale of trade investments	45,852	
PROFIT BEFORE INTEREST	215,264	126,032
Investment income	3,115	2,556
Net interest	(70,156)	(49,663)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	148,223	78,925
Taxation on profit on ordinary activities	(39,271)	(21,030)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	108,952	57,895
Minority interests	(6,137)	(4,622)
	102,815	53,273
Dividends on equity and non-equity shares	(6,081)	(2,988)
Dividend in specie	—	(46,599)
RETAINED PROFIT FOR THE YEAR	96,734	3,686

The above statement, prepared under UK accounting principles, is translated at the average exchange rate for the relevant year.

CONSOLIDATED BALANCE SHEET

31 December 2000

US DOLLARS

	2000 US\$'000	1999 US\$'000
FIXED ASSETS		
Tangible assets		
Investment properties	2,803,740	2,859,417
Other tangible assets	48,480	42,431
Investments		
Associated undertakings	154,038	130,262
Trade investments	134,213	189,589
Joint Venture:		
Share of gross assets	59,833	—
Share of gross liabilities	(26,902)	—
	32,931	—
	3,173,402	3,221,699
CURRENT ASSETS		
Development properties	133,308	95,558
Debtors	170,794	77,167
Cash at bank and in hand	81,539	84,547
	385,641	257,272
CREDITORS: amounts falling due within one year		
Borrowings	(43,897)	(55,273)
Other creditors	(179,797)	(130,053)
NET CURRENT ASSETS	161,947	71,946
TOTAL ASSETS LESS CURRENT LIABILITIES	3,335,349	3,293,645
CREDITORS: amounts falling due after more than one year		
Borrowings	(884,593)	(1,062,864)
Other creditors	(2,767)	(6,945)
PROVISIONS FOR LIABILITIES AND CHARGES	(2,075)	(1,976)
	2,445,914	2,221,860
CAPITAL AND RESERVES		
Called up share capital	89,310	96,359
Merger capital reserve	216,352	233,427
Profit and loss account	405,219	171,277
Revaluation reserve	1,422,402	1,310,999
Other reserves	189,621	310,550
SHAREHOLDERS' FUNDS – including non-equity interests	2,322,904	2,122,612
Minority interests	123,010	99,248
	2,445,914	2,221,860

The above statement, prepared under UK accounting principles, is translated at the closing exchange rate for the relevant year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

EUROS

	2000 €000	1999 €000
TURNOVER: GROUP AND SHARE OF JOINT VENTURES	419,076	219,306
Less share of joint venture's turnover	(3,409)	–
Group turnover	415,667	219,306
NET RENTAL INCOME	162,615	70,764
PROFIT ON DEVELOPMENT PROPERTIES	12,336	14,632
TOTAL GROSS PROFIT	174,951	85,396
Administrative expenses	(45,263)	(23,892)
GROUP OPERATING PROFIT	129,688	61,504
Share of operating profit of joint ventures	(235)	–
Share of operating profit of associated undertakings	18,320	40,888
TOTAL OPERATING PROFIT	147,773	102,392
Profit on sale of investment properties	35,100	15,919
Profit on sale of trade investment	49,496	–
PROFIT BEFORE INTEREST	232,369	118,311
Investment income	3,363	2,400
Net interest	(75,730)	(46,621)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	160,002	74,090
Taxation on profit on ordinary activities	(42,391)	(19,742)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	117,611	54,348
Minority interests	(6,625)	(4,339)
	110,986	50,009
Dividends on equity and non-equity shares	(6,564)	(2,805)
Dividend in specie	–	(43,745)
RETAINED PROFIT FOR THE YEAR	104,422	3,459

The above statement, prepared under UK accounting principles, is translated at the average exchange rate for the relevant year.

CONSOLIDATED BALANCE SHEET

31 December 2000

EUROS

	2000 €'000	1999 €'000
FIXED ASSETS		
Tangible assets		
Investment properties	2,986,364	2,852,853
Other tangible assets	51,638	42,334
Investments		
Associated undertakings	164,071	129,963
Trade investments	142,956	189,154
Joint Ventures		
Share of gross assets	63,730	—
Share of gross liabilities	(28,654)	—
	35,076	—
	3,380,105	3,214,304
CURRENT ASSETS		
Development properties	141,991	95,340
Debtors	181,918	76,990
Cash at bank and in hand	86,850	84,352
	410,759	256,682
CREDITORS: amounts falling due within one year		
Borrowings	(46,756)	(55,147)
Other creditors	(191,508)	(129,754)
	172,495	71,781
NET CURRENT ASSETS		
	3,552,600	3,286,085
CREDITORS: amounts falling due after more than one year		
Borrowings	(942,211)	(1,060,425)
Other creditors	(2,947)	(6,929)
	(2,210)	(1,971)
PROVISIONS FOR LIABILITIES AND CHARGES		
	2,605,232	2,216,760
CAPITAL AND RESERVES		
Called up share capital	95,127	96,137
Merger capital reserve	230,444	232,892
Profit and loss account	431,613	170,884
Revaluation reserve	1,515,052	1,307,989
Other reserves	201,972	309,837
	2,474,208	2,117,739
SHAREHOLDERS' FUNDS – including non-equity interests		
Minority interests	131,024	99,021
	2,605,232	2,216,760

The above statement, prepared under UK accounting principles, is translated at the closing exchange rate for the relevant year.

FIVE YEAR SUMMARY

	1996 £m	1997 £m	1998 £m	1999 £m	2000 £m
ASSETS EMPLOYED					
Investment properties	892.7	1,065.2	1,153.7	1,774.2	1,876.9
Investments	151.1	218.9	271.7	198.4	215.0
	1,043.8	1,284.1	1,425.4	1,972.6	2,091.9
Other tangible fixed assets	3.6	3.6	4.0	26.3	32.5
Development properties	50.4	37.8	38.6	59.3	89.2
Other net current assets/(liabilities)	(90.9)	(40.6)	(21.0)	(19.0)	17.3
Provisions for liabilities and charges	(9.9)	(7.9)	(0.9)	(1.2)	(1.4)
	997.0	1,277.0	1,446.1	2,038.0	2,229.5
FINANCED BY					
Share capital	55.8	55.8	55.8	59.8	59.8
Reserves	701.4	859.0	1,063.7	1,257.1	1,495.2
Loans (due after more than one year)	234.8	326.8	282.7	659.5	592.2
Minority interest	5.0	35.4	43.9	61.6	82.3
	997.0	1,277.0	1,446.1	2,038.0	2,229.5
GROUP TURNOVER					
Property investment	54.3	64.2	69.6	75.9	144.2
Property trading	31.3	106.2	69.2	58.8	109.1
Demerged activities	14.5	12.4	12.8	9.7	-
	100.1	182.8	151.6	144.4	253.3
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION					
Property investment	33.5	33.7	35.3	36.1	66.8
Property trading	4.1	19.1	8.4	5.9	12.2
Demerged activities	1.4	(0.5)	(3.8)	(1.5)	-
Group operating profit	39.0	52.3	39.9	40.5	79.0
Share of operating profit of associates and joint ventures	9.0	16.4	21.5	26.9	11.0
Total operating profit	48.0	68.7	61.4	67.4	90.0
Profit on sale of investment properties	6.5	26.4	30.9	10.5	21.4
Profit on sale of trade investment	-	-	-	-	30.2
Net interest	(26.4)	(31.0)	(26.1)	(30.7)	(46.1)
Other items	-	1.4	1.3	1.6	2.0
Profit before taxation	28.1	65.5	67.5	48.8	97.5

Where the effect is material, the above figures have been restated to reflect accounting policy changes.

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