

GROSVENOR RETAIL HOLDINGS LIMITED

(Formerly Heartcause Limited)

Registered No 03244187

REPORT &
FINANCIAL STATEMENTS

31ST DECEMBER 1997



GROSVENOR RETAIL HOLDINGS LIMITED

(Formerly Heartcause Limited)

DIRECTORS' REPORT

The directors submit their report together with the financial statements for the period from incorporation to 31st December 1997.

1. **INCORPORATION OF THE COMPANY**

The company was incorporated on 30 August 1996 as Heartcause Limited and changed its name on 11 October 1996.

2. **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company through its subsidiary companies is investment in real property in the United Kingdom. The company had no trading income during the period.

3. **DIRECTORS**

The directors of the company who served during the period were:

G I M Cockburn (resigned 31 December 1997)
S-J Curtis
J O Hagger
J H M Newsum
R C Williams

4. **RESULTS AND DIVIDENDS**

The profit on ordinary activities before taxation was £18,000,000. The directors paid an interim dividend on the ordinary shares of £18,000,000 to its ultimate parent company, Grosvenor Estate Holdings.

The directors do not recommend the payment of a final dividend.

The state of the Company's affairs at 31st December 1997 is fully set out in the attached balance sheet.

5. **DIRECTORS' INTERESTS IN SHARE CAPITAL**

The directors, according to the register required to be kept under Section 325 of the Companies Act 1985, held no interest in shares and loans which are required by the act to be notified to the company.

Mr J H M Newsum held the following non-beneficial interest in the share capital of Grosvenor Estate Holdings at the date of his appointment and 31st December 1997:-

| | |
|------------|--|
| 2,572,302 | ordinary shares of £1 each |
| 20,578,416 | non-voting ordinary shares of £1 each |
| 2,572,302 | 12% non-cumulative irredeemable preference shares of £1 each |

None of the directors held an interest in the share or loan capital of the company or other group companies at date of appointment and 31st December 1997.

6. **AUDITORS**

Saffery Champness resigned as auditors on 9th June 1997. On 12th June 1997 Deloitte & Touche were appointed auditors.

GROSVENOR RETAIL HOLDINGS LIMITED

(Formerly Heartcause Limited)

DIRECTORS' REPORT (continued)

7. DIRECTORS' RESPONSIBILITIES

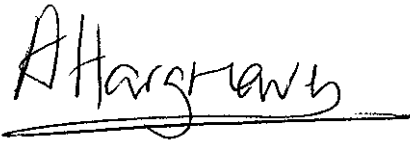
The directors have responsibility for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for the period.

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

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.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'A A Hargreaves', written over a horizontal line.

A A Hargreaves
Secretary

31 March 1998

REPORT OF THE AUDITORS TO THE MEMBERS OF
(Formerly Heartcause Limited)
GROSVENOR RETAIL HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 7 which have been prepared under the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report 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. We are also required to report whether in our opinion the original statements failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors.

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. The audit of revised financial statements includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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 1997 and of the result for the period from 30th August 1996 to 31st December 1997 and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Deloitte & Touche

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

23 April
March 1998

GROSVENOR RETAIL HOLDINGS LIMITED**(Formerly Heartcause Limited)****PROFIT AND LOSS ACCOUNT****FOR THE PERIOD ENDED 31ST DECEMBER 1996**

| <u>Results of continuing operations</u> | <u>30/8/96 to 31/12/97</u> |
|---|-----------------------------------|
| <u>Turnover</u> | |
| Dividend received | 18,000,000 |
| | <hr/> |
| <u>Profit on ordinary activities before taxation</u> | 18,000,000 |
| Taxation | - |
| | <hr/> |
| <u>Profit for the year</u> | 18,000,000 |
| Dividend - interim paid | (18,000,000) |
| | <hr/> |
| <u>Profit/ (loss) for the financial period</u> | <hr/> <hr/> £ - |

There are no recognised gains or losses for the financial period.

GROSVENOR RETAIL HOLDINGS LIMITED

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BALANCE SHEET**31ST DECEMBER 1997**

| | <u>Note</u> | <u>1997</u> |
|--|-------------|--------------------|
| <u>Fixed Assets</u> | | |
| Investments, at cost | 4 | 36,302,298 |
| <u>Total Assets</u> | | <u>£36,302,298</u> |
| <u>Capital and Reserves</u> | | |
| Called up share capital | 5 | 32,000,204 |
| Share premium | | 4,302,094 |
| <u>Equity Shareholders' Funds</u> | | <u>£36,302,298</u> |

Approved by the Board on 31 March 1998



Director

GROSVENOR RETAIL HOLDINGS LIMITED

(Formerly Heartcause Limited)

NOTES TO THE FINANCIAL STATEMENTS**31ST DECEMBER 1997****1. ACCOUNTING POLICIES****(a) Basis of Accounting**

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

(b) Deferred Taxation

Provision for deferred taxation is made in respect of short term timing differences where the directors expect the timing differences to reverse in the foreseeable future. No provision is made for taxation that may arise on the disposal of any of the company's properties, except to the extent that a liability may arise in the foreseeable future.

(c) Cash Flow Statement

A cash flow statement has not been produced as Grosvenor Retail Holdings Limited is a wholly owned subsidiary of Grosvenor Estate Holdings, which itself produces consolidated financial statements.

(d) Consolidated Financial Statements

Consolidated financial statements have not been produced as Grosvenor Retail Holdings Limited is a wholly owned subsidiary of Grosvenor Estate Holdings, which itself produces consolidated financial statements. These financial statements present information about the company as an individual undertaking and not as a group.

2. PENSION SCHEMES

The Group's main pension scheme is the Grosvenor Estates Pension Scheme, a defined benefit pension scheme. Full scheme disclosures are included in the parent company accounts.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:-

| | <u>1997</u> |
|-------------------------|--------------------|
| Auditors' remuneration | - |
| Directors' remuneration | - |
| Staff costs | - |
| | <hr/> |

Auditors' remuneration is borne by a fellow subsidiary.

GROSVENOR RETAIL HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS**31ST DECEMBER 1997****4. FIXED ASSETS - INVESTMENTS**

The following companies registered in England and Wales, whose nature of business is property investment, were wholly owned subsidiaries of the company:

Market Place Bolton Limited
 Grosvenor (Perth) Limited
 Grosvenor Precinct (Chester) Limited

In accordance with the provisions of Section 228 (2) of the Companies Act 1985, the company is not required to submit group accounts. The directors consider that the value of the shares in the subsidiaries is not less than the amount at which they are included in the balance sheet.

5. CAPITAL AND RESERVES

| | <u>1997</u> |
|---|--------------------|
| Authorised ordinary shares £1 | £50,000,000 |
| | <hr/> |
| Allotted called up and fully paid ordinary shares of £1 | £32,000,204 |
| | <hr/> |

6. ULTIMATE PARENT COMPANY

The ultimate parent company is Grosvenor Estate Holdings, an unlimited company registered in England and Wales and which is wholly owned by trusts and members of the Grosvenor family, headed by the Duke of Westminster. The ultimate parent company heads the largest and smallest group of undertakings of which the company is a member and for which group accounts are prepared.

All companies referred to above are incorporated in Great Britain and registered in England and Wales. The financial statements of these companies can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

7. RELATED PARTY TRANSACTIONS

The company has applied the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose related party transactions with Grosvenor Estate Holdings' group companies.