

GROSVENOR (BASINGSTOKE) LIMITED

COMPANY REGISTRATION NUMBER 3359620

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2005



GROSVENOR (BASINGSTOKE) LIMITED**DIRECTORS' REPORT**

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was property investment in the United Kingdom through the company's holding in Grosvenor Festival Place Fund.

Grosvenor (Basingstoke) Limited transferred its share in the Grosvenor Festival Place Fund to Grosvenor Realty Investments Limited on the 10th February 2006.

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 5. Profit on ordinary activities before taxation was £1,751,479 (2004 - £3,643,405, as restated, see note 8).

The following dividends have been paid:

	2005 £	2004 £ Restated
Dividends paid on ordinary shares	<u>3,500,000</u>	<u>5,000,000</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company throughout the year, except as noted, were as follows:

J Greenwood	
W J A Bullough	
R C Williams	
R S Handley	(Appointed 23 February 2005)
S H R Musgrave	(Appointed 23 February 2005)
P S Vernon	(Appointed 7 April 2005)

None of the directors in office at 31 December 2005 had any interests in the securities of the company, Grosvenor Group Limited, its ultimate parent undertaking, or any of its fellow subsidiary undertakings which are required to be disclosed under the Companies Act 1985.

D J P Rawcliffe was appointed as a director on 1 February 2006.

R C Williams resigned as a director on 1 February 2006.

DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
prepare the financial statements on the going concern basis unless it is inappropriate

GROSVENOR (BASINGSTOKE) LIMITED

DIRECTORS' REPORT *(continued)*

DIRECTORS' RESPONSIBILITIES (continued)

to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company, for the system of internal control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

Signed by order of the Board

A handwritten signature in black ink, appearing to read 'C M Tolhurst', with a stylized flourish at the end.

C M Tolhurst
Company Secretary

26 MAY 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GROSVENOR (BASINGSTOKE) LIMITED
YEAR ENDED 31 DECEMBER 2005

We have audited the financial statements of Grosvenor (Basingstoke) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report 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 require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GROSVENOR (BASINGSTOKE) LIMITED
YEAR ENDED 31 DECEMBER 2005 *(continued)*

OPINION

In our opinion:

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended;

the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

26 May 2006
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GROSVENOR (BASINGSTOKE) LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 £ Restated
Turnover	2	6,773,551	5,967,973
Cost of sales		(2,687,156)	(1,959,898)
Gross profit		4,086,395	4,008,075
Administrative expenses		(26,779)	(137,196)
Operating profit	3	4,059,616	3,870,879
Interest receivable and similar income		38,481	66,781
Interest payable and similar charges	5	(2,346,618)	(294,255)
Profit on ordinary activities before taxation		1,751,479	3,643,405
Tax on profit on ordinary activities		—	—
Profit on ordinary activities after taxation		1,751,479	3,643,405
Equity dividends	7	(3,500,000)	(5,000,000)
Loss for the financial year		(1,748,521)	(1,356,595)

All results are derived from continuing operations.

GROSVENOR (BASINGSTOKE) LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2005

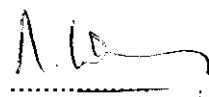
	2005 £	2004 £ Restated
Profit for the financial year attributable to the shareholders	1,751,479	3,643,405
Unrealised gain on revaluation of investment properties	6,141,355	6,923,195
UITF 28 adjustment to property valuation	227,050	21,656
Other profit and loss movements	–	(72,140)
Other revaluation reserve movements	–	505,395
Total recognised gains and losses relating to the year	<u>8,119,884</u>	<u>11,021,511</u>

GROSVENOR (BASINGSTOKE) LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2005**

	Note	2005 £	2004 £ Restated
Tangible fixed assets			
Investment properties	9	97,221,241	90,573,756
Current assets			
Debtors	11	1,471,022	2,253,735
Cash at bank and in hand		1,567,630	1,964,076
		3,038,652	4,217,811
Creditors: amounts falling due within one year	12	(34,915,531)	(34,210,415)
Net current liabilities		(31,876,879)	(29,992,604)
Total assets less current liabilities		65,344,362	60,581,152
Creditors: amounts falling due after more than one year	13	(41,465,304)	(41,321,978)
		23,879,058	19,259,174
Capital and reserves			
Called up equity share capital	15	2	2
Revaluation reserve	16	21,760,243	15,391,838
Profit and loss account	17	2,118,813	3,867,334
Equity shareholders' funds	18	23,879,058	19,259,174

26 MAY 2006

These financial statements were approved by the Board on the and are signed on its behalf by:



 Director



 Director

GROSVENOR (BASINGSTOKE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****1. ACCOUNTING POLICIES****(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom law and accounting standards. The accounting policies have been applied consistently throughout the current and preceding year with the exception of FRS21 'Events after the balance sheet date', the impact of which is explained in note 8.

(b) Cash flow statement

The directors have taken advantage of the exemption in FRS1 'Cash flow statements' from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

(c) Turnover

The turnover shown in the profit and loss account represents rents and service charges receivable in the year, excluding VAT.

(d) Depreciation

In accordance with SSAP 19 (Revised) 'Accounting for Investment Properties' no depreciation is provided on freehold or on leasehold properties with an unexpired term exceeding twenty years. The directors consider that this departure from the requirement of the Companies Act 1985 for all properties to be depreciated is necessary for the financial statements to show a true and fair view, since depreciation is reflected in the open market valuation and cannot be quantified separately.

(e) Investment properties

Investment properties are valued annually at open market value by independent valuers. Any surplus or deficit on revaluation is transferred to the revaluation reserve, except that if a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged or credited to the profit and loss account.

Investment properties under development are stated at cost, except where the directors consider that the value has fallen below cost, when they are revalued to the lower amount. The revaluation deficit is transferred to the revaluation reserve unless it is considered permanent, in which case it is charged to the profit and loss account.

Profits and losses on the disposal of investment properties are recognised on unconditional exchange of contracts and are calculated by reference to book value and are included in the profit and loss account. On the disposal or recognition of a provision for impairment of a revalued asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

GROSVENOR (BASINGSTOKE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****1. ACCOUNTING POLICIES** *(continued)***(f) Deferred taxation**

Deferred taxation is provided in full in respect of timing differences between the recognition of income and expenditure for accounting and taxation purposes. Deferred taxation is not provided in respect of unrealised revaluation surpluses where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(g) Joint arrangements

An undertaking is regarded as a joint arrangement if the company 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 company 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 company's own business.

(h) Taxation

Current UK corporation tax is provided at a group level at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company within the United Kingdom.

3. OPERATING PROFIT

Operating profit is stated after charging:	2005	2004
	£	£
Auditors' remuneration		
- as auditors	<u>1,465</u>	<u>1,344</u>

Auditors' remuneration for Grosvenor (Basingstoke) Limited has been borne by a fellow subsidiary undertaking both in the current and preceding year.

The current and preceding year charge relates to the company's share of the audit fees borne by Grosvenor Festival Place Fund.

4. PARTICULARS OF EMPLOYEES

No fees or other emoluments were paid to the directors of the company during either the current or the preceding year in respect of their services to the company. The directors are paid by Grosvenor Estate Management Limited. There were no employees of the company for the current or preceding year.

GROSVENOR (BASINGSTOKE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****5. INTEREST PAYABLE AND SIMILAR CHARGES**

	2005 £	2004 £
Finance charges	<u>2,346,618</u>	<u>294,255</u>

6. TAXATION

The taxation charge will be borne by the intermediate holding company, Grosvenor Limited, both in the current and preceding year.

7. DIVIDENDS

	2005 £	2004 £ Restated
Dividend paid on equity shares	<u>3,500,000</u>	<u>5,000,000</u>

Refer to note 8 for the effect of the adoption of FRS21 'Events after the balance sheet date' on the dividends paid in the current and preceding year.

8. PRIOR YEAR ADJUSTMENT

The company has adopted FRS21 'Events after the balance sheet date' in the current year. In accordance with this standard, when dividends are declared after the balance sheet date, the entity shall not recognise these dividends as an asset or a liability at the balance sheet date. The balance sheet and profit and loss account at 31 December 2004 have been restated to reflect this change in accounting policy. The impact is to reduce creditors, increase retained profit for the year and increase net assets by £3,500,000 being the proposed dividend for that year.

9. INVESTMENT PROPERTIES

	Long leasehold £
Cost or valuation	
At 1 January 2005	90,573,756
Additions	279,080
Revaluation	6,141,355
UITF adjustment to property valuation	227,050
At 31 December 2005	<u>97,221,241</u>
Net book value	
At 31 December 2005	<u>97,221,241</u>
At 31 December 2004	<u>90,573,756</u>

GROSVENOR (BASINGSTOKE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Revaluation of fixed assets**

The above represents the company's share of the long leasehold investment property owned by Grosvenor Festival Place Fund. The property was valued as at 31 December 2005 by qualified professional valuers working for the company of Colliers CRE, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors (RICS).

The property was valued on the basis of Market Value. All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards.

The valuation has been incorporated into the financial statements and the surplus has been transferred to the revaluation reserve. As at 31 December 2005 this was £6,141,355 (2004 - £6,923,195) before adjustment for UITF 28.

The historical cost of Grosvenor (Basingstoke) Limited's share of the investment properties owned by Grosvenor Festival Place Fund as at 31 December 2005 was £82,682,004 (2004 - £82,402,598). The taxation on capital gains which would be payable on the surplus arising on the revaluation of fixed assets, in the event of their sale at valuation, is estimated to be approximately £5,353,039 (2004 - £3,850,000) of which £nil (2004 - £nil) has been provided as deferred tax.

10. INTERESTS IN JOINT ARRANGEMENTS

The company has a 24.4% (2004 - 24.4%) interest in Grosvenor Festival Place Fund, a UK registered limited partnership, which is accounted for on the basis explained in the accounting policies, but which is classified as an associate under the Companies Act 1985. The partnership is governed by English law and its principal office is located at 70 Grosvenor Street, London W1K 3JP.

11. DEBTORS

	2005 £	2004 £
Trade debtors	318,706	373,068
Amounts owed by group undertakings	—	428,579
Other debtors	38,157	265,212
Prepayments and accrued income	1,114,159	1,186,876
	<u>1,471,022</u>	<u>2,253,735</u>

12. CREDITORS: amounts falling due within one year

	2005 £	2004 £
Trade creditors	12,535	Restated 38,311
Amounts owed to group undertakings	32,682,081	32,050,657
Other taxation and social security	128,974	107,309
Other creditors	169,436	115,979
Accruals and deferred income	1,922,505	1,898,159
	<u>34,915,531</u>	<u>34,210,415</u>

GROSVENOR (BASINGSTOKE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****13. CREDITORS: amounts falling due after more than one year**

	2005 £	2004 £
Bank loans and overdrafts	<u>41,465,304</u>	<u>41,321,978</u>

The bank loan included in creditors above represents the company's share of the Grosvenor Festival Place Fund bank loan which is drawn on a four year, eight month £175m facility repayable in 2009. The loan is secured on Festival Place Shopping Centre, Basingstoke and interest is payable on 99.7% of the debt on a fixed rate basis (at 5.5%) through the use of an interest rate swap with the remainder being payable on a floating rate based at a margin above LIBOR.

14. RELATED PARTY TRANSACTIONS

The company has applied the exemption granted by FRS8 'Related party disclosures' not to disclose transactions with Grosvenor Group Limited, fellow subsidiaries of Grosvenor Group Limited, or any undertaking in which any member of the group holds an investment which would otherwise qualify as related parties.

Accordingly, during the period under review there were no transactions or balances with related parties which require disclosure in these financial statements.

15. CALLED UP SHARE CAPITAL**Authorised share capital:**

	2005 £	2004 £
100 ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2005 £	2004 £
2 ordinary shares of £1.00 each	<u>2</u>	<u>2</u>

16. REVALUATION RESERVE

	2005 £	2004 £
At 1 January	15,391,838	7,941,592
Revaluation of fixed assets	6,141,355	6,923,195
Other movements	—	505,395
UITF 28 adjustment to property valuation	227,050	21,656
At 31 December	<u>21,760,243</u>	<u>15,391,838</u>

GROSVENOR (BASINGSTOKE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****17. PROFIT AND LOSS ACCOUNT**

	2005 £	2004 £ Restated
Original balance at 1 January	367,334	296,069
Prior year adjustment (note 8)	3,500,000	5,000,000
Restated balance at 1 January	3,867,334	5,296,069
Retained loss for the financial year	(1,748,521)	(1,356,595)
Other movements	—	(72,140)
At 31 December	<u>2,118,813</u>	<u>3,867,334</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £ Restated
Profit for the financial year	1,751,479	3,643,405
Dividends	(3,500,000)	(5,000,000)
	(1,748,521)	(1,356,595)
Other net recognised gains and losses	6,141,355	6,923,195
	4,392,834	5,566,600
Other movements	—	(72,140)
Other revaluation movements	—	505,395
UITF 28 adjustment to property valuation	227,050	21,656
Net addition to funds	4,619,884	6,021,511
Opening equity shareholders' funds as previously stated	15,759,174	8,237,663
Prior year adjustment (see note 8)	3,500,000	5,000,000
Opening equity shareholders' funds as restated	19,259,174	13,237,663
Closing equity shareholders' funds	<u>23,879,058</u>	<u>19,259,174</u>

GROSVENOR (BASINGSTOKE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company's ultimate parent undertaking is Grosvenor Group Limited, a company incorporated in Great Britain and registered in England and Wales which is wholly owned by trusts and members of the Grosvenor family, headed by the Duke of Westminster.

The ultimate parent undertaking heads the largest group of undertakings of which the company is a member and for which group accounts are prepared. Grosvenor Limited, an intermediate holding company, heads the smallest group of undertakings of which the company is a member and for which group accounts are prepared. Grosvenor Limited is the immediate holding company.

Copies of the consolidated financial statements of Grosvenor Group Limited and Grosvenor Limited can be obtained from Companies House, 3 Crown Way, Maindy, Cardiff, CF14 3UZ.