

40 GROSVENOR PLACE LIMITED

COMPANY REGISTRATION NUMBER 4053613

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2005



40 GROSVENOR PLACE 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 to act as holding company for a subsidiary involved in property investment in the UK.

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

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 5. Loss on ordinary activities before taxation was £2,680,941 (2004 - £2,159,140, as restated - see note 8).

The directors have not recommended payment of a dividend (2004 - £nil).

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:

M Howard	
S R H Beevor	(Appointed 19 January 2005)
R B Mallett	(Appointed 19 January 2005)
N R Scarles	(Appointed 19 January 2005)
R S Handley	(Resigned 19 January 2005)
S H R Musgrave	(Resigned 19 January 2005)
R C Williams	(Resigned 19 January 2005)

None of the company's directors at 31 December 2005 had any interests in the securities of the company, its controlling entity, Grosvenor London Office Fund, a UK limited partnership, or any other entities within the Grosvenor London Office Fund limited partnership group, which are required to be disclosed under the Companies Act 1985.

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 to presume that the company will continue in business.

40 GROSVENOR PLACE LIMITED

DIRECTORS' REPORT *(continued)*

DIRECTORS' RESPONSIBILITIES *(continued)*

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 dark ink, appearing to read 'R B Mallett', is written over a faint horizontal line.

R B Mallett
Director

07 APR 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
40 GROSVENOR PLACE LIMITED
YEAR ENDED 31 DECEMBER 2005

We have audited the financial statements of 40 Grosvenor Place 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 16. These financial statements have been prepared under the historical cost convention 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 other transactions 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
40 GROSVENOR PLACE 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 loss for the year then ended;

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

Deloitte & Touche UK

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

7 April 2006

40 GROSVENOR PLACE LIMITEDSTATEMENT 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	<u>1,057,489</u>	<u>1,012,470</u>
Total recognised gains and losses relating to the year	<u>1,057,489</u>	<u>1,012,470</u>
Prior year adjustment (see note 8)	<u>(900,000)</u>	
Total recognised gains and losses since last annual report	<u>157,489</u>	

40 GROSVENOR PLACE LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005**

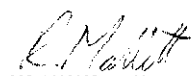
	Note	2005 £	2004 £ Restated
Turnover		—	—
Administrative expenses		(52)	(52)
Operating loss		(52)	(52)
Income from shares in group undertakings	4	1,700,000	800,000
Interest receivable		169	170
Interest payable and similar charges	5	(4,381,058)	(2,959,258)
Loss on ordinary activities before taxation		(2,680,941)	(2,159,140)
Tax on loss on ordinary activities	6	1,057,489	1,012,470
Retained loss for the financial year		(1,623,452)	(1,146,670)

All results are derived from continuing operations.

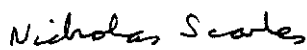
40 GROSVENOR PLACE LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £	2004 £ Restated
Tangible fixed assets			
Investments	9	<u>42,275,837</u>	<u>42,275,837</u>
Current assets			
Debtors	10	21,220,915	22,663,426
Cash at bank and in hand		<u>4,718</u>	<u>4,600</u>
		21,225,633	22,668,026
Creditors: amounts falling due within one year	11	<u>(65,287,439)</u>	<u>(65,106,380)</u>
Net current liabilities		<u>(44,061,806)</u>	<u>(42,438,354)</u>
Total assets less current liabilities		<u>(1,785,969)</u>	<u>(162,517)</u>
Capital and reserves			
Called up equity share capital	13	6,520,100	6,520,100
Profit and loss account	14	<u>(8,306,069)</u>	<u>(6,682,617)</u>
Equity shareholders' deficit	15	<u>(1,785,969)</u>	<u>(162,517)</u>

These financial statements were approved by the Board on the 7 April 2006 and are signed on its behalf by:



 Director



 Director

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

The financial statements have been prepared under the historical cost convention 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 FRS17 'Retirement benefits', the impact of which is explained in note 8.

The company is a wholly subsidiary of the Grosvenor London Office Fund, its ultimate parent undertaking, which is a limited partnership registered in the United Kingdom and prepares consolidated financial statements. Consequently the company is not required to prepare consolidated financial statements.

(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) 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.

(d) Taxation

Current UK corporation tax is provided 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.

(e) Investments

Investments held as fixed assets are stated at costs less provision for impairment.

2. AUDITORS' REMUNERATION

Auditors' remuneration has been borne by Grosvenor London Office Fund, a UK limited partnership, in both the current and preceding year.

3. 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.

40 GROSVENOR PLACE LIMITED**NOTES TO THE FINANCIAL STATEMENTS****4. INCOME FROM SHARES IN GROUP UNDERTAKINGS**

	2005	Restated 2004
	£	£
Income from group undertakings	<u>1,700,000</u>	<u>800,000</u>

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

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Other interest payable	<u>4,381,058</u>	<u>2,959,258</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2005	2004
	£	£
Current tax:		
Current year tax charge	-	-
Group taxation relief	<u>(1,057,489)</u>	<u>(1,012,470)</u>
Tax credit on loss on ordinary activities	<u>(1,057,489)</u>	<u>(1,012,470)</u>

7. TAX RECONCILIATION

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 30% (in both periods). The difference between the standard rate of tax and the effective rate arises from the items set out below:

	2005	2004
	£	£
		Restated
Loss on ordinary activities before taxation	<u>(2,680,941)</u>	<u>(2,159,140)</u>
Factors affecting charge for the period:		
Tax on loss on ordinary activities at standard rate	<u>(804,282)</u>	<u>(647,742)</u>
Write back of provision for impairment of fixed assets	-	-
Income from shares in group undertakings	<u>(510,000)</u>	<u>(240,000)</u>
Tax losses carried forward	<u>256,793</u>	-
Adjustments in respect of prior years	-	<u>(124,728)</u>
Surrender of losses to subsidiary	<u>1,057,489</u>	<u>1,012,470</u>
Consideration for loss surrender	<u>(1,057,489)</u>	<u>(1,012,470)</u>
Current tax credit for the period	<u>(1,057,489)</u>	<u>(1,012,470)</u>

40 GROSVENOR PLACE LIMITED**NOTES TO THE FINANCIAL STATEMENTS****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 decrease debtors and decrease net assets by £1,700,000, and decrease retained profit for the year by £900,000.

9. INVESTMENTS**SUBSIDIARY UNDERTAKINGS**

	£
Cost:	
At 1 January 2005 and 31 December 2005	<u>42,275,837</u>
Net book value:	
At 31 December 2005	<u>42,275,837</u>
At 31 December 2004.	<u>42,275,837</u>

The company owns 100% of the issued share capital of Victoria Investments (London) Limited, a property investment company incorporated in England and Wales.

10. DEBTORS

	2005	2004
	£	£
		Restated
Amounts owed by group undertakings	<u>21,220,915</u>	<u>22,663,426</u>

11. CREDITORS: amounts falling due within one year

	2005	2004
	£	£
Amounts owed to group undertakings	<u>65,287,439</u>	<u>65,106,380</u>

12. RELATED PARTY TRANSACTIONS

The company has applied the exemption granted by FRS8 'Related party disclosures' not to disclose transactions with Grosvenor London Office Fund, a UK limited partnership, or any undertaking within the Grosvenor London Office limited partnership group 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.

40 GROSVENOR PLACE LIMITED**NOTES TO THE FINANCIAL STATEMENTS****13. CALLED UP SHARE CAPITAL****Authorised share capital:**

	2005 £	2004 £
6,520,100 ordinary shares of £1.00 each	<u>6,520,100</u>	<u>6,520,100</u>

Allotted, called up and fully paid:

	2005 £	2004 £
6,520,100 ordinary shares of £1.00 each	<u>6,520,100</u>	<u>6,520,100</u>

14. PROFIT AND LOSS ACCOUNT

	2005 £	2004 £ Restated
Original balance at 1 January	(4,982,617)	(4,735,947)
Prior year adjustment (note 8)	(1,700,000)	(800,000)
Restated balance at 1 January	(6,682,617)	(5,535,947)
Retained loss for the financial year	(1,623,452)	(1,146,670)
At 31 December	<u>(8,306,069)</u>	<u>(6,682,617)</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £ Restated
Opening equity shareholders' funds as previously stated	1,537,483	1,784,153
Loss for the financial year	(1,623,452)	(1,146,670)
Prior year adjustment (see note 8)	(1,700,000)	(800,000)
Opening equity shareholders' (deficit)/funds as restated	(162,517)	984,153
Closing equity shareholders' deficit	<u>(1,785,969)</u>	<u>(162,517)</u>

16. ULTIMATE PARENT UNDERTAKING

The company's immediate and ultimate parent undertaking and controlling entity is Grosvenor London Office Fund, a UK limited partnership.

The immediate and ultimate parent undertaking heads the largest and smallest group of undertakings of which the company is a member and for which consolidated accounts are prepared.