

GROSVENOR CONTINENTAL EUROPE HOLDINGS
LIMITED

COMPANY REGISTRATION NUMBER 4233654

ANNUAL REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002



GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES

The directors submit their report together with the financial statements of the company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period was that of a holding company for investments.

On 1 January 2002 the company acquired 75% of the shares of Grosvenor First European Property Investments SA and 100% of the shares of Grosvenor SAS (formerly Grosvenor SA), which had previously been held by Grosvenor Overseas Holdings Limited. On 30 June 2002 the company sold 100% of the ordinary share capital in its subsidiary, Grosvenor CE Acquisitions Limited to Grosvenor Acquisitions Holdings Limited. On 1 July 2002 the company acquired Grosvenor Continental Europe SA, incorporated in Luxembourg. On the same date it contributed all its assets and liabilities to Grosvenor Continental Europe SA, including its investments in Grosvenor First European Property Investments SA and Grosvenor SAS.

Since the Euro forms the main currency in which the company's business is transacted, the company reports in Euro.

RESULTS AND DIVIDENDS

The results of the company for the period are shown on page 4. Profit on ordinary activities before taxation was €123,009,792 (2001 – Loss €504,022).

The directors have not recommended payment of a dividend (2001 - €nil).

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company throughout the period were as follows:

B Prat-Stanford
J H M Newsum
J O Hagger
N L Jones

Except as disclosed in the financial statements of the ultimate parent company, none of the directors in office at 31 December 2002 had any interests in the securities of the company, its ultimate parent undertaking, Grosvenor Group Holding Limited, or any of its fellow subsidiary undertakings which are required to be disclosed under the Companies Act 1985.

GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED

DIRECTORS' REPORT

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 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, as described on page 6, 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.

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, the system of internal control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Deloitte & Touche were appointed the company's auditors on 15 February 2002.

Pursuant to S386 of the Companies Act 1985 an elective resolution has been passed to dispense with the requirement to reappoint auditors annually.

Signed by order of the Board



J O Hagger
Company Secretary

13 March 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED
YEAR ENDED 31 DECEMBER 2002

We have audited the financial statements of Grosvenor Continental Europe Holdings Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 13. These financial statements have been prepared under 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 THE DIRECTORS AND THE 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 and consider the implications for our report if we become aware of any apparent misstatements.

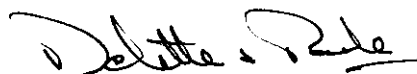
BASIS OF AUDIT OPINION

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 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 the company's affairs as at 31 December 2002 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants & Registered Auditors
London

24 March 2003

GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002**

	Note	2002 €	13 June 2001 to 31 December 2001 €
Turnover		-	-
Administrative expenses		(16,096)	(323,159)
Operating loss	2,3	(16,096)	(323,159)
Profit on sale of investments		123,930,051	
Interest payable and similar charges	4	(904,163)	(180,863)
Profit / (loss) on ordinary activities before and after taxation		<u>123,009,792</u>	<u>(504,022)</u>
Retained profit / (loss) for the financial year / period	10	<u>123,009,792</u>	<u>(504,022)</u>


There are no recognised gains or losses for the current financial year or preceding period other than as stated in the profit and loss account. All activities relate to continuing operations.

GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2002**


	Note	2002 €	2001 €
Fixed assets			
Investments	5	<u>286,890,000</u>	<u>163</u>
Current assets			
Debtors	6	-	48,010,669
Cash at bank and in hand		28,067	-
Creditors: amounts falling due within one year	7	<u>(31,413)</u>	<u>(113,828)</u>
Net current (liabilities) / assets		<u>(3,346)</u>	<u>47,896,841</u>
Total assets less current liabilities		<u>286,886,654</u>	<u>47,897,004</u>
Creditors: amounts falling due after more than one year	8	-	(48,400,863)
		<u>286,886,654</u>	<u>(503,859)</u>
Capital and reserves			
Called-up equity share capital	9	164,380,884	163
Profit and loss account	10	122,505,770	(504,022)
Equity shareholder's funds / (deficit)	11	<u>286,886,654</u>	<u>(503,859)</u>

13 MAR 2003

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



 Director



 Director

GROSVENOR CONTINENTAL EUROPE HOLDINGS 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 accounting standards.

The company is a wholly owned indirect subsidiary of Grosvenor Group Holdings Limited, which is registered in England and Wales 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 (revised) '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) Investments

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

2. AUDITORS' REMUNERATION

Auditors' remuneration for Grosvenor Continental Europe Holdings Limited has been borne by a fellow subsidiary undertaking in both the current and prior years.

3. PARTICULARS OF EMPLOYEES

The company has no employees. No amounts have been paid to directors in respect of qualifying services in either the year or prior period.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 €	13 June 2001 to 31 December 2001 €
Interest payable on bank loans and overdrafts	<u>904,163</u>	<u>180,863</u>

GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****5. INVESTMENTS****Shares at cost**

	2002	2001
	€	€
Cost		
At 1 January	163	-
Additions	451,270,722	163
Disposals	(164,380,885)	-
At 31 December	<u>286,890,000</u>	<u>163</u>
Net book value		
At 31 December	<u>286,890,000</u>	<u>163</u>

On 1 January 2002 the company acquired all of the shares of Grosvenor First European Property Investments SA and Grosvenor SAS (formerly Grosvenor SA) which had previously been held by Grosvenor Overseas Holdings Limited, the company's immediate parent company (respectively representing 75% and 100% of the issued share capital of these companies). The consideration was the issue of 100,563,270 new shares in the company of £1 each (€1.6346).

On 30 June 2002 the company sold 100% of the ordinary share capital in its subsidiary, Grosvenor CE Acquisitions Limited and an amount due from a group undertaking to Grosvenor Acquisitions Holdings Limited at market value. Grosvenor CE Acquisitions Limited is incorporated in the United Kingdom and acts as a share trading company. The consideration was substantially satisfied by the assumption by Grosvenor Acquisitions Holdings Limited of the company's obligation to Barclays Bank Plc under a loan agreement dated 9th November 2001.

On 1 July 2002 the company acquired Grosvenor Continental Europe SA, incorporated in Luxembourg. On the same date it contributed to Grosvenor Continental Europe SA, its investments in Grosvenor First European Property Investments SA and Grosvenor SAS (formerly Grosvenor SA) in exchange for a consideration of €285,901,633 represented by 2,859,106 new shares of €100 each in Grosvenor Continental Europe SA and assets with a fair value of €979,063.

At 31 December 2002, Grosvenor Continental Europe Holdings Limited held 100% of the ordinary share capital and the non-voting preference share capital in issue. All of the voting preference share capital was publicly held. Such shares carried approximately 36% of the total voting rights.

6. DEBTORS

	2002	2001
	€	€
Amounts owed by group undertakings	<u>-</u>	<u>48,010,669</u>

GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****7. CREDITORS: Amounts falling due within one year**

	2002	2001
	€	€
Other creditors	31,413	113,828

8. CREDITORS: Amounts falling due after more than one year

	2002	2001
	€	€
Bank loans	-	48,400,863

9. SHARE CAPITAL**Authorised share capital:**

	2002	2001
	€	€
100,563,370 Ordinary shares of £1 each	164,380,884	163

Allotted and called up and fully paid:

	2002	2001
	€	€
100,563,370 Ordinary shares of £1 each	164,380,884	163
	<u>164,380,884</u>	<u>163</u>

The allotment of shares during the year occurred as a result of the transaction with Grosvenor Overseas Holdings Limited, the company's parent, as described in note 5.

10. PROFIT AND LOSS ACCOUNT

	2002	13 June 2001 to 31 December 2001
	€	€
At 1 January	(504,022)	-
Profit / (loss) for the financial year / period	123,009,792	(504,02
At 31 December	<u>122,505,770</u>	<u>(504,02</u>

GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**

	2002 £	2001 £
Profit / (loss) for the financial year / period	123,009,792	(504,022)
New equity share capital subscribed	164,380,721	163
Net addition / decrease in shareholder's funds / (deficit)	287,390,513	(503,859)
Opening shareholder's deficit	(503,859)	-
Closing equity shareholder's funds / (deficit)	<u>286,886,654</u>	<u>(503,859)</u>

12. RELATED PARTY TRANSACTIONS

The company has applied the exemption granted by FRS8 'Related party disclosures' not to disclose transactions with Grosvenor Group Holdings Limited, fellow subsidiaries of Grosvenor Group Holdings 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.

The company's immediate parent is Grosvenor Overseas Holdings Limited.

13. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking is Grosvenor Group Holdings Limited, a company registered in England and Wales which is wholly owned by trusts and members of the Grosvenor family, headed by the 6th Duke of Westminster.

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

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