

GROSVENOR CONTINENTAL EUROPE HOLDINGS
LIMITED

COMPANY REGISTRATION NUMBER 4233654

ANNUAL REPORT AND
FINANCIAL STATEMENTS

PERIOD FROM 13 JUNE 2001 TO 31 DECEMBER 2001



GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED**DIRECTORS' REPORT**

The directors present their report and the financial statements of the company for the period from 13 June 2001 to 31 December 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

The company was incorporated on 13 June 2001.

During the year the company raised bank finance and lent the proceeds to its subsidiary undertaking, Grosvenor CE Acquisitions Limited to support its share trading activity.

Since the Euro forms the main currency in which the company's business is transacted, the company reports Euros from the date of incorporation.

RESULTS AND DIVIDENDS

The results of the company for the period are shown on page 4. Loss on ordinary activities before taxation was €504,022.

The directors do not recommend payment of a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the period except as noted were as follows:

B Prat-Stanford	(Appointed 12 October 2001)
J H M Newsum	(Appointed 12 October 2001)
J O Hagger	(Appointed 12 October 2001)
N L Jones	(Appointed 12 October 2001)
R C Williams	(Served from 13 June 2001 to 12 October 2001)
R S Handley	(Served from 13 June 2001 to 12 October 2001)
S H R Musgrave	(Served from 13 June 2001 to 12 October 2001)

Except as disclosed in the financial statements of the ultimate parent company, none of the directors in office at 31 December 2001 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Deloitte & Touche were appointed the company's first 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED
PERIOD ENDED 31 DECEMBER 2001

We have audited the financial statements of Grosvenor Continental Europe Holdings Limited for the period ended 31 December 2001 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 14. 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.

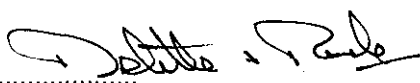
BASIS OF AUDIT OPINION

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 2001 and of the loss of the company for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.


.....

Deloitte & Touche
Chartered Accountants & Registered Auditors
London

31 January 2003

GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 13 JUNE 2001 TO 31 DECEMBER 2001**

Note 13 JUNE 2001
TO
31 DECEMBER
2001
€

Turnover	-
Administrative expenses	(323,159)
Operating loss	(323,159)
Interest payable and similar charges	4 (180,863)
Loss on ordinary activities before taxation	(504,022)
Tax on loss on ordinary activities	-
Retained loss for the financial year	<u>(504,022)</u>

There are no recognised gains or losses for the current financial year 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 2001**

	Note	31 DECEMBER 2001 €
Fixed assets		
Investments	5	<u>163</u>
Current assets		
Debtors	6	48,010,669
Creditors: amounts falling due within one year	7	<u>(113,828)</u>
Net current assets		<u>47,896,841</u>
Total assets less current liabilities		<u>47,897,004</u>
Creditors: amounts falling due after more than one year	8	<u>(48,400,863)</u>
Net Liabilities		<u>(503,859)</u>
Capital and reserves		
Called-up equity share capital	10	163
Profit and loss account	11	<u>(504,022)</u>
Equity shareholder's deficit	12	<u>(503,859)</u>

These financial statements were approved by the Board on the 30 January 2003, 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 costs 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.

3. PARTICULARS OF EMPLOYEES

No salaries or wages have been paid to employees, including the directors, during the period as all employees are employed by a fellow subsidiary.

4. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable on bank loans and overdrafts

13 JUNE 2001
TO
31 DECEMBER
2001
€
180,863

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

	€
Cost	
Additions	163
At 31 December 2001	<u>163</u>
Net book value	
At 31 December 2001	<u>163</u>

On 12 October 2001 the company acquired 100% of the ordinary shares in its subsidiary, Grosvenor CE Acquisitions Limited, which is incorporated in the United Kingdom and acts as a share trading company.

6. DEBTORS

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

7. CREDITORS: Amounts falling due within one year

	2001
	€
Other creditors	<u>113,828</u>

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

	2001
	€
Bank loans repayable:	
Falling due between one and two years	<u>48,400,863</u>

The bank loan bears interest at 0.4% above the 6 month EURIBOR rate and is guaranteed by Grosvenor Group Holdings Limited and Grosvenor Estate Holdings, both fellow group companies.

GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****9. 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.

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

	2001
	€
100 Ordinary shares of £1 each	163

Allotted, called up and fully paid:

	2001
	€
100 Ordinary shares of £1 each issued on 13 June 2001	163

11. PROFIT AND LOSS ACCOUNT

	13 JUNE 2001 TO 31 DECEMBER 2001
	€
Retained loss for the financial period	(504,022)
At 31 December	(504,022)

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2001
	€
Loss for the financial period	(504,022)
New equity share capital subscribed	163
Net reduction in funds	(503,859)
Closing equity shareholder's funds	(503,859)

GROSVENOR CONTINENTAL EUROPE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****13. POST BALANCE SHEET EVENT**

On 1 January 2002 the company acquired all the shares of Grosvenor First European Property Investments SA and Grosvenor SA from Grosvenor Overseas Holdings Limited, the company's immediate parent company. The consideration was 100,563,270 new shares in the company of £1 each (€1.6346)

On 18 July 2002 the company sold its investment in Grosvenor CE Acquisitions Limited to a fellow subsidiary, Grosvenor Acquisitions Holdings Limited.

On 19 July 2002 the company acquired Grosvenor Continental Europe SA, incorporated in Luxembourg, and on the same date it contributed to this company its investments in Grosvenor First European Property Investments SA and Grosvenor SA in exchange for consideration of €285,910,633 represented by 2,859,106 new shares in Grosvenor Continental Europe SA.

14. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking is Grosvenor Group Holdings Limited, a company incorporated in Great Britain 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 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. family, headed by the Duke of Westminster.