DAVIES RENTALS LIMITED

COMPANY REGISTRATION NUMBER 4377564

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

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DAVIES RENTALS LIMITED

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was investment in leasehold property in the United Kingdom

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

The directors have taken advantage of the special provisions available to small companies per S 246 subsection 4(a) of the Companies Act 1985 not to present a business review in accordance with S 234ZZB of the Companies Act 1985

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 5 Profit on ordinary activities before taxation was £289,394 (2005 - £297,960)

The directors have not recommended payment of a dividend (2005 - £232,111)

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

S J Curtis	
R S Handley	
P S Vernon	
L Buck	(Appointed 25 July 2006)
M R Preston	(Appointed 30 June 2006)
D J P Rawcliffe	(Appointed 1 February 2006)
J R Milne	(Resigned 26 May 2006)
S H R Musgrave	(Resigned 30 June 2006)
R C Williams	(Resigned 1 February 2006)

None of the directors in office at 31 December 2006 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

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statement in accordance with applicable law and regulations

United Kingdom company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statement in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 of the company for the year then ended

DAVIES RENTALS LIMITED

DIRECTORS' REPORT *(continued)*

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 United Kingdom 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 that 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

In so far as the directors are aware

there is no relevant audit information of which the company's auditors are unaware, and

the directors have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

This information is given in accordance with S 234ZA of the Companies Act 1985

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

C M Tolhurst
Company Secretary

27 APR 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DAVIES RENTALS LIMITED YEAR ENDED 31 DECEMBER 2006

We have audited the financial statements of Davies Rentals Limited for the year ended 31 December 2006 which comprise the profit and loss account, statement of total recognised gains and losses, balance sheet and the related notes 1 to 15 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 auditor's 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the Annual Report

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 DAVIES RENTALS LIMITED YEAR ENDED 31 DECEMBER 2006 *(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 2006 and of its profit for the year then ended,

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

the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

30 April 2007

DAVIES RENTALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
Turnover	2	**447,592**	432,984
Cost of sales		**(151,197)**	(133,224)
Gross profit		**296,395**	299,760
Administrative expenses		**(7,001)**	(1,990)
Operating profit	3	**289,394**	297,770
Interest receivable and similar income		–	190
Profit on ordinary activities before taxation		**289,394**	297,960
Tax on profit on ordinary activities	6	–	–
Profit for the financial year	13	**289,394**	297,960

All results are derived from continuing operations

DAVIES RENTALS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £	2005 £
Profit for the financial year attributable to the shareholders	**289,394**	297,960
Unrealised gain/(loss) on revaluation of investment properties	**765,000**	(111,000)
Total recognised gains and losses relating to the year	**1,054,394**	186,960

The notes on pages 8 to 12 form part of these financial statements

DAVIES RENTALS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 £	2005 £
Fixed assets			
Investment properties	7	**7,937,000**	7,172,000
Fixtures and fittings	7	**27,717**	33,025
		7,964,717	7,205,025
Current assets			
Debtors	8	**708,220**	432,399
Creditors: amounts falling due within one year	9	**(7,374,220)**	(7,393,101)
Net current liabilities		**(6,666,000)**	(6,960,702)
Total assets less current liabilities		**1,298,717**	244,323
Capital and reserves			
Called up equity share capital	11	**100**	100
Revaluation reserve	12	**700,718**	(64,282)
Profit and loss account	13	**597,899**	308,505
Equity shareholders' funds	14	**1,298,717**	244,323

These financial statements were approved by the Board on the 27 APR 2007 and are signed on its behalf by

Director

Director

DAVIES RENTALS LIMITED

NOTES TO THE FINANCIAL ACCOUNTS

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

(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 gross income including rents receivable in the year

(d) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Fixtures and Fittings - 12 50% per annum

In accordance with SSAP19 (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

DAVIES RENTALS LIMITED

NOTES TO THE FINANCIAL ACCOUNTS

1. ACCOUNTING POLICIES *(continued)*

(f) 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

Turnover and profit before tax are attributable to one principal activity of the company in the United Kingdom

3. OPERATING PROFIT

Operating profit is stated after charging

	2006	2005
	£	£
Depreciation	**5,308**	5,308

4. AUDITORS' REMUNERATION

Auditors' remuneration for Davies Rentals Limited is £2,000 (2005 - £2,000) and has been borne by Grosvenor Estate Management Limited, a fellow subsidiary undertaking

5. 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

6. TAXATION

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

DAVIES RENTALS LIMITED

NOTES TO THE FINANCIAL ACCOUNTS

7. INVESTMENT PROPERTIES AND FIXTURES AND FITTINGS

	Long leasehold £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2006	**7,172,000**	**42,464**	**7,214,464**
Revaluation	**765,000**	–	**765,000**
At 31 December 2006	**7,937,000**	**42,464**	**7,979,464**
Depreciation			
At 1 January 2006	**–**	**9,439**	**9,439**
Charge for the year	**–**	**5,308**	**5,308**
At 31 December 2006	**–**	**14,747**	**14,747**
Net book value			
At 31 December 2006	**7,937,000**	**27,717**	**7,964,717**
At 31 December 2005	7,172,000	33,025	7,205,025

Long leasehold investment properties were valued at 31 December 2006 by CB Richard Ellis on the basis of open market value as defined in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual

The historical cost of properties was £7,207,791 (2005 - £7,207,791)

The taxation on capital gains which would be payable on the surplus arising on the revaluation of investment properties, in the event of their sale at valuation, is estimated to be approximately £872,000 (2005 - £715,000)

8. DEBTORS

	2006 £	2005 £
Trade debtors	**1,211**	20,680
Amounts owed by group undertakings	**657,279**	359,777
Other debtors	**38,100**	40,800
Prepayments and accrued income	**11,630**	11,142
	708,220	432,399

9. CREDITORS: amounts falling due within one year

	2006 £	2005 £
Trade creditors	**11,794**	11,218
Amounts owed to group undertakings	**7,270,000**	7,270,000
Other creditors	**38,100**	80,694
Accruals and deferred income	**54,326**	31,189
	7,374,220	7,393,101

DAVIES RENTALS LIMITED

NOTES TO THE FINANCIAL ACCOUNTS

10 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

11. CALLED UP SHARE CAPITAL

Authorised share capital:

	2006 £	2005 £
100 Ordinary shares of £1 00 each	**100**	100

Allotted, called up and fully paid:

	2006 £	2005 £
100 Ordinary shares of £1 00 each	**100**	100

12. REVALUATION RESERVE

	2006 £	2005 £
At 1 January	**(64,282)**	46,718
Revaluation of fixed assets	**765,000**	(111,000)
At 31 December	**700,718**	(64,282)

13. PROFIT AND LOSS ACCOUNT

	2006 £	2005 £
At 1 January	**308,505**	242,656
Profit for the financial year	**289,394**	297,960
Equity dividends paid	**–**	(232,111)
At 31 December	**597,899**	308,505

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	**289,394**	297,960
Other net recognised gains and losses	**765,000**	(111,000)
Equity dividends paid	**–**	(232,111)
Net addition/(reduction) to shareholders' funds	**1,054,394**	(45,151)
Opening shareholders' funds	**244,323**	289,474
Closing shareholders' funds	**1,298,717**	244,323

DAVIES RENTALS LIMITED

NOTES TO THE FINANCIAL ACCOUNTS

15. 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