ANNUAL REPORT & ACCOUNTS

2002

GROSVENOR

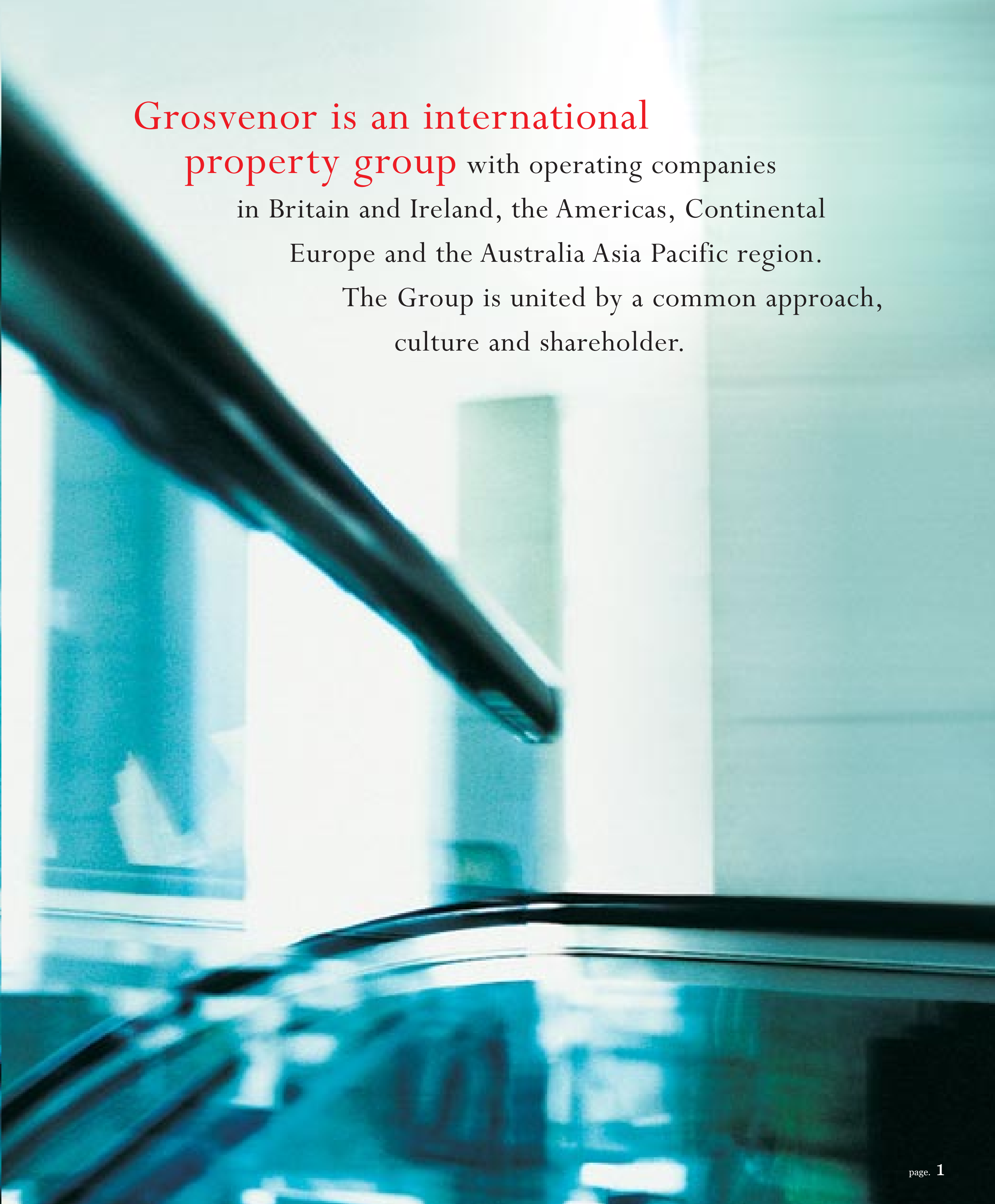
REVIEW

ACCOUNTS

FAVOURITE BUILDINGS…

We live and breathe property at Grosvenor and, reflecting this obsession, this year each operating team has chosen its 'FAVOURITE BUILDING'. These are shown at the end of each review section. The rules were that no Grosvenor buildings could be selected but otherwise the decision could be made on the basis of aesthetic appeal, cultural impact or historical significance. You can comment on our selections at **www.grosvenor.com**

Grosvenor is an international property group with operating companies in Britain and Ireland, the Americas, Continental Europe and the Australia Asia Pacific region. The Group is united by a common approach, culture and shareholder.



Jenny is a Retail Development Manager in London. She arranged a 'dragon boat' race in 2002 which raised nearly £15,000 for charity.

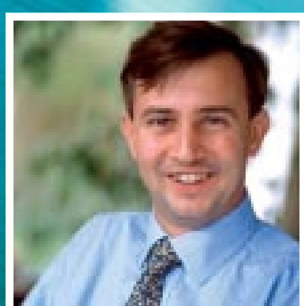
Jennifer Lee – joined in 2001

Mark is a Residential Development Surveyor in London, and a member of Grosvenor's UK charity committee which has chosen Centrepoint as the beneficiary of staff fundraising and active support.

Mark Tredwell – joined in 2000

Steve is Investment Director of Continental Europe, based in Paris. He has lived and worked in France for 12 years.

Stephen Cowen – joined in 2002

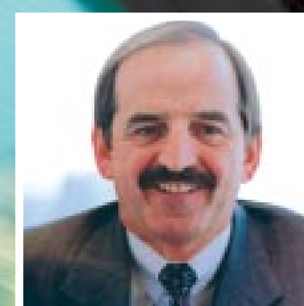


Benoit Prat Stanford is Finance Director of Continental Europe. He has lived and worked in Belgium, Italy, the UK and U.S.A.

Benoit Prat Stanford – joined in 2000

Alan, based in San Francisco, is Vice-President of Acquisition/Development for Grosvenor USA Limited, where he is responsible for West Coast acquisitions and development projects.

Alan V. Chamorro – joined in 1997



Daniel is President of Grosvenor Capital Corporation, based in Vancouver, B.C., and is responsible for the Americas' residential development program.

Daniel G. Walsh – joined in 1979

Celia, based in Vancouver, is Senior Vice-President of Grosvenor Canada Limited, where she is a retail specialist.

Celia M. Green – joined in 1976

Nikki is UK Human Resources Manager, she is involved with graduate recruitment and staff development planning.

Nikki Forward – joined in 1984

"A key strength for our business and the partnership approach we value so highly, is our ability to attract and retain the kind of people who make Grosvenor special."

Nic, based in Sydney, undertook two years' work experience with Grosvenor while completing his land economy degree. He is involved in investment and development work.

Nicholas Kennedy – joined in 2000

Stuart is Group Fund Management Director. He was promoted to join the Group Board in January 2003.

Stuart Beevor – joined in 2002

Chi is Head of Research for the Asia Pacific region, responsible for economic and property market research. He was previously with Standard Chartered Bank as Chief Economist. He is based in Hong Kong.

Chi Lo – joined in 2003

Jenny is involved in all aspects of Group financial reporting including the preparation of this report. She also supports and provides advice to finance teams around the Group.

Jennifer Gledhill – joined in 1998

"WE BELIEVE THAT PRIVATE OWNERSHIP provides us with a comparative advantage during these times of uncertainty."

The Duke of Westminster OBE TD DL
Chairman

CHAIRMAN'S STATEMENT

It is my view that the 'War against Terrorism', declared 18 months ago, is going to last a very long time and we need to get used to it. This new type of conflict creates uncertainty and instability and inevitably makes capital investment decisions much more difficult. Businesses will only be able to cope with this instability if they are sufficiently skilled in risk management, and the ability to integrate risk management into decision making is the real challenge we all face in 2003.

We believe that being a privately owned company will help us during this uncertainty and provide us with a competitive advantage. For a public company the suitable, long term strategy can be undermined by the short term whims and preoccupations of the stock-market. However, we do have to be continuously on guard against using our long term perspective as an excuse for inefficient or sloppy planning and decision making. Good governance has value so we take corporate governance very seriously. We subject all our reporting and performance measures to the same rigorous standards as our publicly quoted peers; after all we have no-one to fool but ourselves. Fortunately, we are also free to determine whether we wish to follow every new piece of governance advice. There are some aspects of the Higgs Review of the role of Non-Executive Directors in the UK which we will not follow – such as the replacement of 'time-served' directors if their contribution is invaluable. Some of our particular strengths lie in the quality, commitment and diversity of experience of our outside directors; their review of a number of issues is on pages 16 and 17.

The collapse of the equity markets has left many pension plans – both corporate and personal – underfunded. Like many other companies we are reviewing the future of our pension plans in the UK, not because they are unsustainable but so as better to target the needs of our staff. Our aim is to ensure that all employees have a 'defined benefit' base pension at a level fully supportable in the long term. Pension provision above this base requires a greater sharing of risk between the provider and future pensioner, leaving the higher paid staff to manage their own pensions above this base. In many businesses, it is those employees least able to manage the risks who are asked to bear the greatest risk in pension provision.

In October, we will be celebrating the 50th anniversary of the establishment of our business in North America and it is also 50 years since the death of the 2nd Duke of Westminster, a date which really marks the advent of full professional management of the business. Over the last half century, through successive management teams, there has been a steady evolution of the group into what exists today. The opportunity afforded by the ownership of the Estate in central London has not, we hope, been wasted but we take the view that we have hardly begun to realise our full potential. We and the real estate industry in general have much more to contribute to society by co-ordinating all of the ingredients that result in the built environment. To do this we will continue to pursue the creation of suitable, adaptable and attractive buildings and streetscapes; we will participate in open dialogue with governments, statutory authorities, occupiers and communities; we will press for the establishment of flexible and accessible ways to invest in real estate; we will deliver services that exceed our customers' expectations; and we will attempt to inform society about real estate and the real estate industry about its wider responsibilities to society.

In these times of corporate uncertainty it is very gratifying to be working with so many colleagues who have been with us for over two and three decades. Two such people retired last year; we said farewell to Ralph Hayward, Chief Executive of our business in North America and Frank Juszczyk, President of the Canadian operation, who each contributed so much to Grosvenor for over 30 years. Ralph has been succeeded by Bill Abelmann and I warmly welcome both him and Stuart Beevor, our Group Fund Management Director, to the Board.

The Duke of Westminster OBE TD DL
Chairman
13 March 2003

"WE CONFIDENTLY EXPECT that our diversified business strategy and emphasis on skills and value creation will ensure that we deliver competitive returns in the next few years."

Jonathan Hagger
Group Finance Director

Jeremy Newsum
Group Chief Executive

OPERATING AND FINANCIAL REVIEW

Performance

At 5.4% our total return in 2002 was below our cost of capital of 8.7%. This was a better result than might have been expected given the tough economic conditions but in our view the outlook for 2003 is even worse and we expect values overall to fall this year. The strength of the retail property market throughout the world helped our results in Britain and Ireland and North America and meant that Continental Europe, where we have our highest exposure to retail property, produced the best return in the Group. At the opposite end of the scale, we wrote down the value of our investment in Asia Standard (listed on the Hong Kong stock exchange) due to the further falls in the value of its underlying portfolio. This exceptional item affected overall profit before tax which fell to £60.8m in 2002 (£81.8 in 2001). We have always stressed that, as a long term business, the underlying profit before tax is of more strategic importance to us and this figure, £53.5 in 2002, was satisfactory compared with £53.8 in 2001. Our compound pre-tax total returns over the last three and five years have been 10.6% and 12.6% respectively.

Market Realism

Our principal city centre markets have been hit because the financial services industry has radically reduced its demand for office space. The large scale redundancies have also affected residential markets in Central London, Hong Kong and Tokyo. Fortunately, there remains a low interest, low inflation environment in all our markets and we believe this will endure partly because we regard the relative economic strength of the world as brittle, based as it is so heavily on consumer confidence. Uncertainty is likely to continue for longer than we have been used to and we consider it vital to be as realistic as possible about current circumstances and the muted prospects for recovery. Our results reflect this realism. On a brighter note, we expect that our diversified business strategy and emphasis on skills and value creation will ensure that we deliver competitive returns, compared with our peer group, in the next few years.

Demographic Change

There has been a lot of interest in the outlook for demographic change in the world. This is something we take seriously in setting strategy because the key driver of underlying property returns is economic growth which in turn is heavily dependent on population growth. The combination of the post-war baby boom and rapidly falling birth rates in, for instance, Japan and Spain raises questions which only immigration is likely to satisfy. Add to this the uncertainty about how property might be used in the future and it can be seen that strategy must never be static. More than any other sector, residential property will remain a core activity for the Group since we conclude that the demand in the major cities will continue to grow based on their magnetism, the increasing number of households and the inherent desire for more space per dwelling.

Fund Management

Our philosophy is to grow this business through the application of skills to create value. There is a role for the passive investor in property but it is not our role. Property will play an increasingly important part in institutional and pension fund portfolios now that the extraordinary equity returns of the last two decades are a thing of the past. These investors – and retail investors too – adopt a different risk and return profile from our own. Property is an ideal investment for segmentation and we can apply our skills to create opportunities for these investors. With 50 years' experience of investing in international markets we believe we can offer a unique cross border fund management service which has significant potential for growth.

Convergence of International Accounting Standards

International Accounting Standards are finally becoming a reality in the European Union and Australia and there are also indications that the Federal Accounting Standards Board in the U.S. wants to move towards the IAS approach. The potential for change caused by the convergence of accounting standards should not be underestimated. 2005 is the deadline set by the European Union for accounting standardisation; this is likely to spark changes to industry practice due to better comparability of data and new ways of reporting. We welcome IAS which we believe will make accounting easier for a multinational group such as ours. However, for standardisation this far reaching, there has not been enough discussion of the detailed provisions. We are therefore urging the world-wide property industry to organise itself to be in a position to discuss the implications with the International Accounting Standards Board. Accounting principles around the world differ from one another today for a reason and to find the optimum resolution of these differences there needs to be an open dialogue.

Our Business Model

This report reviews the activity of 2002 and looks at future prospects region by region. The locations in which we operate are all different from each other. Starting with a central vision, strategy is determined locally and varies based on a combination of the size of each business, economic and market research and local opportunities, as well as our history and expertise. Fund management is co-ordinated as a single business using the regional expertise of the operating companies. In each region we have the same business style and culture and we deliver co-ordinated research and marketing, and policies on the environment, human resources and health and safety. Our central team supports each regional business and determines the appropriate capital base for each. We believe we have exceptionally talented people throughout the world and whether in easy market conditions or in difficult ones, they strive to make this a valued (and valuable) organisation.

Jonathan Hagger
Group Finance Director
13 March 2003

Jeremy Newsum
Group Chief Executive
13 March 2003

Highlights for 2002

Results

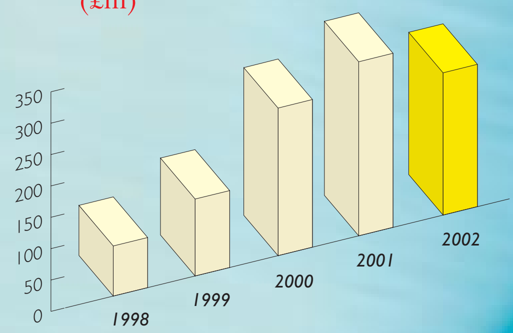
	2002 £m	2001 as restated £m
Property assets	**2,485**	2,364
Shareholders' funds	**1,753**	1,690
Gross rental income	**146.2**	144.6
Total operating profit	**91.6**	93.7
Revenue profit	**53.5**	53.8
Profit before tax	**60.8**	81.8

Statistics

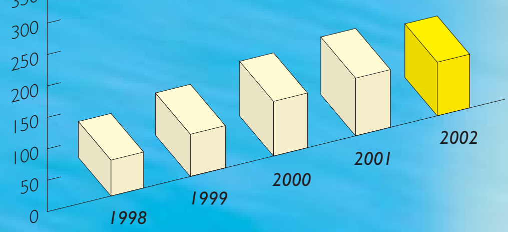
	5 Year Average	2002	2001
Weighted average cost of capital	**10.3 %**	**8.7 %**	9.1 %
Total return on property assets	**12.6 %**	**5.4 %**	13.1 %
Gearing	**34.5 %**	**34.5 %**	31.8 %
Interest cover	**1.7**	**1.5**	1.7
Enterprise value added	**£52.8m**	**(£59.1m)**	£48.5m

"Revenue profits maintained despite difficult markets."

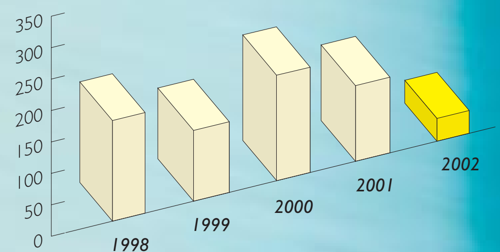
Cumulative enterprise value added (£m)



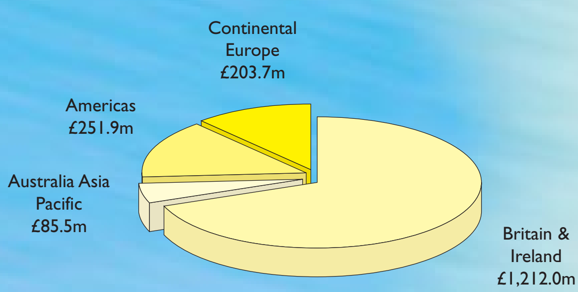
Total operating profit (£m)



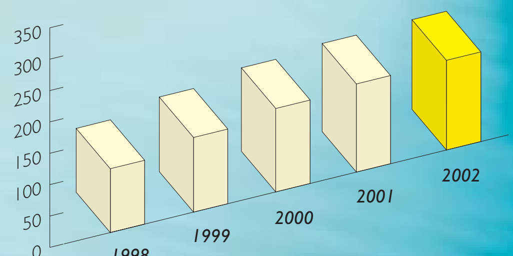
Revaluation movement (£m)



Value of shareholders' funds by region £1.75bn

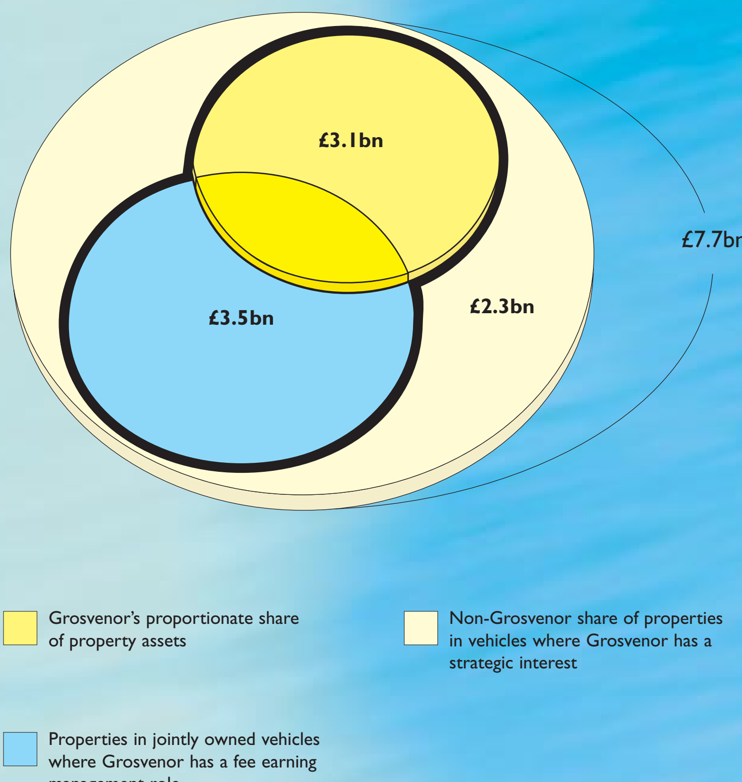


Gross rental income (£m)



Grosvenor has interests in properties with a total value of £7.7bn (US$12.4bn, €11.8bn).

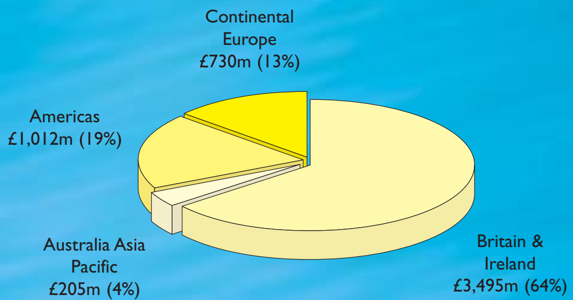
The chart below illustrates the nature of Grosvenor's total exposure to property, our own proprietary portfolio and the assets we manage.



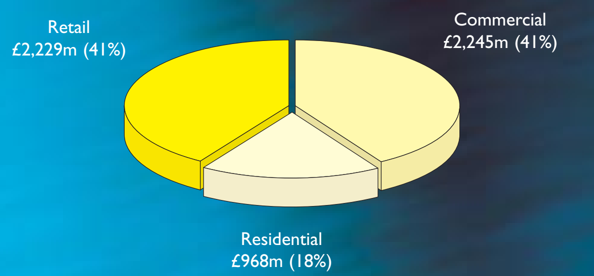
Further details of the Group's regional portfolios are given in each review section.

ASSETS UNDER MANAGEMENT £5.4bn

By Region

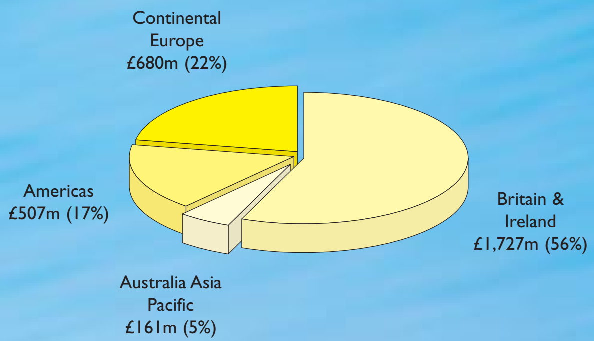


By Sector

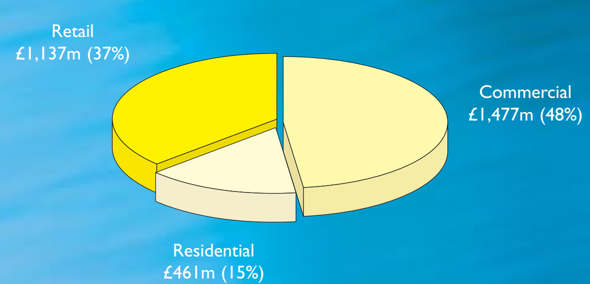


PROPRIETARY £3.1bn

By Region



By Sector



NON-EXECUTIVE VIEWPOINT

Andrew Baum (AB)

Richard Clare (RC)

– Non-Executive Directors, Britain and Ireland
Rod Kent (RK), Non-Executive Chairman of Britain and Ireland, is pictured on page 18

– Non-Executive Directors, Grosvenor Americas
Carmine Guerro (CG), Non-Executive Chairman of Americas is pictured on page 28

Lizanne Galbreath (LG)

George Gaffney (GG)

Donald Bodel (DB)

Guillermo Wakonigg (GW)
– Consultant, Continental Europe

Tim Freshwater (TF)
– Consultant, Asia Pacific

"GROSVENOR believes wholeheartedly in the value of its non-executive directors to effective decision making."

Tony Wyand (AW)

John Sclater (JRS)
– Deputy Chairman

Kurt Viermetz (KV)

Robin Broadhurst (RB)

– Non-Executive Directors,
Grosvenor Group Holdings

The role of the non-executive director has been under close scrutiny. As a private company, Grosvenor believes wholeheartedly in the value of external objective opinion in the board's decision making process.

The following section offers an insight into the collective thinking of Grosvenor's non-executive team around the world on the topical questions for property in 2003:

A great deal is written about risk management. What are your views on this issue?

Many businesses have only recently grasped the importance of this topic and in our current state of international turmoil and uncertainty managing risk is vital. In my view it is critical to understand and manage risk – you cannot get your pricing right unless you do. (RC)

Yes, effective management of risk is a key determinant of success or failure, and should be given the highest importance by all Boards. The Risk and Control Review is now a routine requirement for a well-run company and can make a major contribution to effective management. because when well-performed, such reviews clarify and illuminate opportunities as well as risks. (AW)

This can help not only a company's returns, but also its ability to attract new business. An appreciation for and application of risk management techniques, is of fundamental interest to institutional investors when deciding where to invest. The extent and sophistication of risk management structures will increasingly become a real point of differentiation. (TF)

Even having understood these structures and techniques, risk is also something you need to feel and smell. How much risk is acceptable and how one balances the potential upside with the downside is still a matter of judgement. (RK)

How will stock markets perform over the next 5 years?

The question is, have price stability and fiscal reform yielded us macro-economic dividends in the form of stronger growth and job gains or, in other words, where are the tangible gains from an end to disinflation? (KV)

Well, market indicators show the world economy growing at a faster pace than that recorded in 2002, but geopolitical instability and the price of oil pose risks. The situations in Iraq, North Korea and Venezuela and the continued economic struggles of Japan and Germany could also drag these growth expectations down. (GG)

The problem for this recovery is the size of the boom that came before it. Many institutional investors gave excessive weight to equities throughout the 1990s with a consequent ramping up of prices and the inevitable subsequent collapse. Staggering assumptions made by investors and their advisers about stock market performance have, quite rightly, been brought back to earth with a bump. (AB)

In order to find steady but sustainable growth investors need to return to the fundamentals of research and development, strength of the asset base and quality of management. (RC)

But this is increasingly difficult. In the early 90s it certainly was possible to look 5 years ahead. Now I think it is hard to look 6 or 12 months ahead. Stock markets used to take account of the intrinsic factors in a company's performance, now the impact of social, political and economic factors spreads with a potential to create instability much more rapidly. (LG)

I am particularly interested in the future of real estate companies in the stock market. They trade at great discounts and the destruction of value, sometimes of 30% against asset value must deter institutional investors. New structures such as REITS would really help but I think there is a big question mark over the whole listed sector if new structures that enable fund raising are not created soon. (GW)

How will Fund Management evolve in the real estate industry?

Real Estate offers many attractions to investors, but access is hampered by size, liquidity, and expertise issues. In my view, Fund Management is the obvious solution and will develop further as efficient but dull stock markets force investors to look more widely. (AW)

Compared to these dull markets, real estate fund management is still at a relatively early stage of development; the next decade will see a dramatic increase in the business and its sophistication. The market is currently largely institutional and I am sure that a retail property fund management industry is likely to emerge. (RK)

The emerging indirect property investment market is changing the external perspective of the market. Real estate as an investment vehicle is seen more positively in 2003 than at any time in the last 20 years. Securitisation will bring further benefits, both in terms of immediacy of the investment (no long time scales) and liquidity. (RB)

Do you have any insights on the role and importance of people (beyond the usual clichés!)?

Ultimately, retention of good people is about the style and leadership of an organisation and the discretion individuals enjoy to undertake their job coupled with a transparent working environment. People who like their job and the environment in which they work perform best and achieve most. (RB)

I believe that we should use this motivation to keep people with us for the long term, by offering sufficient personal development and job diversity to keep them interested. Grosvenor's unique culture is strengthened by our corporate memory which in turn is reinforced by long service. (AW)

But how can organisations get the right people in the right position at the right time? Is it via building (campus recruiting) or via buying (mid career hiring) or even via renting (alliances, out-sourcing)? The focus is at the same time on leadership development, on teams and to improve 'on the job' experience to keep the good people. (KV)

The leaders of any organisation need to establish a culture, ethos and style that become profoundly ingrained into the whole business. You can see that this has happened at Grosvenor and although it may amount to a cliché in truth it could not be more important! (JRS)

What are the major considerations for the real estate sector over the next ten years?

Technology will offer a much greater choice over where people will live, work and spend time. Some attractive locations will become international 'honey pots', populated by people who chose to live there but work elsewhere, spend a great deal of time travelling and use technology to conduct their business. The property markets in these places will have very different demand characteristics to those of less desirable locations. (TF)

I agree, demographic changes will have a huge impact, as will changing lifestyles at work, at home and at play, particularly in large cities. These changes will need to be taken into account in creating policies for transport infrastructure, buildings and the environment. (RK)

Environmental issues will continue to be high on the agenda such as the use of brownfield sites, fossil fuels and self cooling buildings. There will be a reaction against urban sprawl with people wanting to live in communities with which they can identify. (RC)

This shift in attitudes will lead to greater importance being placed on the desires of customers of real estate, mainly as it relates to the environment and sense of place that can be created for the overall benefit of society. So mixed use development, particularly in regeneration will become increasingly important along with how to include the community more effectively in the environment. (RB)

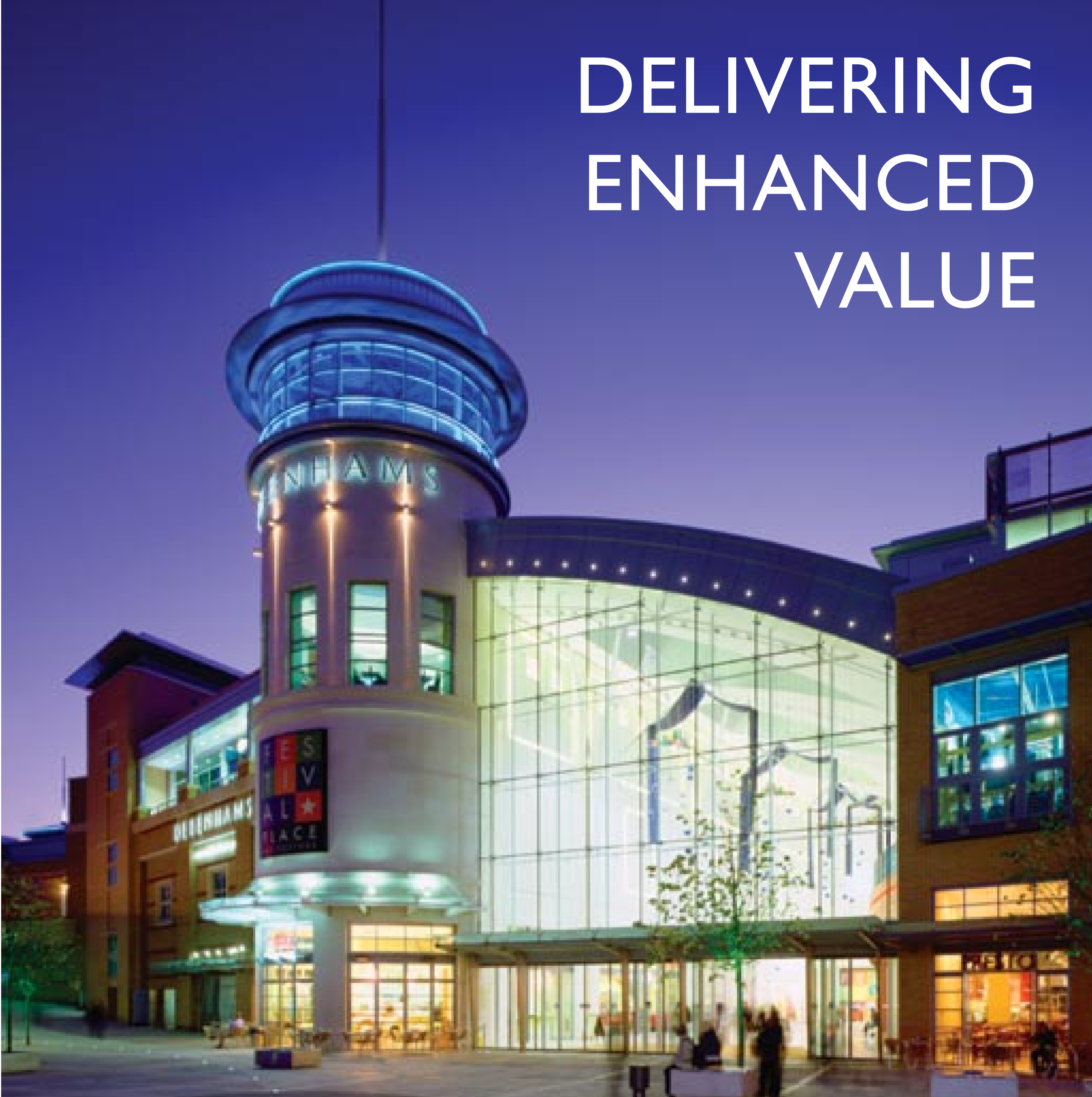
You may comment on these views at **www.grosvenor.com**

Rod Kent
Chairman

Stephen Musgrave
Chief Executive

BRITAIN AND IRELAND...

DELIVERING ENHANCED VALUE



"**Risk management has permeated our decision making at every level.** It is essential to combine this with effective research and financial management, with innovation and with the opportunities presented by technology. In doing so, our objective is to deliver significantly enhanced value."

Mervyn Howard
– Fund Management Director

Claire Cooper
– Retail Leasing Manager

Sarah-Jane Curtis
– London Estate
Residential Director

Our work in complex mixed use urban projects calls for the sophisticated blend of skills that is reflected in our multidisciplinary teams.

John Bullough
– Retail Director

Simon Camp
– Commercial Projects Director

Richard Mallett
– UK Group Financial Controller

The core London portfolio and the skills of our people are the solid foundations of our business.

We had a satisfactory year despite the political and economic uncertainty. Our people and their management of risk were of critical importance in such a challenging year.

The importance of London as a dominant world city remains unchanged. This gives us confidence in the long term stability of our assets in Mayfair and Belgravia as the base from which we will continue to build our business.

Last year demonstrated the benefit of our long term strategy of having a balanced portfolio mix of different types of property. Reduced occupier demand and rising supply had a negative impact upon the performance of the office portfolio, particularly in the City of London. This was offset by another satisfactory year in the residential sector and good growth in retail.

Increasingly, we are applying the 300 years of our accumulated experience in the investment, development and management of the 120 hectares (300 acres) of our London estate to major agglomerated landholdings elsewhere in cities such as Liverpool, Preston, Bath and Dublin. Working closely with the respective local authorities, considerable progress has been made on each of these projects. In October, we successfully opened Festival Place in Basingstoke. It received a positive reception from the local population and stands as a powerful example of the ability to transform the heart of the UK's towns and cities through partnership with local communities.

Carefully managing and enhancing our own property assets, and those of our partners, is a key to future success. We will offer high quality solutions to meet the increasingly sophisticated needs of occupiers through a wide range of services, such as the Grosvenor Service Offer in London. This initiative will address changing demographic and lifestyle trends and provide new business opportunities.

Working with selected partners in the retail sector, both in the UK and overseas, we are creating a dynamic vehicle for procurement and co-operation which will help us to increase and improve customer services and facilities.

Grosvenor will remain actively involved in the initiative to challenge the conventional UK commercial leasing structure and introduce a more occupier friendly and flexible approach to the provision of space.

We made significant progress in increasing our Fund Management business during the year and continued to strengthen our team. Taking advantage of a buoyant retail market, the Arkle Fund acquired and disposed of a number of centres and introduced new partners as part of its long term strategy. Stretching but clear goals have been set for both the Arkle Retail and GMetro Central London Office funds.

"We are in good shape to take advantage of the fresh challenges and opportunities that lie ahead."

"Our staff are vital to our business. Recruitment, retention and effective deployment is essential. Targeting universities and colleges with a carefully co-ordinated programme, means Grosvenor attracts those who are essential for its future success. During 2002 a comprehensive training and development programme for every employee was introduced that will help us all to perform to the best of our abilities."

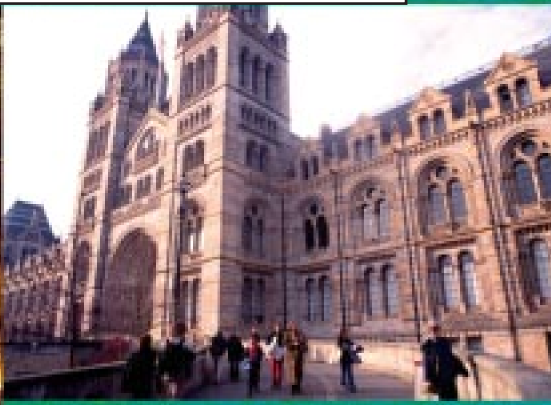
The Natural History Museum was designed by Alfred Waterhouse and opened in 1881. It is a fine example of Romanesque style architecture and has become a national icon of considerable importance and merit.

FAVOURITE BUILDINGS | No. 1

NATURAL HISTORY MUSEUM

London

"The Natural History Museum has great presence architecturally and spatially. Its sheer bravado, its detailing and its size together with its dominant position on one of the main arteries of London reflect its long-held position as a leading centre of learning and discovery in the important fields of natural history and science."



It has flair, eccentricity and style. In its more modern guise, it has shown great resilience and adaptability. The recent HOK designed Darwin Centre, Phase 1 extension which was opened in September 2002, provides a sympathetic and exciting new dimension to this much admired space.

The Natural History Museum epitomises many of the achievements of which the UK and its capital city can be justly proud.

PORTFOLIO OVERVIEW

We had an active year working with, and on behalf of, our partners.

On 22 October we opened Festival Place in Basingstoke. The opening day attracted 80,000 people, with nearly half a million visiting by the end of the first week and over four million by the end of December.

In line with the strategy to focus on dominant, town centre retail schemes, the Arkle Fund acquired two new centres: Freshney Place in Grimsby and Dolphin Centre in Poole from Hermes which became an investment partner in the Fund. In turn, the fund disposed of St John's Shopping Centre in Perth, and Market Place Shopping Centre in Bolton.

Outside London, investment opportunities were focused on mixed use city centre projects. With Liverpool City Council, we signed a Development Agreement to carry forward the 17 hectare (42 acre) Paradise Street Development Area regeneration project. In Bath, we signed a Co-operation Agreement to masterplan and co-ordinate the re-invigoration of Bath's Western Riverside area. In Cambridge, we signed a Development Agreement with the Universities' Superannuation Scheme to develop the Grand Arcade retail scheme. In Preston, work continued on developing proposals for a major city centre project.

Despite turbulent market conditions we made good progress on our London office lettings programme. At 4ORTY Grosvenor Place we secured a letting for half the building from US investment bank, Capital International. Strong interest has been expressed in the remaining 50%. Viewpoint, an office development off Oxford Street, achieved over 60% occupancy. Office investment properties under development were subjected to a rigorous review of prospects for letting in the current market and prudent provisions made.

Construction was completed on an office development at 25 Moorgate in the City of London. Elsewhere in the City, we started on site at 41 Lothbury. Similarly, construction got underway at Belgrave House, a strategic office development in the West End of London.

Performance in London has been positive owing to the teams' consistent hard work. They have delivered significant total sales from over 170 transactions and completed 136 rent reviews, 62 lettings and 46 lease renewals.

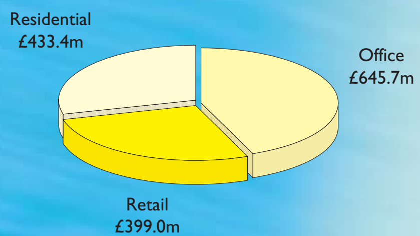
In Scotland, we started construction of our first new science park building at Edinburgh Technopole – a joint venture with the University of Edinburgh. The 3,000m^2 (32,000 sq ft) building has been part pre-let to IndigoVision Group plc. We started construction on Holyrood Park House, an office development near the Scottish Parliament building in Edinburgh; and acquired a 4.45 hectare (11 acre) site from Scottish & Newcastle to create a future office development of three buildings.

	Number **No.**	Value **£m**	Passing rent **£m**	ERV **£m**	Average income yield **%**
Office	312	645.7	33.0	47.8	5.1
Retail	136	399.0	22.2	25.3	5.6
Residential	464	433.4	8.4	13.6	1.9
Total	**912**	**1,478.1**	**63.6**	**86.7**	**4.3**

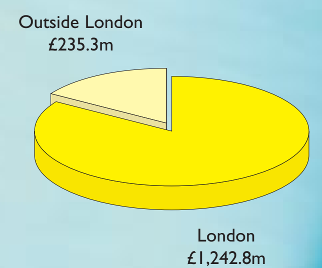
Average lease length in Britain and Ireland is 24.8 years

PROPERTY ANALYSIS

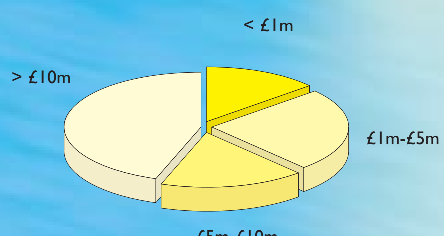
By Sector



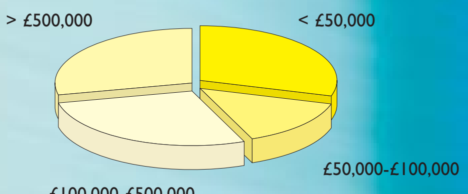
By Region



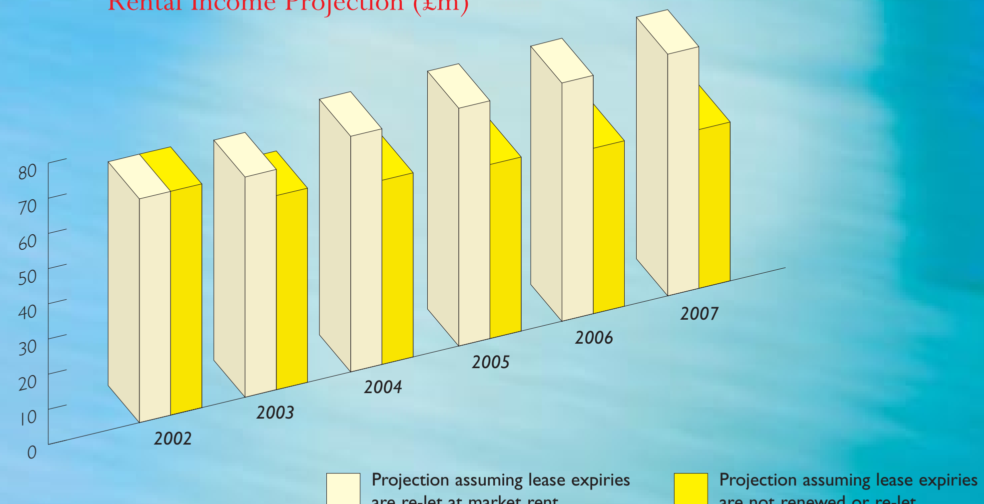
By Value



By Passing Rent



Rental Income Projection (£m)



AMERICAS...

OPPORTUNITIES FOR GROWTH

"Having operated a property development and investment company in North America for 50 years, we have learned a great deal about which markets offer the best prospects for superior returns and long-term growth. Using a combination of market research and our experienced asset management and acquisitions team, we continue to invest, both for our own account and to expand our co-investment program with institutional and private investors who seek a diversified portfolio of properties."

Lisa Collado
– Asset Manager

Minnie Marzilli
– Risk Manager and
Asset Manager

Fiona Fenton
– Asset Manager

Our experienced asset mana
target for our diversified port
accomplishment, given the de
throughout North America.

Ashleigh Simpson
– Asset Manager

Lorena Stranigan
– Asset Manager

Gerry Zalkovsky
– Senior Vice-President

Dave Olson
– Senior Vice-President

Mark Preston
– President, USA

gement team met the income folio. This was a tremendous teriorating office markets

Looking forward to 2003, we have capital available to continue our focus in select North American cities where we believe we can achieve superior returns.

We achieved our targeted objectives for the year despite a weak economy and even weaker real estate fundamentals in many of our markets. Our experienced asset management team met the income target for our diversified portfolio and sought to control overall operating expenses despite industry-wide increases in insurance premiums. Our portfolio of approximately 8.6 million sq ft (800,000m^2) ended 2002 with an average occupancy rate of just under 95%, with leasing activity in excess of 933,000 sq ft (87,000m^2). This was a tremendous accomplishment given the deteriorating office markets throughout North America.

Investment activity continued throughout the year, especially for well leased properties. Only in Northern California, where there was a substantial increase in vacancy rates and a corresponding decrease in rental rates, did we actually see a decline in property values.

During the year, we continued to implement our clear strategic focus on fewer markets and product types. In Canada, we successfully completed the sale of our interest in Altius Centre, a high-rise office tower in downtown Calgary, as well as a number of the completed buildings at South Edmonton Common. At 856,000 sq ft (80,000m^2) this is the largest retail power center development in Canada. In the U.S. we agreed on the sale of U.S. Bank Plaza, a high-rise office tower in downtown Sacramento, fulfilling our exit strategy from this market.

We also acquired four new assets. In Washington, D.C., we acquired two major office buildings: The Southern Railway Building, a prominent 240,000 sq ft (22,300m^2) multi-tenant office building fronting McPherson Square; and 1777 F Street, an eight-story corner office building wholly occupied by the Federal Finance Housing Authority.

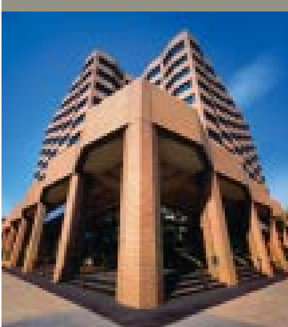
As part of our strategy to increase our exposure to urban retail we purchased two assets. 701 North Michigan Avenue in Chicago, the 22,900 sq ft (2,100m^2) retail portion of a prominent hotel on the Magnificent Mile, has two national tenants. In Beverley Hills, we bought 308 North Rodeo Drive, a prime mid-block location of 11,000 sq ft (1,000m^2).

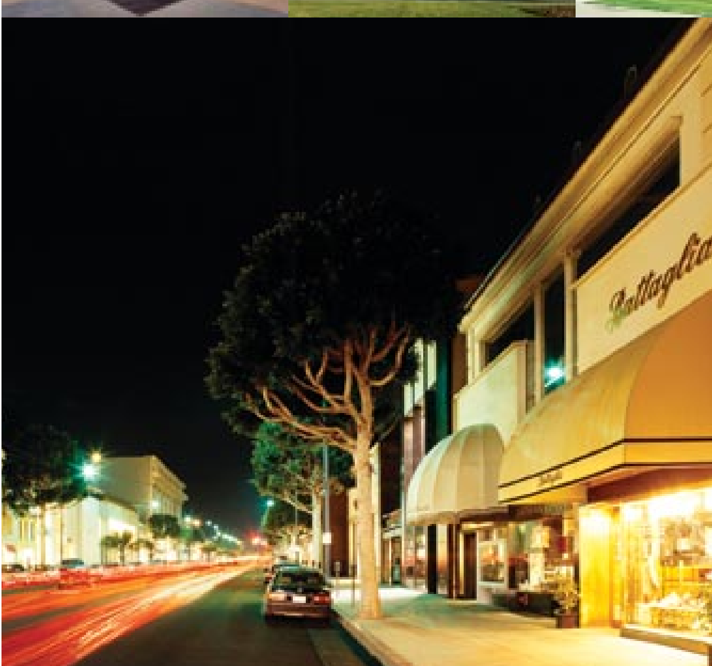
We continued with an active development program, which in 2002 was primarily focused in Canada. We completed approximately 340,000 sq ft (31,600m^2) of new retail and industrial buildings, the majority of which were leased by the end of the year. In Vancouver, B.C., we acquired a 2.3 acre (0.9 hectare) urban site for redevelopment as a 200,000 sq ft (18,600m^2) urban retail center complemented by 80 residential lofts.

We plan to increase the residential part of our business and, as part of this, we were involved in 15 residential projects through mezzanine level financing and/or joint venture equity in partnerships with local developers. These residential projects, comprising townhomes, condominiums and single-family lots, totalled more than 1,300 units in 2002. During the course of 2003 we will investigate new residential opportunities in select U.S. markets.

"We will continue to emphasize our experience and market research skills as we strengthen our portfolio through assertive asset management and timely acquisitions and sales."

"During the year we continued to implement our strategic focus on fewer markets and product types."





Today, the structure is home to the Vancouver Convention & Exhibitor Centre, The Vancouver Board of Trade, the Vancouver Port Authority, the Pan-Pacific Hotel Vancouver and the CA IMAX Theatre.

CANADA PLACE

Vancouver

"Our favourite building in Canada, which was built for the 1986 World's Fair, is Canada Place, the epitome of a successful urban renewal project. The former Canadian Pacific Railway pier in Vancouver was transformed into what would become a showcase building intended to rival the Sydney Opera House. The shape of Canada Place was designed to evoke the spirit of Canada's legendary maritime heritage and B.C.'s reputation as the gateway to the Pacific. The futuristic complex with its distinctive fabric roof was designed to resemble an ocean liner under full sail."

FAVOURITE BUILDINGS | Nos. 2 and 3

"Our favourite building in the US, completed in 1972, the Transamerica Pyramid stands as one of the most recognizable structures in the world. The 48-story tower's architect, William L. Pereira, looked at the project's design in context with its central financial district location and sought to design a pyramid shaped skyscraper. The design originated at a city park where it was observed that the trees, unlike the box-like buildings, allowed the natural light and fresh air to filter down to the streets below."

TRANSAMERICA PYRAMID

San Francisco

Today, the Transamerica Pyramid is a landmark of San Francisco, perhaps only second to the Golden Gate Bridge. It serves as the corporate headquarters for both Transamerica Corporation and Bank of America Securities.

PORTFOLIO OVERVIEW

During 2002 we carried out a major strategic review of our business and this holds significant implications for our portfolio. We have already begun to put the strategy into place. The main focus will be to consolidate our portfolio in a number of core property markets so that we can concentrate on locations where we can build strong local knowledge and critical mass. In the same way we are rationalising the various types of property in which we develop and invest.

We believe that in future, many of the best opportunities will be in retail – urban and community centers; industrial – distribution centers and warehouses; and in the office sector in mid-to-low rise and research and development parks. In residential we will focus on condominiums, multi-family townhouses and rental apartments.

This selection of property types will naturally affect our chosen geographic markets. We will continue our operations in Western Canada and California, proposing to add Toronto and New York, when we judge conditions are right, to our presence on the Eastern side of North America.

An analysis of our current portfolio is shown opposite. Our portfolio strategy is likely to result in an increase in retail and industrial investments with a reduction in offices to create a more evenly balanced portfolio.

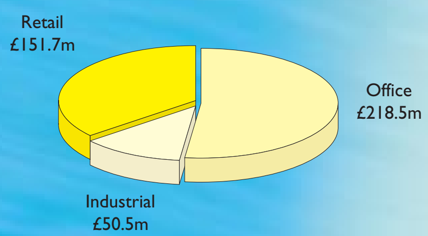
We also intend to increase the value of third party investment and, as part of our move to increase funds under management, we created a new fund in 2002 which acquired The Southern Railway Building, Washington D.C., and 701 North Michigan Avenue, Chicago.

	Number **No.**	Value **£m**	Passing rent **£m**	ERV **£m**	Average income yield **%**
Office	14	218.5	21.3	28.9	9.7
Industrial	4	50.5	2.6	3.1	5.1
Retail	14	151.7	11.5	18.7	7.6
Total	**32**	**420.7**	**35.4**	**50.7**	**8.4**

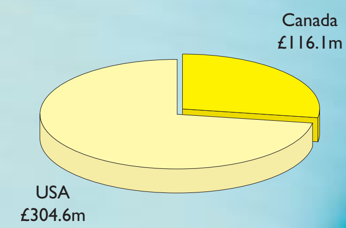
Average lease length in the Americas is 5.9 years

PROPERTY ANALYSIS

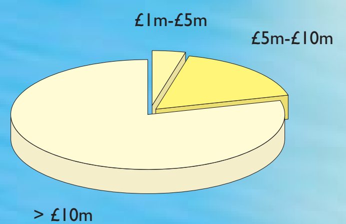
By Sector



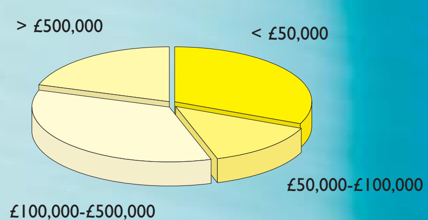
By Region



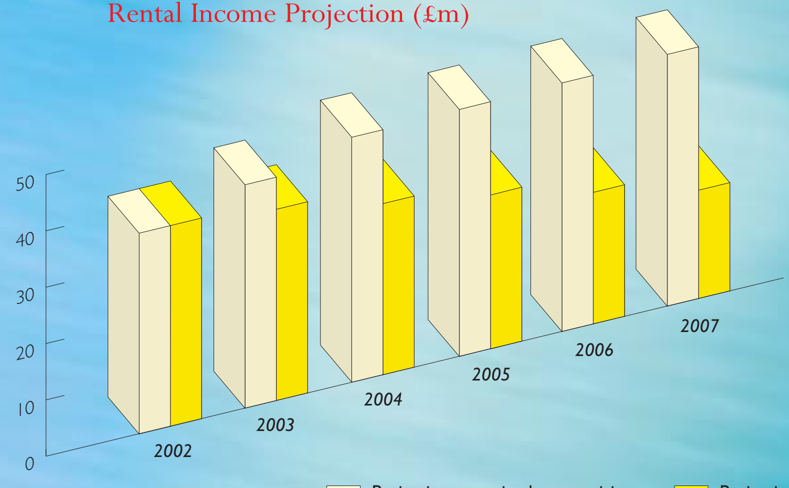
By Value



By Passing Rent



Rental Income Projection (£m)



Neil Jones
Managing Director

CONTINENTAL EUROPE...

BUILDING RELATIONSHIPS AND TRUST

“In 2002 we achieved good results, despite all the economic and political gloom. Returns were bolstered by our high weighting to Southern European Shopping Centres which showed strong revaluation gains as in 2001.”

Christine Aucouturier
– Administration and Accounting Manager

Sébastien Hyest
– Financial Analyst

Our team in Paris is multi-nat
Nationalities represented are
Between us we speak seven
Italian and German. The langu

Marc Reijnan
– Senior Asset Manager

Steve Cowen
– Investment Director

ional and multi-lingual.
French, English and Dutch.
languages, including Spanish,
age of the office is French.

In 2002, the European consumer once again eclipsed "Corporate Europe" in underpinning the economy and this was clearly demonstrated in performance across the property spectrum.

Consumer lead real estate, both residential and retail, did particularly well, driven by the availability of credit at low interest rates and consumers' continued willingness to spend. Offices offered a much more mixed picture with continued weak occupier demand and stagnation in rental levels which, paradoxically, were offset by strong investment demand.

Investment markets during the year were driven by the sheer weight of money interested in the sector. This was due to the relatively high liquidity of investment funds and geared private investors attracted to the high income yields of property relative to interest rates and equity markets. Properties offering certainty of revenue were most in demand. There must be a risk that, with less emphasis being put on underlying property value, some investors may be caught out in time by value erosion if market rental levels weaken or capitalisation rates rise.

During 2002, we sought to benefit from the strength of investment demand, and the attractive prices obtainable, by selling mature assets within our joint ventures (see portfolio section). This sales programme is set to continue in 2003.

In December, we committed to dissolving Grosvenor European Prime Properties, our pan-European office joint venture with Société Foncière Lyonnaise (SFL), originally set up in 1996 with EXOR. The transaction, to be completed by the end of March 2003, gives us the option to share the assets, with SFL taking 55% of the property by value. This would generate cash for us, and enable us to lock into end 2002 values for the three assets in Paris and one in Brussels. We will develop a strategy for the remaining assets in Milan, Madrid and Barcelona in the first quarter of 2003.

Lar Grosvenor, our Spanish joint venture, has also been active in sales with the disposal of €145m of assets under management, of which its share was over €58m. Total investment during the year amounted to €75m.

A strategic review at the end of the year saw the development of our 'home' markets strategy with its focus on the Iberian peninsular and France. Our strategy increasingly emphasises value enhancement (as opposed to being market driven), so deeper penetration and local infrastructure within our chosen markets are vital to accessing the sorts of opportunities we seek. Our teams in Paris and Madrid, both of which have been considerably strengthened over the last year provide us with platforms to achieve this.

While we hold a cautious view of the markets in 2003, our preference continues to be for retail property which has shown strong defensive qualities over the last two years, and which makes up 60% of our portfolio by net property assets. Our core retail investment is our 33% interest in Sonae Imobiliária which was privatised in December 2001.

Our commitment to research as an input into strategy and investment selection continues. In 2002 a dedicated researcher was appointed in Madrid as part of the Lar Grosvenor team, and we plan to strengthen the resources in Paris in 2003.



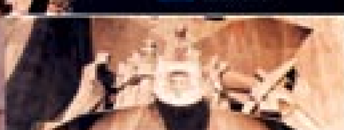


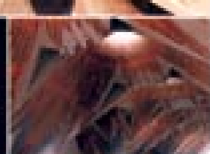


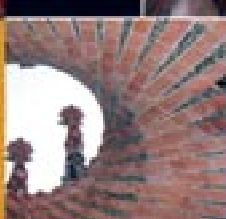
“Our ‘home’ markets strategy focuses on the Iberian peninsular and France.”

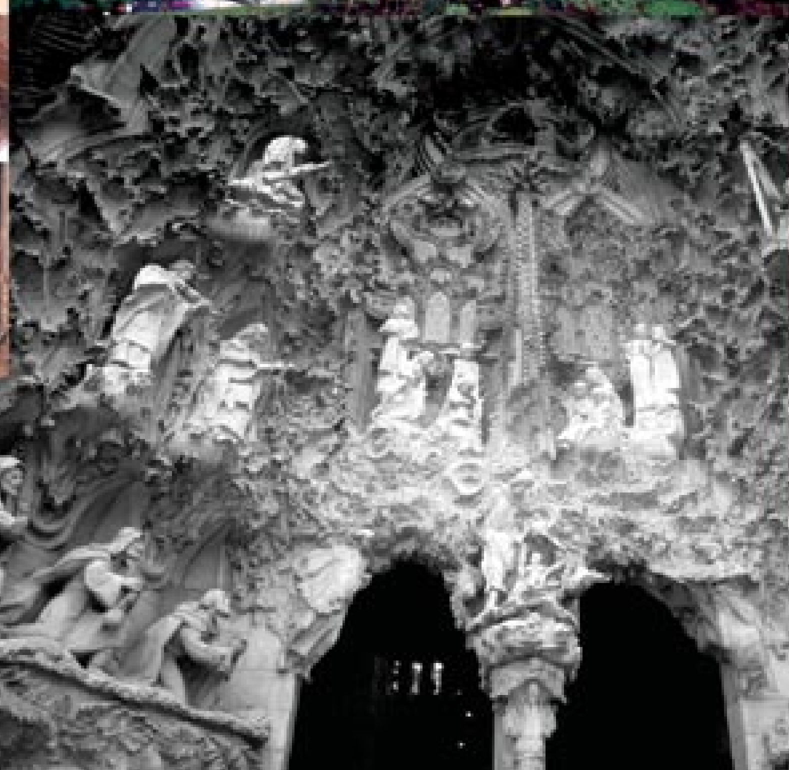
“The businesses in which we are invested continued to win industry awards. Sonae Imobiliária won the Prix Procos “Europe” 2003 for the best Developer and Investor of the Year and an ICSC first prize for MadeiraShopping. Lar Grosvenor achieved an ISO accreditation for Environmental Management Systems in its office activities and three ISO Standards for its shopping centre activities and won further awards on two of its office developments in Madrid; Crisalis and Serrano 55.”

Highly controversial, and still to this day unfinished, the Sagrada Familia is typical of Gaudi's (1852-1926) daring approach to architecture and the legacy of buildings which he left to the people of Barcelona.









FAVOURITE BUILDINGS *No.* 4

SAGRADA FAMILIA

Barcelona

> **"Criticised and lauded at the same time,** his work was an early example of public/private partnership. Although it was sponsored by the State, the church was to be funded entirely from the private sector."

The Sagrada Familia ("Temple of the Holy Family") extended the boundaries of architectural thinking, craftsmanship and notably stonework, and illustrates how the single-minded fanaticism of a man, or even "mad genius", can only really be appreciated by future generations.

PORTFOLIO OVERVIEW

The majority of our portfolio on the continent is held jointly with the Government of Singapore Investment Corporation which owns 25%. The underlying core investments were highly active.

Lar Grosvenor, our Spanish joint venture, sold completed office development Med 1 and 2, Frente Maritimo in Barcelona and a shopping centre portfolio comprising Vallsur, Garbera and Albacenter, owned jointly with Whitehall. Pre-lettings were agreed with Gucci and Bulgari in the redevelopment at Serrano 49, Madrid; and 4,000m^2 (43,000 sq ft) with Ernst & Young in Gran Sarrià, Barcelona. A commitment was made to acquire Madrid Sur shopping centre.

Grosvenor European Prime Properties (GEPP) made just one acquisition during the year, an office investment in Via Poma, Milan in a sale and leaseback transaction with Italian Bank, BCI Intesa. The dissolution of GEPP was agreed with SFL at the end of the year and is a reflection of both our cautious stance on the European office market at this stage in the cycle, and SFL's wish to focus on its core market, Paris.

Sonae Imobiliária completed 140,000m^2 (1,507,000 sq ft) of gross lettable area (GLA), in two new shopping centres during the year. Of particular note was the acquisition of 50% of the former Filo portfolio in Spain from ING, which establishes Sonae as one of the principal operators in this sector in Spain, managing a total of 430,000m^2 (4,630,000 sq ft) of GLA in 14 shopping centres, and with a further 130,000m^2 (1,400,000 sq ft) under development in four new centres. The company's total portfolio now comprises over 1.5 million m^2 (16,150,000 sq ft) of GLA under management with over 5,000 retail leases. Its centres welcomed 363 million visitors and sales grew by 11.5% in 2002.

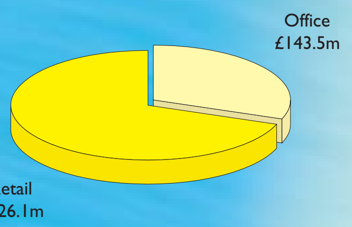
During the year, the share price of our investment in Société Foncière Lyonnaise (7.1%) rose by 10%. This reflected increased interest in the sector by investors and the positive impact of the proposed Société Investissement Immobilière Cotée (SIIC) tax legislation. The SIIC proposal would allow listed companies to convert to a tax efficient real estate trust. We also hold 5% of Hermanos Revilla.

	Number No.	Value £m	Passing rent £m	ERV £m	Average income yield %
Direct properties					
Office	7	79.2	4.6	5.9	5.8
Joint venture properties					
Office	2	16.5	0.5	1.5	3.0
Retail	23	326.1	34.9	36.0	10.7
	32	421.8	40.0	43.4	9.5
Trade investments	2	47.8			
Total	**34**	**469.6**			

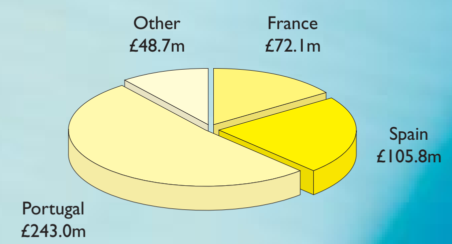
Average lease length in Europe is 6.25 years

PROPERTY ANALYSIS

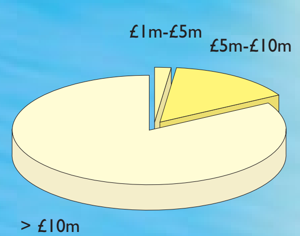
By Sector



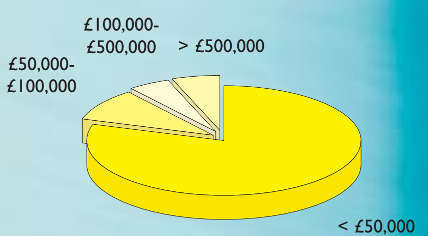
By Region



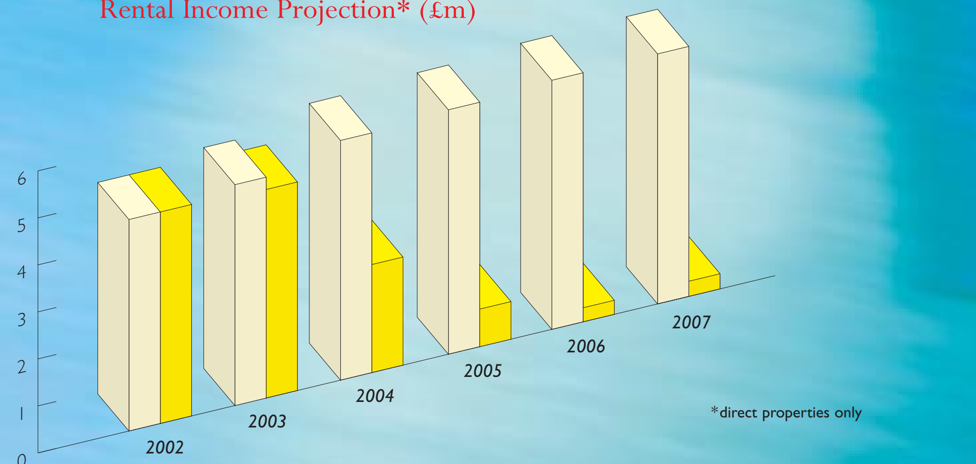
By Value



By Passing Rent



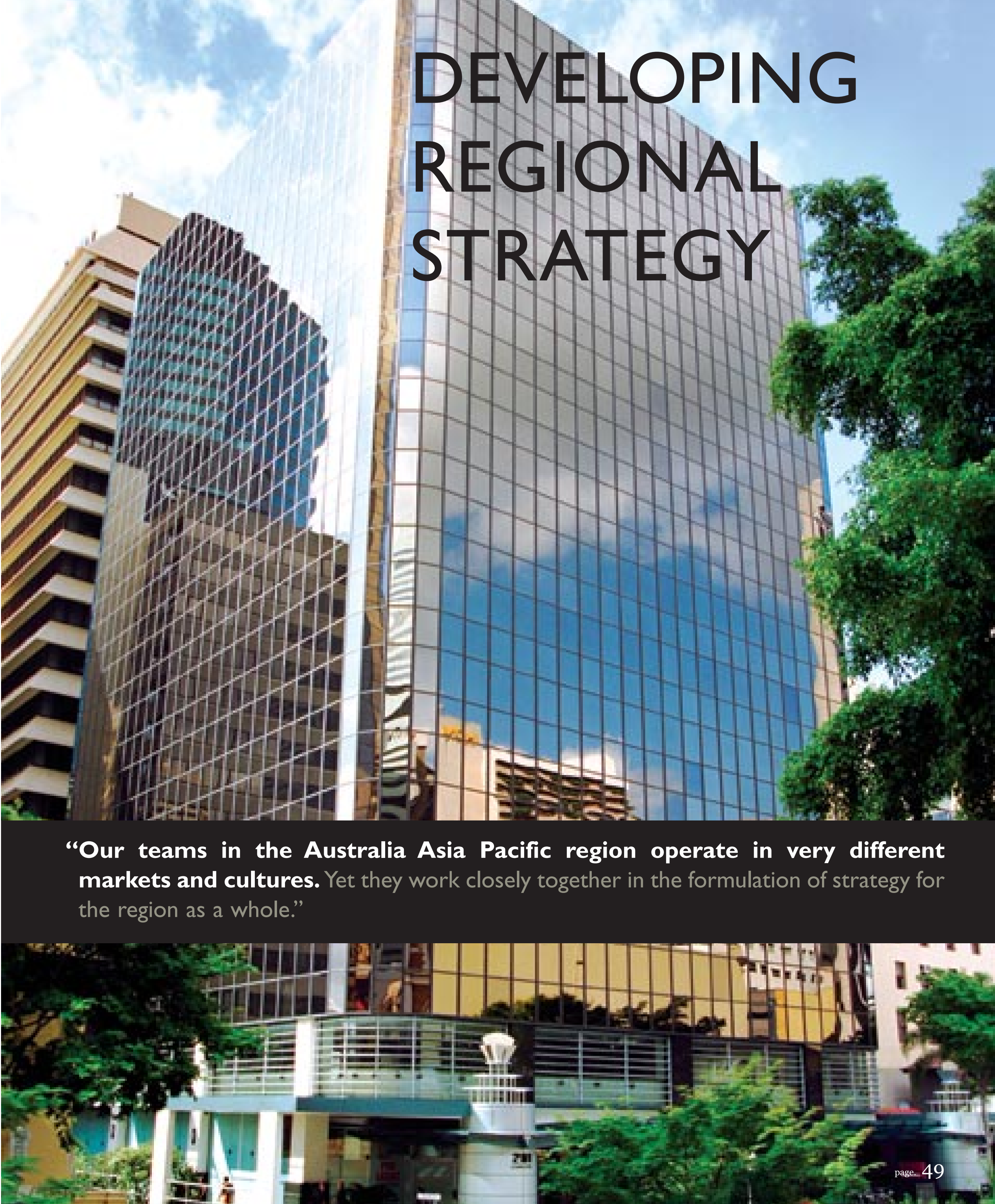
Rental Income Projection* (£m)



Rob Kerr
Managing Director, Sydney

Nick Loup
Managing Director, Hong Kong

AUSTRALIA ASIA PACIFIC...



DEVELOPING REGIONAL STRATEGY

"Our teams in the Australia Asia Pacific region operate in very different markets and cultures. Yet they work closely together in the formulation of strategy for the region as a whole."

AUSTRALIA

Sally McKay
– Financial Analyst, Sydney

Ian Clark
– Finance Director, Sydney

Philip Dowling
– Senior Asset Manager, Sydney

Graham Livingstone
– Queensland State Manager, Brisbane

Our business in Australia was established in 1967 and our team combines experience and youth to great advantage.

Our presence in Hong Kong, established in 1994 is the foundation for our activity in Asia, supported by a small team in Tokyo.

Despite world economic issues, our team in Australia had a busy year in terms of property transactions.

In Australia, we acquired a 864 bay stand alone car park station in the prime eastern end of Melbourne. Our intention is to increase the quality of the facility through a series of building improvements, capitalizing on our experience from our car park in Sydney which we have owned since 1971.

After a refurbishment in 2001 and a successful re-letting program in 2002, we decided with our partner Ayala International, to dispose of our investment in the Olderfleet buildings at 477 Collins Street in Melbourne. The property was 99% leased with long leases in place when sold in December, making a high return over our short period of involvement.

At the Glendenning Industrial Estate in Sydney, we completed the development of 6,500m^2 (70,000 sq ft), of mainly warehouse space with associated offices, for Orrcon, a steel tube manufacturing business. Orrcon made a pre-commitment to a long term lease from practical completion in July and the design allows for a further 2,000m^2 (21,500 sq ft) of space for expansion on the site.

Our industrial portfolio was not only enhanced by the addition of the Orrcon project, but we improved the lease profile on our properties in Rosebery Avenue, Sydney and in Darra, Brisbane. We were pleased to re-let one of the units at Rosebery Avenue to Suntory Australia on a new long term lease at a market rent which contributed to improving the value of the property by 17%.

Whilst Australia's economic growth was strong in 2002, the economy eased during the year and this had an effect on the property markets. Occupier demand in most property sectors softened, however investment demand is maintaining capital values. We will maintain a cautious approach in 2003 given the potential of disruptive world events, but we remain positive about the opportunities where our local knowledge will be as important as ever.

Hong Kong is ideally positioned to participate in the Mainland growth story over the medium term, although its open, service based economy has suffered an unusually extended period of deflation since the Asian economic crisis.

Against this scenario, Grosvenor's business in Asia has benefited from our focus on the residential sector which has withstood the economic crisis better than others.

Two assets in the Grosvenor Land Property Fund, our joint venture with Hong Kong Land, Horizon Lodge and 39 Deep Water Bay (House 9) were successfully refurbished resulting in quick leasing at solid rents.

Together with partners Asia Standard International and Ayala International, we made good progress on 'Grosvenor Place', a luxury residential development in Repulse Bay, Hong Kong. The foundation works were completed in March and the superstructure was built by the year-end. This will be the first new project in this location for over 5 years and, will provide 21 apartments for sale towards the end of 2003.

The weakness of the Japanese economy continued throughout 2002 and the outlook for 2003 remains tough. However, distressed sales have enabled us to find good investment opportunities in the residential sector with our partner, Uni-Asia.

Our investments in Asia are for the long term and although the outlook is unlikely to improve for some time, we are ready to seize any opportunities to invest in attractively priced assets and continue to strengthen our relationships with existing partners.

"For Asia, 2002 was another challenging year. Although China, after its accession to the World Trade Organisation, surpassed the USA as the world's largest recipient of Foreign Direct Investment and as only 25% of GDP is generated by exports, it is largely shielded from external economic volatility."

"China stands out as the growth star of the Asia region."

The Bank of China building is uniquely Chinese among the glass and steel reeds of its neighbours and has been designed to resemble stalks of bamboo pushing skyward. A unique and eye catching design.

"Our favourite building in Asia is the Bank of China building in Hong Kong. It is unmistakably modern, and although surrounded by dozens of other skyscrapers, this tower, which was designed by Leoh Ming Pei Associates, is a landmark in Hong Kong's skyline."

BANK OF CHINA

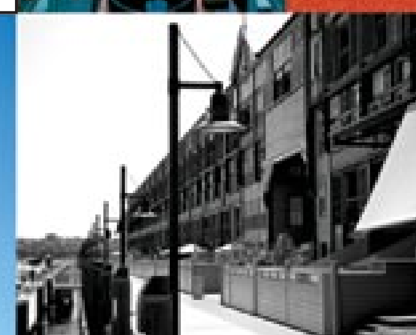
Hong Kong

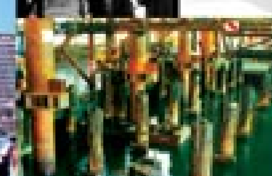
FAVOURITE BUILDINGS | *Nos.* 5 and 6

FINGER WHARF

Woolloomooloo

"Our favourite building in Australia is the A$200 million redevelopment of the landmark Finger Wharf at Woolloomooloo Bay in Sydney which has transformed the 90-year old former wool and cargo handling facility into one of the city's most sought after new addresses, with panoramic views to the city and harbour."





The historic 400-metre long building is one of the largest timber wharves in the world, with its architectural significance recognised by a heritage listing on the register of the National Estate. The cavernous wharf buildings now contain 345 luxury apartments, a five star hotel, retail stores, restaurants and a 63-berth marina. The careful integration of all these uses within the heritage listed Finger Wharf has delivered a unique waterfront precinct which has achieved strong results.

Our portfolio in the Australia Asia Pacific region includes all sectors in which the Group is active: residential, offices, retail, industrial, business parks and car parking stations.

55% of the portfolio by value is in Australia, the remaining 45% is split between Hong Kong (37%), Singapore (5%) and Japan (3%).

In Australia, our investment activities are focused on Sydney, Melbourne and Brisbane. Approximately 40% of the total net lettable area of our investment portfolio was either renewed or leased during the year, enhancing our lease expiry profile considerably. This had a knock on effect of improving values generally. In turn, we took advantage of a favourable lending market by renewing and extending our loan facilities.

Looking ahead in Asia, our focus is on the North of the region and on well located urban residential property. With the exception of one office investment, all our investments are owned in partnership.

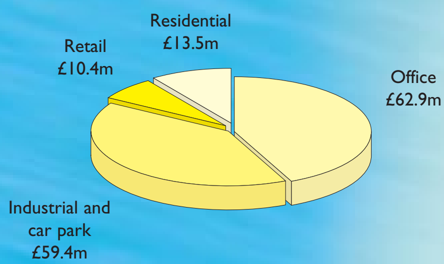
The fortunes of Asia Standard International (ASI), in which we hold a 15% shareholding, have followed a similarly difficult path to those of other mid-cap competitors and the share-price has fallen significantly over the last 2-3 years. However, the underlying performance of the business improved in a difficult property market in 2002 and a notable success was the urban residential development of 155 units in Shaukeiwan, Hong Kong. ASI also re-entered the mainland market in China through a joint venture residential development in Shenzhen which will be completed in 2003.

	Number **No.**	Value **£m**	Passing rent **£m**	ERV **£m**	Average income yield **%**
Direct properties					
Office	4	25.7	2.7	2.7	10.5
Industrial and car park	13	59.4	2.6	2.6	4.4
Retail	1	2.4	0.2	0.2	8.3
Residential	14	13.5	0.7	0.8	5.2
	32	101.0	6.2	6.3	6.1
Trade investments	3	45.2			
Total	**35**	**146.2**			

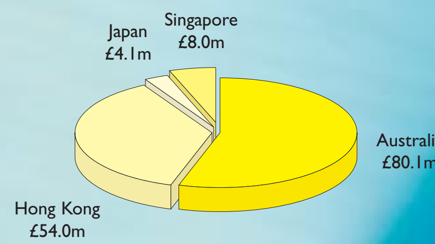
Average lease length in Australia Asia Pacific is 4.1 years

PROPERTY ANALYSIS

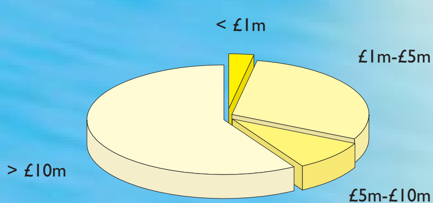
By Sector



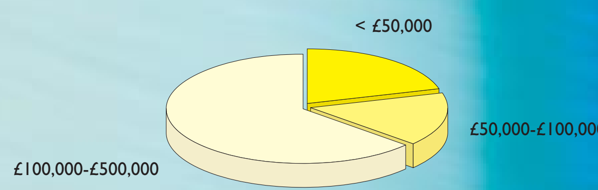
By Region



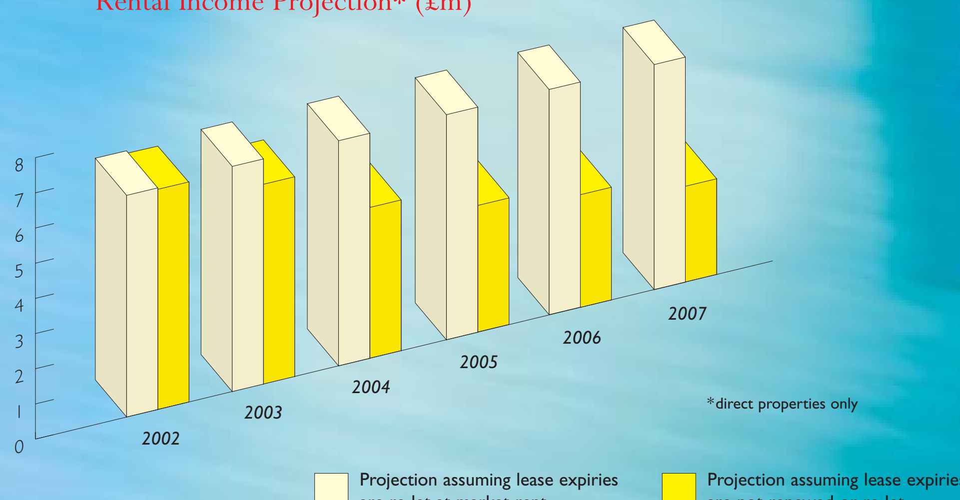
By Value



By Passing Rent



Rental Income Projection* (£m)



PROFILE OF THE BOARD

at 13 March 2003

Executive Directors

Jeremy Newsum FRICS (Group Chief Executive) is a Trustee of the Grosvenor Estate. He is a director of TR Property Investment Trust Plc and a member of the International Advisory Panel of CapitaLand. Age 47.

Jonathan Hagger FCA FCT (Group Finance Director) is Chief Financial Officer of the Grosvenor Trusts. He is Chairman of English Sinfonia. Age 54.

Bill Abelmann is Chief Executive and President of Americas. He is a member of the Urban Land Institute, International Council of Shopping Centers, Building Owners and Managers Association, and is a Board member of the National Association of Real Estate Investment Managers. Age 52.

Stuart Beevor FRICS is Group Fund Management Director of Grosvenor. He is a member of the Property Advisory Group of the Office of the Deputy Prime Minister, (UK Government) and is an active member of a number of industry organisations. Age 46.

Stephen Musgrave MRICS is Chief Executive of Britain and Ireland. He is a member of the Royal and Sun Alliance London Regional Board and a member of the Client Committee of the Royal Academy of Arts. Age 49.

Non-executive Directors

The Duke of Westminster OBE TD DL (Chairman) is Chairman of the Grosvenor Trusts. He is involved with many leading charity organisations and holds the position of Brigadier in the Reserve Forces. In December 2002 he was appointed Director Reserve Forces and Cadets (DRFC). He is a member of the Prince's Council of the Duchy of Cornwall. Age 51.

John Sclater CVO (Deputy Chairman) is a Trustee of the Grosvenor Trusts. He is Chairman of Graphite Enterprise Trust plc, Argent Group Europe Limited and Finsbury Life Sciences Investment Trust plc. He is a director of James Cropper plc, Millennium & Copthorne Hotels plc, Wates Group Ltd and other companies. Age 62.

Robin Broadhurst FRICS CBE is a Trustee of the Grosvenor Trusts and European Chairman of Jones Lang LaSalle. He is Chairman of the Property Advisory Group of the Office of the Deputy Prime Minister, a member of the Prince's Council of The Duchy of Cornwall, Property Consultant to Sir Robert McAlpine, Surveyor to the Drapers' Company and a Trustee of several charities. Age 56.

Rod Kent is Chairman of Britain and Ireland. He retired as Managing Director of Close Brothers Group plc in October 2002 but remains on the board as a non-executive director. He is non-executive Chairman of Bradford and Bingley plc and a non-executive director of Whitbread plc. Age 55.

Kurt Viermetz is Deputy Chairman of the Supervisory Board of Bayerische Hypo-und Vereinsbank AG in Munich, Germany. He serves on the Board of E.ON AG, Dusseldorf. He is also Chairman of the International Capital Markets Advisory Committee of the New York Stock Exchange and a Member of the International Capital Markets Advisory Committee for the Federal Reserve Bank of New York.

He serves as Trustee of the American Council on Germany in New York and the Haniel Foundation in Duisberg, Germany. He is an Honorary Director of the New York Philharmonic Society. Age 63.

Tony Wyand is Group Executive Director of Aviva plc with particular responsibility for its Continental European activities. He is a non-executive director of Société Générale and UniCredito Italiano. Age 59.

GROSVENOR COMPANIES

at 13 March 2003

Britain & Ireland

Grosvenor Limited
Directors
Rod Kent, Chairman
Stephen Musgrave MRICS, Chief Executive
Richard Handley FCA, Finance Director
Mervyn Howard
Jeremy Titchen MRICS
Professor Andrew Baum FRICS
Richard Clare MRICS
Jonathan Hagger FCA FCT
Jeremy Newsum FRICS

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Fax: + 44 (0) 131 225 1995

Americas

Grosvenor Americas Limited
Directors
Carmine Guerro, Chairman
Bill Abelmann, Group Chief Executive and President
David Taylor CA, Finance Director
Mark Preston MRICS, President USA
Jonathan Hagger FCA FCT
Jeremy Newsum FRICS
Donald Bodel
George Gaffney
Lizanne Galbreath

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Tel: + 1 202 293 1235
Fax: + 1 202 785 2632

Continental Europe

Grosvenor Continental Europe SA
Directors
Neil Jones MRICS, Managing Director
Benoit Prat-Stanford, Finance Director
Stephen Cowen MRICS, Investment Director
Jonathan Hagger FCA FCT
Michael McDonald ACA
Jeremy Newsum FRICS
Mark Preston MRICS

Consultant
Guillermo Wakonigg

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Fax: + 35 2 26005-803

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Tel: + 33 (0)1 55 04 89 39
Fax: + 33 (0)1 40 15 93 93

Australia Asia Pacific

Grosvenor Australia Properties Pty Limited
Directors
Rob Kerr, Managing Director
Ian Clark, Finance Director
Jonathan Hagger FCA FCT
Jeremy Newsum FRICS

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Fax: + 61 7 3220 1833

Grosvenor Limited
Directors
Nicholas Loup, Managing Director
William Lo, Finance Director
John So, Investment Director
Jonathan Hagger FCA FCT
Jeremy Newsum FRICS

Consultant
Tim Freshwater

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Hong Kong
Tel: + 852 2956 1989
Fax: + 852 2956 1889

ACCOUNTS

FINANCIAL OVERVIEW

SUMMARY

- Revenue profit was maintained at £53.5m (2001 – £53.8m) in spite of deteriorating market conditions during 2002.
- The strong residential market in the UK continued to account for the majority of investment property disposal profits, at £15.5m out of a total of £25.8m.
- The continuing depressed market in Asia resulted in a decision to write down the value of our 15% holding in Asia Standard International Group Limited in Hong Kong to its market value at the end of the year – a charge of £17.3m to the profit and loss account.
- The revaluation uplift for the year was £39.0m, reflecting a continuing rise in residential markets, steady growth in retail and slowing office markets.
- Total assets under management increased to £5.4bn, of which £3.1bn relates to Grosvenor's proprietary assets (including developments at completed cost) and £2.3bn is managed on behalf of third parties.
- The committed development programme is £0.8bn. Development plans, including major city centre developments, amount to a further £1.3bn.

EARNINGS

	2002 **£m**	2001 As restated £m
Net rental income and fees	**108.0**	109.3
Development profit	**2.6**	6.5
Administrative expenses	**(35.5)**	(34.1)
	75.1	81.7
Joint ventures and other investments	**19.5**	13.5
Interest	**(41.1)**	(41.4)
Revenue profit	**53.5**	53.8
Investment property sales	**25.8**	28.0
	79.3	81.8
Amounts written off investments	**(18.5)**	–
Profit before tax	**60.8**	81.8
Tax	**(16.3)**	(17.5)
Profit after tax	**44.5**	64.3

The Group's total return on property assets in 2002, taking account of the movement in share price of our listed property investments, foreign exchange impact and goodwill, was 5.4% (2001 – 13.1%). The unadjusted return, based on the results as reported in the financial statements, was 6.2%. This compared with 11.3% in 2001, and an average over the last five years of 13.6%.

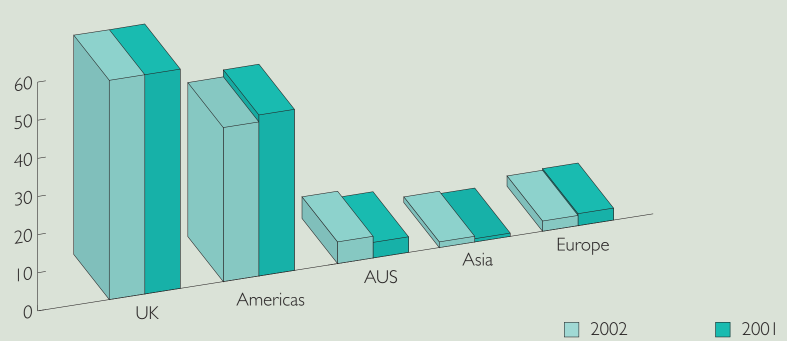
The return for 2002 included a revaluation uplift of £39.0m and write downs against investments of £18.5m. The 2001 return included a revaluation uplift of £123.2m. Revenue return, which excludes disposal profits and revaluation gains, was 4.0% (2001 – 4.3%), reflecting the low income yield achieved on the highly reversionary properties on the London Estate.

Over the past five years Enterprise Value Added, which represents the value added above the Group's weighted average cost of capital, amounted to £264m.

NET RENTAL INCOME

Net rental income has been resilient to the downturn in market conditions, at £108.0m compared with £109.3m in 2001.

The sale of the Vancouver Centre at the end of 2001 was the main reason for the fall in net rental income in Americas, together with the impact of a lower average exchange rate for US and Canadian dollars.



JOINT VENTURES AND OTHER INVESTMENTS – PROFITS UP BY £6m

The Group's joint ventures are the 33% investment in Sonae Imobiliária SGPS, the Portuguese shopping centre developer and owner, and Lar Grosvenor B.V., the Group's 50% Spanish joint venture. Both these investments are held by our Continental European operating company.

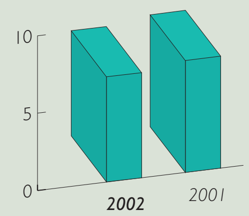
The Group's share of profits of joint ventures and associates has increased by £5.7m to £17.7m in 2002, mainly as a result of the additional 8% investment in Sonae made at the end of 2001, but also because of another year of increased profits from Sonae.

AVERAGE COST OF DEBT FALLS TO 6.7%

The Group's average cost of debt fell to 6.7% in 2002, compared with 7.2% in 2001. This was due to falling interest rates and the full year impact of the 6.5% listed bond issued in two tranches in June and December 2001.

Group net interest fell by £3.2m to £35.1m. The Group's share of joint ventures' and associates' interest increased by £2.9m mainly because of new borrowings in Sonae.

AVERAGE COST OF DEBT (%)



PROFITS ON PROPERTY DISPOSALS OF £25.8m

£20.3m of disposal profits arose in Britain and Ireland, of which £15.5m related to lease premiums from the London Estate and £2.7m to sales of two properties from the Arkle shopping centre fund.

In Americas we sold a number of properties including the 50% owned US Bank Plaza in California, and in Australia we sold our 25% interest in an office building in Melbourne.

The Group's share of joint ventures contributed £2.1m to investment property disposals, which arose from five properties sold in Lar Grosvenor.

NET ASSETS OF £1.8bn

Net assets increased £76.3m as a result of retained profits for the year and the 2002 revaluation uplift.

Movements in exchange rates reduced net assets by £28.0m and the impact of the change in accounting policy to full provision for deferred tax was to reduce net assets by £33.9m.

34.2% of the Group's net assets are exposed to currencies other than Sterling.

The Group's investment property portfolio increased by £72m to £2,079m, including £40m of revaluation uplift for the year. In Britain we saw increases in the residential and retail portfolios, but a fall in office values. In North America, valuations of our Californian properties reflected difficult markets in Silicon Valley, but these were offset by positive valuations elsewhere in the United States and Canada.

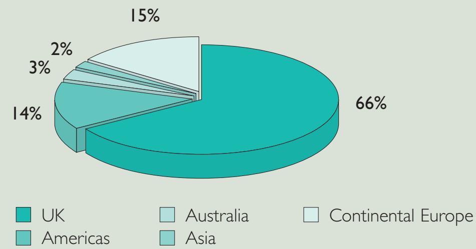
The valuation uplift of £40.0m was reduced by £21.1m of provisions against the carrying value of certain investment properties under construction in Britain and Ireland. These provisions reflect the unfavourable office market at the end of 2002, particularly in the City of London. We expect the valuations of these properties to recover after the first rent review once the completed properties are let.

The Group's share of joint ventures' net assets increased by £33.5m to £209.4m, driven by another year of strong performance from our investment in Sonae Imobiliária. Our share of investment properties held by joint ventures is £343m.

We extended our long term relationship with Asia Standard by subscribing to £21.5m of convertible bonds at the beginning of the year. Our existing investment in Asia Standard shares continues to trade at a significant discount to net assets, and in view of this we took the decision to write the investment down to its market value at the end of the year.

FINANCIAL OVERVIEW

NET ASSETS BY REGION



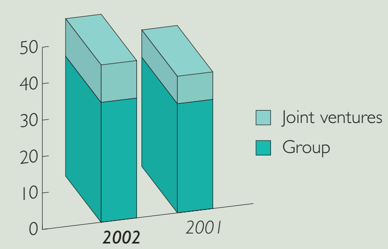
NET GEARING OF 34.5%

With gross debt at 31 December 2002 of £748.9m (2001 – £735.1m) and cash and short term liquid investments of £143.9m (2001 – £198.2m) net gearing was 34.5% (2001 – 31.8%).

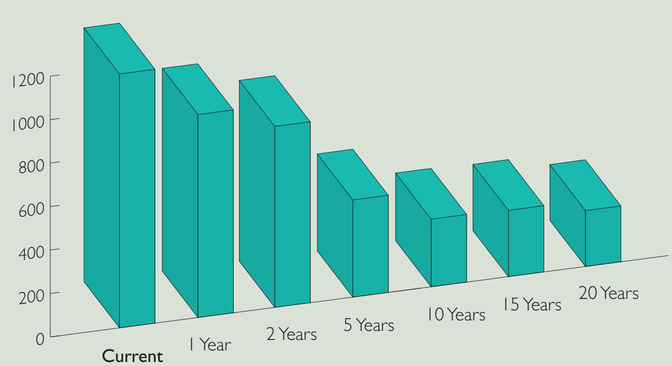
Including the Group's share of joint ventures' net debt, gearing increased to 45.1% (2001 – 39.8%).

In addition to the total debt drawn of £748.9m, the Group has undrawn committed bank facilities of £450.6m. If all these facilities were drawn gearing would increase to 60%. The average life of committed debt facilities (drawn and undrawn) is 9.1 years (2001 – 9.3 years).

NET GEARING (%)



COMMITTED DEBT FACILITIES (£m)

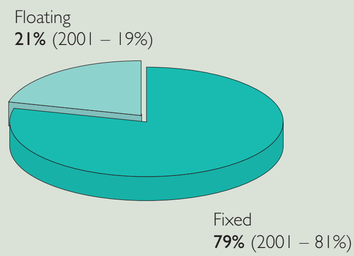


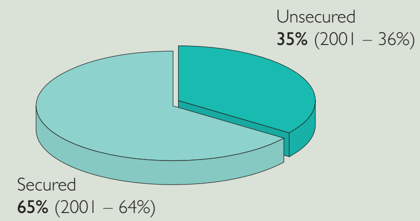
FINANCIAL OVERVIEW

NET GEARING OF 34.5% (continued)

The profile of the Group's debt remains similar to 2001 and is illustrated below. Average debt utilisation during 2002 was £735m.

TOTAL DEBT £748.9m

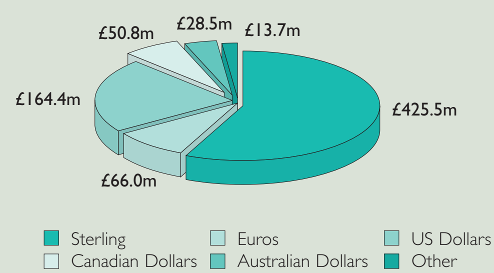




Foreign currency borrowings amounting to £323.4m were drawn at the end of 2002 (2001 – £339.1m), all held by overseas subsidiaries. In 2001, UK subsidiaries held foreign currency borrowings of £19.1m. This was the residue of currency debt drawn to finance investment overseas which was unwound in accordance with the Board's foreign exchange hedging policy, as referred to on page 66.

In December 2002 we raised capital and debt of approximately €20m (£12.2m) in a partial listing of our Continental European holding company, Grosvenor Continental Europe SA, on the Luxembourg Stock Exchange. The debt element was a 20 year floating rate listed bond (at EURIBID plus 0.4%). This action reduces the risk of double taxation that can arise in the UK on capital gains realised in our non-UK subsidiaries and put us on a similar footing to UK listed competitors investing in Continental Europe.

CURRENCY ANALYSIS OF DEBT



CASH FLOW

Cash flow generated from operations after debt service was at a similar level to 2001 at £35.9m (2001 – £38.3m). After tax paid, cash utilised was £3.3m (2001 – £2.9m generated).

Net capital expenditure in 2002 was £72.0m, including £21.5m in respect of the Asia Standard convertible bond. This was funded by an increase in net debt of £68.1m. In 2001 net capital proceeds were £27.3m, which included £54.8m in respect of the sale of a trade investment, and net debt reduced by £30.1m.

RESTATEMENT OF 2001 RESULTS

The Group has adopted FRS19 "Deferred Tax" with effect from 1 January 2001 and has restated previously reported results as if the revised policy had always been adopted. The restatement resulted in a reduction in net assets at 31 December 2001 of £33.9m and in reduction in profit after tax for the year ended 31 December 2001 by £2.4m.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE COMBINED CODE

The Group follows the principles of corporate governance recommended as best practice by the Financial Services Authority ("the Combined Code"). Throughout 2002 the Group was in compliance with the provisions set out in Section 1 of the Combined Code, except for Part B3 which addresses disclosure of directors' remuneration and Part C which the Board considers is not relevant. The Board believes that the principles behind the Code's recommendations in these areas are fully satisfied in the context of the ownership of the Group.

BOARD OF DIRECTORS

The Board comprises eleven directors, five of whom work full time for the Group. The Board is responsible to the shareholders for the proper management of the Group. It is responsible for setting and monitoring Group strategy, reviewing performance, ensuring adequate funding, formulating policy on key issues, and reporting to shareholders.

The roles of Chairman and Chief Executive are clearly defined. The Chairman is primarily responsible for overseeing the working of the Board. The Chief Executive is responsible for the implementation of the strategy and policies set by the Board and the day-to-day management of the business. The Deputy Chairman is the senior independent director.

The biographies of the members of the Board on page 58 demonstrate a range of experience and calibre to bring independent judgement on issues of strategy, performance, resources (including key appointments) and standards of conduct. A statement of the directors' responsibilities in respect of the accounts is set out on page 71 and a statement of going concern is given on page 69.

To enable the Board to discharge its duties, all directors receive appropriate and timely information, including briefing papers distributed in advance of board meetings. The directors have access to the Company Secretary, and may, at the Company's expense, take independent professional advice and receive training as they see fit.

AUDIT COMMITTEE

The Audit Committee comprises three non-executive directors and is chaired by the Deputy Chairman. The Committee meets at least twice a year with the auditors and is attended by invitation by the Group Chief Executive, Group Finance Director and other senior personnel as appropriate. It is responsible for reviewing a wide range of financial matters including the annual financial statements and accompanying reports, Group audit arrangements, accounting policies, internal control and the actions and procedures involved in the management of risk throughout the Group.

NOMINATIONS COMMITTEE

The Board considers that a separate Nominations Committee is not necessary as there is a formal procedure under which the non-executive directors discuss and agree any Board nomination prior to approval and discussion by the Board.

RELATIONS WITH SHAREHOLDERS AND LENDERS

Given the private ownership of the Group, the requirements of the Combined Code to communicate with institutional shareholders are not fully relevant. The shareholders are fully represented on the Board and receive a monthly report. This Annual Report is widely distributed and the Group's policy is to maintain close contact during each financial year with bondholders and other lenders at Group and operating company levels.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. This is designed to manage rather than eliminate the risk of not achieving business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board considers that there is a continuous process for identifying, evaluating and managing significant risks faced by the Group in the course of its business, which has been in place throughout the year and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Audit Committee and the Board, is consistent with the internal control guidance for directors in the Combined Code and enhances the existing system of internal control which has complied with best practice for many years.

A key part of the system of internal control is the delegation of management responsibility for all the Group's property investment, development and fund management activities together with supporting functions to regional management teams. Both the Britain and Ireland and Americas regions have local boards with non-executive chairmen which oversee the regions' operations. These boards form an integral part of the overall internal control process. Local boards for the Continental Europe and Australia Asia Pacific regions work closely with the Holding Company team to ensure appropriate internal controls are maintained. The relationship between regional boards and the Group Board is clearly defined and is set out in formally approved financial delegation procedures.

INTERNAL CONTROL (continued)

In addition to local boards, each region, together with the Holding Company is represented on the Group Finance Board, which meets at least three times each year and provides a forum for debating issues of a financial nature which are relevant for the Group as a whole, including the setting of Group policy, development of systems and risk management.

In view of the relatively small number of staff and the interaction of local boards, including the Group Finance Board, the Grosvenor Group Holdings Limited Board considers that an internal audit function is not currently required. The need for this additional control is reviewed by the Board on a regular basis.

The Board carried out its annual assessment of internal control for the year 2002 at its meeting in March 2003 by considering reports from management and the Audit Committee and taking account of events since December 2002.

Risk management is a constant agenda item for all parts of the business with the emphasis on continuous improvement. Specific financial and other controls can be summarised under the following headings:

OPERATING AND HOLDING COMPANY CONTROLS

Key controls over major business risks include reviews against performance indicators and exception reporting. Each team makes regular assessments of its exposure to major financial, operational and strategy risks and the extent to which these are controlled.

QUALITY AND INTEGRITY OF PERSONNEL

It is the Group's policy to retain employees of high calibre, professional integrity and potential. Comprehensive training and development programmes are in place for all key personnel.

FINANCIAL INFORMATION

The Group and each operating company have comprehensive systems for reporting financial results. Financial results are reviewed on a quarterly basis (consistent with the pattern of rent billing in the majority of the Group's operations) with comparisons against budget and prior periods together with a forecast for the full financial year and the potential variances to that forecast. Treasury reporting is reviewed on a monthly basis, with further reporting each quarter.

TREASURY POLICIES

As a company committed to private ownership the Group's expansion capital is drawn from banks and financial institutions rather than from shareholders. Additional financial resources for operations are provided by jointly investing with partners.

Treasury policies, approved by the Board, are:

- to raise all core debt at operating company level and operate a decentralised treasury management structure;
- to ensure sufficient committed loan facilities to support current and future business requirements;
- to ensure that the Group's debt can be supported from maintainable cashflow through clear internal guidelines;
- to manage interest rate exposure with a combination of fixed rate debt and interest rate swaps, maintaining a fixed interest rate floor of 60% of borrowings;
- not to hedge long-term net asset positions held in foreign currencies; and
- to pool funds efficiently on a regional basis and invest short-term cash with approved institutions up to limits agreed by the Board.

Transactions in financial instruments are either governed by specific delegations to operating company boards or have prior Board approval. The Group does not enter into any speculative positions.

SYSTEMS

There are established controls and procedures over the security and integrity of data held on computer systems and the Group has put in place appropriate disaster recovery arrangements which are tested and reviewed regularly.

FINANCIAL SERVICES AUTHORITY (FSA)

Grosvenor Investment Management Limited, a wholly owned subsidiary, is regulated by the Financial Services Authority (FSA) for the purposes of undertaking regulated property management activities. All transactions with managed funds are separately accounted for under a full client accounting regime.

REMUNERATION REPORT

REPORT ON EMPLOYMENT AND REMUNERATION MATTERS SPECIFICALLY RELATING TO EXECUTIVE DIRECTORS AND SENIOR STAFF

THE GROUP'S EMPLOYMENT PHILOSOPHY recognises the value of staff to its long term success. The promotion of loyalty is an important business concept for Grosvenor and good relationships between employer and employee are nurtured. Grosvenor is an equal opportunities employer and staff are kept informed on matters affecting them and on the financial and economic factors affecting the Group's performance. We are committed to improving performance through regular review and continuous learning. Programmes are in place to train and develop suitable individuals for future senior or directors' roles. A review of Board performance is carried out each year.

THE REMUNERATION COMMITTEE comprises three Non-Executive Directors and is chaired by the Deputy Chairman. It meets at least twice a year. The Group Chief Executive and Group Human Resources Director are in attendance unless their own affairs are being discussed. The Committee is responsible for considering and making recommendations to the Board on the Group's overall remuneration strategy and employment policies and specifically determines the remuneration and contract terms of executive directors and other senior staff. They consult with independent professional advisers as necessary.

THE GROUP'S REMUNERATION POLICY recognises the importance of attracting, retaining and motivating executives of the appropriate calibre and experience to enhance the performance and reputation of the Group. The size, complexity and international perspective as well as the long-term nature of the business are all important factors. The Group strives to provide fully competitive benefits, together with above average fixed and variable compensation elements, in comparison to our local competition. The Group complies with all compensation and benefits elements and practices which are required by local law. In addition, compensation includes variable elements to reward superior company, team and individual performance in line with market practice. The Remuneration Committee has discretion to award individual bonuses in recognition of special performance.

THE REMUNERATION of executive directors and senior staff includes a blend of short and long-term reward and has been designed to address the interests of both employees and shareholders. The elements are:–

- **BASIC SALARY AND BENEFITS** are competitive within the property industry in the locations in which the Group operates. Salaries are reviewed annually, or on promotion. Taxable benefits are provided at levels similar to those for comparable positions and include, as appropriate, health insurance, long term savings plan (now closed to new entrants) and car allowance.

- **BONUS AND INCENTIVE SCHEMES** operate for executive directors and senior staff, with the exception of those employed by Grosvenor Americas (GA) which are covered below. The annual performance related bonus scheme is linked to the achievement of total return above the Group's Weighted Average Cost of Capital. The incentive arrangements are designed to reward outstanding performance at the team and individual level. It is a requirement of the scheme that at least 50% of the incentive element of the award is deferred for a minimum period of two years after the award is made. The deferred element attracts a return equivalent to the total return of the company of each subsequent year after the award is made.

  Staff of GA, including the Chief Executive, participate in a separate annual performance related bonus scheme and a long-term incentive plan. The long-term incentive plan sets a notional share value for GA based on net assets per share and notional shares are awarded according to measures of performance over the previous three years. The benefits arising under this scheme vest at the earlier of redemption dates set out in the scheme or the executive's retirement or resignation date.

- **PENSIONS AND LIFE ASSURANCE** for executive directors and senior staff, with the exception of those employed by GA, are provided through membership of the Grosvenor Estate Pension Scheme (GEPS) and, if applicable, supplementary pension arrangements. GEPS is non-contributory and provides a maximum pension of up to two-thirds of pensionable salary on retirement. The cost of the Group's contribution to GEPS in respect of each director is based on the senior executive member current average contribution rate of 29.5% per year. The scheme also provides for dependents' pensions of two-thirds of the member's pension and an insured lump sum payment of four times basic salary in the event of death in service.

  GA has made separate arrangements for provision of pensions for executive directors and staff. Details of the pension schemes' funding and assumptions are given in note 7 of the Accounts.

REMUNERATION REPORT

A SCHEDULE OF DIRECTORS' REMUNERATION, including all amounts required to be disclosed by the Directors' Remuneration Report Regulations 2002, is approved by the shareholders and details of directors' remuneration in accordance with the Companies Act 1985 are set out in note 8 to the financial statements.

THE NOTICE PERIOD for the termination of the employment of an executive director is six months.

NON-EXECUTIVE DIRECTORS representing the shareholders receive no fee. The fees for other non-executive directors are reviewed every two years by the Chairman. Non-executive directors do not have service contracts and do not participate in bonus arrangements.

TRANSACTIONS BETWEEN THE GROUP AND GROSVENOR TRUSTS are disclosed in note 32 to the financial statements. Certain of the Company's directors are Trustees of Grosvenor Trusts and are also directors of other companies with which the Group may from time to time enter into transactions on normal commercial terms. In the opinion of the Board, none of these relationships is such as to impair the independence of the non-executive directors.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors who served during the year in the share and loan capital of the company and its subsidiaries are shown below.

GROSVENOR GROUP HOLDINGS LIMITED

	Ordinary shares		Non-voting ordinary shares		12% Non-cumulative irredeemable preference shares	
	At 1 January 2002	At 31 December 2002	At 1 January 2002	At 31 December 2002	At 1 January 2002	At 31 December 2002
Beneficial						
The Duke of Westminster	**6,006,373**	**6,083,924**	**48,050,984**	**48,671,392**	**6,006,373**	**6,083,924**
Non-beneficial						
John R Sclater	**2,687,566**	**2,687,566**	**21,500,528**	**21,500,528**	**2,687,566**	**2,687,566**
Jeremy H M Newsum	**4,170,816**	**4,248,367**	**33,366,528**	**33,986,936**	**4,170,816**	**4,248,367**
Robin Broadhurst	**3,661,354**	**3,738,905**	**29,290,832**	**29,911,240**	**3,661,354**	**3,738,905**

There have been no changes in beneficial or non-beneficial interests since 31 December 2002.

Where a director has a joint interest in securities, the above disclosures include for each director the number of securities that are jointly held.

Except as disclosed above, none of the directors of the company who served during the year had any interests in the securities of the company or any of its subsidiary undertakings.

JOHN SCLATER

Chairman of the Remuneration Committee

13 March 2003

DIRECTORS' REPORT

The directors present their annual report and the Group's audited consolidated financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group's principal activities are property development, investment and fund management in Britain and Ireland, North America, Continental Europe, Australia and Asia Pacific.

Information on the Group's business and an analysis of its performance during the year are presented in the Chairman's Statement and the Reviews on pages 5 to 57.

RESULTS AND DIVIDENDS

The results for the year are set out in the consolidated profit and loss account on page 73. Profit for the year after taxation was £44.5m (2001 – £64.3m). An interim dividend of £2.0m (2001 – £1.6m) was paid in October 2002 and the directors recommend payment of a final dividend of £3.8m (2001 – £3.2m), making a total for the year of £5.8m (2001 – £4.8m).

GOING CONCERN

After reviewing detailed cashflow projections including capital expenditure proposals, taking into account resources and borrowing facilities and making such further enquiries as they consider appropriate, the directors consider that there is a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

Details of the directors of the Company are given on page 58. All directors served throughout the year with the exception of those set out below.

Ralph Hayward	(retired 7 August 2002)
Bill Abelmann	(appointed 12 September 2002)
Stuart Beevor	(appointed 16 January 2003)

CHARITABLE CONTRIBUTIONS

Charitable contributions during the year amounted to £1.1m (2001 – £1.0m). This was donated to the Westminster Foundation (2001 – £0.9m) which supports a wide range of charitable causes.

ENVIRONMENTAL POLICY

The Group takes a long-term view of its activities and responsibilities. Environmental considerations are therefore an important factor throughout the management of all Group companies. Two main principles are observed:

- Grosvenor seeks to identify and minimise its environmental impact, wherever it occurs, aiming for continuous improvement in performance;
- Grosvenor seeks to make a positive contribution to sustainable development, giving consideration to environmental, economic and social sustainability in all its operations.

These principles are applied through specific objectives, policies, targets and benchmarks which are managed at operating company level. The director responsible for environmental policy is Jeremy Newsum.

HEALTH AND SAFETY POLICY

Grosvenor carries out property development, investment and fund management in four different regions of the world and across a range of sectors including residential, retail, offices, business parks and light industrial. We are subject to varying levels of risk and different external cultural norms. However, we are committed to achieving high health and safety standards throughout our business and adhering to best practice.

HEALTH AND SAFETY POLICY (continued)

Overall responsibility for this topic is taken by the Group Finance Director. In 2002 we appointed an internal full time Group Health and Safety Consultant.

Each operating company formally reports its compliance each year with progress being monitored on a regular basis. In 2002 there were twenty seven incidents which resulted in an individual taking three or more days off work relating to our own premises and projects where Grosvenor has the majority controlling share.

Our objective is to ensure that employees throughout the Group are well informed and consulted on matters regarding health and safety which is treated as a key part of our wider risk management agenda. Health and Safety targets are being developed by each Operating Company and Group targets will follow in 2003.

POLICY ON PAYMENT OF SUPPLIERS

Payment terms are agreed with suppliers on an individual basis. It is the policy of both the Company and the Group to abide by the agreed terms, provided that the suppliers also comply with all relevant terms and conditions. The Company has no trade creditors. In respect of the Group's activities in the UK, trade creditors at 31 December 2002 represented 8 days' purchases (2001 – 11 days).

EMPLOYEES

The Group gives full and fair consideration to applications by disabled persons for employment. Disabled employees and those who become disabled are afforded the same training, career development and promotion opportunities as other staff. The directors recognise the importance of good communications and relations with the Group's employees. Each part of the Group maintains employee relationships appropriate to its own particular needs and environment.

AUDITORS

Pursuant to Section 386 of the Companies Act 1985 an elective resolution has been passed to dispense with the requirement to re-appoint the Group's auditors annually.

JONATHAN HAGGER
Secretary
13 March 2003

Company registration number 3219943
Registered Office
70 Grosvenor Street
London W1K 3JP

STATEMENT OF 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 and loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 77 to 79 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 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.

CORPORATE ADVISERS AND BANKERS

AUDITORS: Deloitte & Touche

VALUERS: Insignia Richard Ellis, Jones Lang LaSalle, Healey & Baker

SOLICITORS: Boodle Hatfield, Slaughter and May

LEAD BANKERS: The Royal Bank of Scotland

ACTUARIES: Lane Clark & Peacock LLP

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GROSVENOR GROUP HOLDINGS LIMITED

We have audited the financial statements of Grosvenor Group Holdings Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the note of historical cost profits and losses, and the related notes 1 to 32. 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 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 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 and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code with which it is required by its shareholders to comply and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and the other information contained in the Annual Report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF 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 affairs of the Company and the Group as at 31 December 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

London

13 March 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

	Notes	2002 £m	2001 As restated £m
Turnover: group and share of joint ventures		**327.1**	257.7
Less: share of joint ventures' turnover		**(58.4)**	(1.3)
Group turnover	3	**268.7**	256.4
Net rental income		**108.0**	109.3
Profit on development properties		**2.6**	6.5
Total gross profit		**110.6**	115.8
Amounts written off investment properties		**(1.2)**	–
Administrative expenses – other		**(35.5)**	(34.1)
Total administrative expenses		**(36.7)**	(34.1)
Group operating profit	4	**73.9**	81.7
Share of operating profit of joint ventures		**17.7**	0.5
Share of operating profit of associated undertakings		**–**	11.5
Total operating profit		**91.6**	93.7
Profit on sale of investment properties	5	**25.8**	28.0
Profit before interest		**117.4**	121.7
Dividend income		**1.8**	1.5
Net interest	9	**(41.1)**	(41.4)
Amounts written off investments		**(17.3)**	–
Profit on ordinary activities before taxation		**60.8**	81.8
Tax on profit on ordinary activities	10	**(16.3)**	(17.5)
Profit on ordinary activities after taxation		**44.5**	64.3
Equity minority interests		**(0.9)**	(3.4)
		43.6	60.9
Dividends on equity and non-equity shares	11	**(5.8)**	(4.8)
Retained profit for the year	28	**37.8**	56.1

The comparative figures for the year ended 31 December 2001 have been restated to reflect the change in accounting policies described in note 1. All activities derive from continuing operations.

BALANCE SHEETS

31 December 2002

	Notes	Group 2002 £m	Group As restated 2001 £m	Company 2002 £m	Company 2001 £m
Fixed assets					
Tangible assets					
Investment properties	12	**2,079.1**	2,007.1	**–**	–
Other tangible assets	13	**28.1**	28.3	**–**	–
Investments					
Subsidiary undertakings	14	**–**	–	**1,362.6**	1,329.2
Trade investments	15	**93.0**	89.8	**–**	–
Joint ventures					
Share of gross assets		**491.6**	385.5	**–**	–
Share of gross liabilities		**(282.2)**	(209.6)	**–**	–
	16	**209.4**	175.9	**–**	–
		2,409.6	2,301.1	**1,362.6**	1,329.2
Current assets					
Development properties	18	**81.6**	69.5	**–**	–
Debtors	19	**115.0**	83.9	**30.1**	23.7
Short term liquid investments		**30.0**	85.0	**–**	–
Cash and short term deposits		**113.9**	113.2	**–**	–
		340.5	351.6	**30.1**	23.7
Creditors: amounts falling due within one year					
Borrowings	21	**(76.9)**	(86.7)	**–**	–
Other creditors	20	**(136.9)**	(110.0)	**(13.8)**	(3.2)
		(213.8)	(196.7)	**(13.8)**	(3.2)
Net current assets		**126.7**	154.9	**16.3**	20.5
Total assets less current liabilities		**2,536.3**	2,456.0	**1,378.9**	1,349.7
Creditors: amounts falling due after more than one year					
Borrowings	21	**(672.0)**	(648.4)	**–**	–
Other creditors	20	**(11.8)**	(2.7)	**–**	–
		(683.8)	(651.1)	**–**	–
Provisions for liabilities and charges	24	**(32.9)**	(33.7)	**–**	–
		1,819.6	1,771.2	**1,378.9**	1,349.7
Capital and reserves					
Called up share capital	27	**60.8**	60.1	**60.8**	60.1
Share premium	28	**28.3**	6.7	**28.3**	6.7
Merger capital reserve	28	**144.8**	144.8	**1,268.7**	1,268.7
Profit and loss account	28	**379.1**	328.2	**21.1**	14.2
Revaluation reserve	28	**1,019.1**	1,017.6	**–**	–
Other reserves	28	**121.0**	132.5	**–**	–
Shareholders' funds – including non-equity interests	29	**1,753.1**	1,689.9	**1,378.9**	1,349.7
Equity minority interest		**66.5**	81.3	**–**	–
		1,819.6	1,771.2	**1,378.9**	1,349.7

Approved by the Board on 13 March 2003 and signed on behalf of the Board

THE DUKE OF WESTMINSTER OBE TD DL
Chairman

JONATHAN HAGGER FCA FCT
Group Finance Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2002

	Notes	2002 £m	2001 As restated £m
Profit for the financial year before dividends		**43.6**	60.9
Unrealised surplus on revaluation of properties	28	**39.0**	123.2
Tax charged to reserves	28	**(5.8)**	(17.5)
Currency translation differences on foreign currency net investments	28	**(30.1)**	(3.2)
Total recognised gains and losses relating to the year		**46.7**	163.4
Prior year adjustment (see note 1 and 24)		**(33.1)**	
Total gains and losses recognised since last annual report and financial statements		**13.6**	

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2002

	2002 £m	2001 As restated £m
Reported profit on ordinary activities before taxation	**60.8**	81.8
Realisation of property revaluation gains of previous years	**36.7**	39.0
Historical cost profit on ordinary activities before taxation	**97.5**	120.8
Historical cost retained profit for the year – after taxation, minority interests and dividends	**68.7**	77.6

The excess of the historical cost profit over that reported in the profit and loss account represents the additional profit that would have been reported had the investment properties sold during the year not been revalued in earlier years.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2002

	Notes	2002 £m	2001 £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	30	**75.6**	78.3
Dividends from joint ventures and associates		**2.0**	1.2
Returns on investments and servicing of finance			
Interest received		**9.6**	5.0
Interest paid		**(52.3)**	(47.0)
Investment income		**1.7**	1.5
Preference dividends paid		**(0.7)**	(0.7)
		(41.7)	(41.2)
Taxation			
Corporation tax paid		**(39.2)**	(35.4)
Capital expenditure and financial investment			
Purchase of, and improvements to properties		**(274.3)**	(182.5)
Sale of freehold and leasehold properties		**158.2**	82.2
Lease premiums received		**66.4**	103.5
Purchase of other fixed assets		**(0.8)**	(0.4)
		(50.5)	2.8
Acquisitions and disposals			
Purchase of shares in joint venture		**–**	(29.7)
Purchase of trade investments		**(21.5)**	(0.6)
Sale/(purchase) of short term liquid investments		**55.0**	(85.0)
Disposal of trade investments		**–**	54.8
		33.5	(60.5)
Equity dividends paid		**(4.4)**	(4.9)
NET CASH OUTFLOW BEFORE FINANCING		**(24.7)**	(59.7)
Management of liquid resources			
Placement of short term deposits		**(24.8)**	(40.1)
Financing			
Loans drawndown		**90.7**	323.6
Loans repaid		**(63.1)**	(205.3)
		27.6	118.3
(DECREASE)/INCREASE IN CASH IN THE YEAR		**(21.9)**	18.5
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
(Decrease)/increase in cash in the year		**(21.9)**	18.5
Cash (inflow)/outflow from short term liquid investments		**(55.0)**	85.0
Cash outflow from placement of short term deposits		**24.8**	40.1
Cash inflow from increase in debt		**(27.6)**	(118.3)
Exchange differences		**11.6**	4.8
(Increase)/decrease in net debt in the year	31	**(68.1)**	30.1
Net debt at 1 January	31	**(536.9)**	(567.0)
Net debt at 31 December	31	**(605.0)**	(536.9)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A summary of principal accounting policies is set out below. The policies have been applied consistently, in all material respects throughout the current and previous year save for the adoption of Financial Reporting Standard 19 'Deferred Tax' (FRS 19) with effect from 1 January 2002. The effect of adopting FRS 19 is detailed in note 24.

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and other land and buildings, and in accordance with applicable accounting standards in the United Kingdom.

BASIS OF CONSOLIDATION

The Group's consolidated financial statements include those of the Company and its subsidiary undertakings. An undertaking is regarded as a subsidiary undertaking if the company has control over its operating and financial policies. The Company has elected under Section 230 of the Companies Act 1985 not to include its own profit and loss account in these financial statements.

TURNOVER

Turnover comprises gross income net of sales taxes including rents receivable, service charges and income from property development activities.

GOODWILL

When a subsidiary undertaking, joint venture or associate is acquired, fair values are attributed to its identifiable assets and liabilities. Goodwill represents the difference between the fair value of the consideration paid for the business and the fair values of its identifiable assets and liabilities.

In accordance with FRS 10 'Goodwill and Intangible Assets', goodwill arising on acquisitions completed on or after 1 January 1998 is capitalised and amortised to the profit and loss account over its useful economic life. Goodwill arising on acquisitions completed prior to 1 January 1998 was written off directly to reserves and has not been reinstated.

If an acquired business is subsequently sold, any goodwill relating to it which has not previously been dealt with in the profit and loss account is taken into account in calculating the profit or loss on disposal of the business.

INVESTMENTS

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

JOINT ARRANGEMENTS

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

JOINT VENTURES

An undertaking is regarded as a joint venture if the Group has joint control over its operating and financial policies and the undertaking is considered to be an entity in accordance with FRS 9.

The Group accounts for joint ventures under the gross equity method, which is the same as the equity method as applied to associates except that on the face of the profit and loss account, the Group discloses its share of joint ventures' turnover, and on the face of the balance sheet, the Group separately discloses its share of joint ventures' gross assets and gross liabilities underlying the net equity amount.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

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 permanent diminution in value below original cost arises it is taken 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.

OTHER TANGIBLE ASSETS

Tangible assets except for other land and buildings are stated at cost less provision for any impairment. Other land and buildings are stated at open market value for existing use.

DEPRECIATION

In accordance with SSAP19 'Accounting for Investment Properties' no depreciation is provided on freehold investment properties or on leasehold investment 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 separately identified.

Short leasehold properties with 20 years or less unexpired are depreciated on a straight line basis over the remaining period of the lease.

Other tangible assets are depreciated on a straight line basis so as to spread their cost over their expected useful lives at rates varying between 10% and 33.3% per annum, except for freehold property occupied by the Group which is depreciated over its expected useful life where material.

DEVELOPMENT PROPERTIES

Development properties are properties under development that are not presently intended to be retained in the Group's investment portfolio. Development properties are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, professional fees, construction costs and capitalised interest but excludes overheads. Sales of development properties are recognised on exchange of contracts or, if exchange is conditional, on the date all material conditions have been satisfied. During the construction period profits are not recognised until individual units are completed but provision is made for any foreseeable losses.

In the event that it is decided a development property will be retained as an investment, it is transferred to the Group's investment portfolio at the lower of cost and net realisable value at the date of transfer and any loss dealt with in the profit and loss account.

CAPITALISATION OF INTEREST

Interest relating to the financing of development properties and major improvements to investment properties is capitalised. Interest capitalised is calculated by reference to the actual interest payable on borrowings specific to a project or, where a project is financed out of general funds, to the average rate for all borrowings. Interest is capitalised from the commencement of the project, until the date of practical completion of the project.

FOREIGN CURRENCY TRANSLATION

At entity level, transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date the transaction is recorded. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or, if hedged, at the exchange rate under the related hedging transaction and the resultant exchange differences are dealt with in the profit and loss account.

On consolidation, the results of overseas companies are translated into sterling at the average exchange rate for the period and their assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. To the extent permitted by SSAP20 'Foreign Currency Translation', exchange differences arising on foreign currency borrowings taken out to hedge foreign equity investments are taken directly to reserves.

In the cash flow statement, cash flows denominated in foreign currencies are translated into sterling at the average exchange rate for the period.

1. ACCOUNTING POLICIES (CONTINUED)

DEFERRED TAX

The Group adopted FRS19 'Deferred Tax' with effect from 1 January 2002. Full provision is made for deferred tax on all timing differences which have arisen but have not reversed at the balance sheet date. Deferred tax is not recognised on unrealised revaluation surpluses unless there is a binding agreement to sell the asset at the balance sheet date and the gain or loss on sale has been recognised in the profit and loss account. The deferred tax provision is not discounted.

Prior to the adoption of FRS 19 the Group provided for deferred tax only to the extent that timing differences were expected to reverse in the foreseeable future. FRS 19 has been adopted by way of a prior year adjustment to previously reported results as though the revised policy had always been adopted by the Group. The effect of the change is shown in note 24.

PENSION SCHEMES

Pension costs are charged to the profit and loss account on a systematic basis over the period expected to benefit from the service of the employees concerned.

FINANCIAL INSTRUMENTS

Derivative instruments utilised by the Group are interest rate swaps and forward exchange contracts against known transactions. The Group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with its risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

2. FOREIGN CURRENCIES

The principal exchange rates used to translate the results, assets, liabilities and cashflows of overseas companies were as follows:

	Average rate		Year end rate	
	2002	2001	**2002**	2001
Euro	**1.59**	1.61	**1.53**	1.63
US dollar	**1.50**	1.44	**1.61**	1.46
Canadian dollar	**2.37**	2.23	**2.54**	2.32
Australian dollar	**2.78**	2.80	**2.86**	2.84
Hong Kong dollar	**11.74**	11.26	**12.56**	11.35
Singapore dollar	**2.69**	2.59	**2.79**	2.69

3. SEGMENTAL ANALYSIS

	Turnover		Profit before taxation		Net assets	
	2002	2001	**2002**	2001	**2002**	2001 As restated
	£m	£m	**£m**	£m	**£m**	£m
Continuing operations:						
Property investment *	**133.6**	158.6	**70.6**	112.6	**2,121.8**	2,075.6
Property development	**135.1**	97.8	**11.5**	10.1	**93.4**	56.6
Group	**268.7**	256.4	**82.1**	122.7	**2,215.2**	2,132.2
Share of joint ventures	**58.4**	1.3	**19.8**	0.5	**209.4**	175.9
Group and share of joint ventures	**327.1**	257.7	**101.9**	123.2	**2,424.6**	2,308.1
Net interest/debt	**–**	–	**(41.1)**	(41.4)	**(605.0)**	(536.9)
	327.1	257.7	**60.8**	81.8	**1,819.6**	1,771.2

* Profit on property investment includes £23.7m on sale of investment properties (2001 – £28.0m). It also includes fees for fund management activities. The increase in share of joint ventures arises because the Group's investment in Sonae Imobiliária was classified as an associated undertaking until 31 December 2001.

The business can be analysed geographically as follows:

	Turnover		Profit before taxation		Net assets	
	2002	2001	**2002**	2001	**2002**	2001 As restated
	£m	£m	**£m**	£m	**£m**	£m
Britain and Ireland	**189.9**	170.7	**59.8**	67.8	**1,593.9**	1,402.2
Continental Europe	**2.9**	8.6	**2.7**	17.6	**77.1**	129.0
Canada	**21.1**	26.7	**8.5**	13.1	**120.4**	159.6
United States	**46.0**	44.0	**23.5**	22.4	**315.0**	325.0
Australia Asia Pacific	**8.8**	6.4	**(12.4)**	1.8	**108.8**	116.4
Group	**268.7**	256.4	**82.1**	122.7	**2,215.2**	2,132.2
Share of joint ventures – Continental Europe	**58.4**	1.3	**19.8**	0.5	**209.4**	175.9
Group and share of joint ventures	**327.1**	257.7	**101.9**	123.2	**2,424.6**	2,308.1
Net interest/debt	**–**	–	**(41.1)**	(41.4)	**(605.0)**	(536.9)
	327.1	257.7	**60.8**	81.8	**1,819.6**	1,771.2

4. OPERATING PROFIT

		2002 £m	2001 £m
Operating profit is stated after charging:			
Depreciation of tangible fixed assets		**1.4**	1.4
Operating lease rentals:			
Land and buildings		**3.6**	3.2
Auditors' remuneration:			
Deloitte & Touche	– audit	**0.5**	0.3
	– other	**0.2**	0.1
Other auditors	– audit	**–**	0.2
	– other	**–**	0.1

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2002		2001	
	£m	%	£m	%
Services as auditors	**0.5**	**78**	0.5	79
Tax advisory services	**–**	**–**	0.1	8
Other non-audit services	**0.2**	**22**	0.1	13
	0.7	**100**	0.7	100

In 2002 all of the Group's operating companies were audited by Deloitte & Touche.

5. PROFIT ON SALE OF INVESTMENT PROPERTIES

	2002 £m	2001 £m
Group undertakings	**23.7**	28.0
Share of joint ventures' profits	**2.1**	–
	25.8	28.0

6. EMPLOYEE INFORMATION

	2002 £m	2001 £m
Staff costs:		
Wages and salaries	**26.2**	25.7
Social security costs	**1.7**	1.7
Pension costs:		
Defined benefit schemes	**2.9**	2.3
Defined contribution schemes	**0.3**	0.1
	31.1	29.8

	Number	Number
Average number of employees by business:		
Property investment	**137**	137
Property development	**54**	51
Management and administration	**127**	115
Shopping centre and property management	**55**	57
	373	360
Average number of employees by geographic region:		
Britain and Ireland	**273**	270
Continental Europe	**11**	10
Canada	**22**	22
United States	**43**	37
Australia Asia Pacific	**24**	21
	373	360

The company carries out its own property management for the majority of the portfolio in the UK.

7. PENSION SCHEMES

BRITAIN AND IRELAND

In Britain and Ireland the Group's principal pension schemes are the Grosvenor Estates Pension Scheme (GEPS), a defined benefit pension scheme, and the Grosvenor Estate Money Purchase Scheme (GEMPS), a defined contribution scheme. Both schemes are administered by independent trustees.

Independent qualified actuaries complete valuations of the GEPS at least every three years and in accordance with their recommendations, annual contributions are paid to the scheme so as to secure the benefits set out in the rules. The scheme fell due for valuation at 31 December 2002. The results of this valuation will determine the contributions to be paid into the scheme with effect from 2003. An indication of the valuation of the scheme at 31 December 2002 on an FRS 17 basis is given below.

Until 31 December 2002 contributions were determined according to the actuarial valuation that was carried out at 31 December 1999 using the projected unit funding method. The most important actuarial assumptions in this valuation were that investment returns would be 0.5% to 1.5% above the rate of inflationary salary increases, 3.875% higher than the annual increase in present and future pensions in payment and that returns from equities (assumed to be the asset portfolio held before retirement and 50% of the portfolio held after retirement) would be 3.5% higher than the annual increase in dividend income over the relevant period. This does not take into account any impact of the fall in general stock market values since 31 December 1999. Any such impact will be reflected in the next SSAP 24 actuarial valuation at 31 December 2002.

At 31 December 1999, the market value of the GEPS assets was £70.4m and the actuarial value of the assets was sufficient to cover 105% of the benefits that had accrued to members, after allowing for expected increases in earnings. The surplus of assets over liabilities is being amortised over an average service lifetime of 14 years, with the variation being calculated as a percentage of salary. From 1 January 2000, this resulted in a regular cost of 22.3% and a variation of 2.7%.

In addition, the Group operates an unfunded defined benefit scheme to satisfy pension commitments not catered for by the principal schemes. The total provision for this scheme at 31 December 2002 is £2.2m.

OVERSEAS

The Group operates a number of defined benefit pension schemes in Australia, Canada and the USA, the most significant of which are in Canada and the USA. These schemes provide benefits based upon pensionable salary and length of service. The contribution rate is calculated on the projected unit method and actuarial valuations of the assets and liabilities are performed by independent consulting actuaries. The market value of the assets of the plans amounted to £15.6m at 31 December 2002 and the most recent actuarial valuation of the assets was 113% of the accrued benefits (as at 1 January 2002 for US and 31 December 2001 for Canada).

GROUP PENSION COSTS

Defined benefit pension costs charged to the profit and loss account were £2.9m (2001 – £2.3m). At 31 December 2002, the provision for pension liabilities was £2.2m (2001 – £1.7m) which related wholly to the unfunded pension scheme.

The Group's contributions to the defined contribution scheme were £0.3m (2001 – £0.1m).

DISCLOSURES IN ACCORDANCE WITH FRS 17 "RETIREMENT BENEFITS"

The disclosures below are given to comply with the requirements of FRS 17. There is a phased implementation period for FRS 17 and until it is fully adopted it requires certain supplementary disclosures to be given in the notes to the accounts. During this period the accounting treatment for retirement benefits in the financial statements remains on the existing basis (in accordance with SSAP 24) which is explained above.

In Britain and Ireland, although GEPS is a defined benefit scheme, it is a multi employer scheme and the Group's share of the underlying assets and liabilities cannot be identified. As a result, FRS 17 requires that the scheme is accounted for on a contributions basis and therefore the defined benefit disclosures are not required. However, actuarial valuations for the GEPS scheme as a whole have been updated at 31 December 2002 by an independent qualified actuary, in accordance with the basis set out in FRS 17, and included below is the deficit indicated by that valuation and the major assumptions used by the actuary. The FRS 17 disclosures for the Schemes in Canada and the USA are set out in full.

7. PENSION SCHEMES (CONTINUED)

PENSION SCHEME DEFICIT/SURPLUS

	2002 Britain* £m	2002 Canada and USA £m	2001 Britain* £m	2001 Canada and USA £m
Pension scheme (deficit)/surplus	**(14.9)**	**(3.8)**	2.4	(1.8)

ASSETS IN THE SCHEMES AND THE EXPECTED RATES OF RETURN

BRITAIN*

	2002 Value £m	2002 Long-term rate of return expected	2001 Value £m	2001 Long-term rate of return expected
Equities	**44.9**	**7.4%**	55.2	8.0%
Gilts	**4.7**	**4.4%**	6.1	4.9%
Other	**0.1**	**5.1%**	0.2	5.8%
	49.7		61.5	
Present value of scheme liabilities	**(64.6)**		(59.1)	
(Deficit)/surplus in the scheme	**(14.9)**		2.4	

CANADA AND USA

	2002 Value £m	2002 Long-term rate of return expected	2001 Value £m	2001 Long-term rate of return expected
Equities	**7.8**	**8.8%**	9.6	9.6%
Bonds	**4.5**	**5.1%**	5.7	5.7%
Other	**3.3**	**2.5%**	2.2	2.2%
	15.6		17.5	
Present value of scheme liabilities	**(19.4)**		(19.3)	
Deficit in the schemes	**(3.8)**		(1.8)	

* The pension scheme (deficit)/surplus for the scheme in Britain relates to the whole of the scheme, including the element that relates to non-Group employees. The deficit at 31 December 2002 suggests that employer contributions to the UK scheme as a whole will need to increase by approximately £1.5m from 2003 onwards.

THE MAJOR ASSUMPTIONS USED BY THE ACTUARY WERE:

	2002 Britain	2002 Canada and USA	2001 UK	2001 Canada and USA
Rate of increase in salaries	**5.9%**	**4.5%**	6.0%	4.7%
Rate of increase in pensions in payment	**2.4%**	**2.8%**	2.5%	2.7%
Discount rate	**5.6%**	**6.8%**	5.8%	7.0%
Inflation	**2.4%**	**3.0%**	2.5%	2.8%

The provision for the Group's unfunded defined benefit scheme under the assumptions required by FRS 17 would be £3.2m.

7. PENSION SCHEMES (CONTINUED)

The remaining disclosures below relate only to the schemes in Canada and the USA. They are not required for the UK scheme as noted above.

	2002 £m
Analysis of the movement in scheme deficit during the year	
Deficit at the beginning of the year	**(1.8)**
Movement in the year:	
current service cost	**(0.7)**
contributions	**1.7**
other finance income	**(0.1)**
actuarial loss	**(3.3)**
exchange rates	**0.4**
Deficit at the end of the year	**(3.8)**

	2002 £m
Analysis of amount which would be charged to operating profit	
Current service cost	**(0.7)**
Total operating charge	**(0.7)**

	2002 £m
Analysis of amount which would be credited to other finance income	
Expected return on pension scheme assets	**1.3**
Interest on pension scheme liabilities	**(1.4)**
Net return	**(0.1)**

	2002 £m
Analysis of amount which would be recognised in the statement of total recognised gains and losses	
Actual return less expected return on pension scheme assets	**(2.7)**
Experience gains and losses arising on the schemes' liabilities	**0.3**
Changes in assumptions underlying the present value of the scheme liabilities	**(0.9)**
Actuarial loss recognised in statement of total recognised gains and losses	**(3.3)**

	2002 £m
History of experience gains and losses	
Difference between expected and actual return on scheme assets	
amount – loss	**(2.7)**
percentage of scheme assets	**(17%)**
Experience gains and losses on scheme liabilities	
amount – gain	**0.3**
percentage of the present value of the scheme liabilities	**1%**
Total amount recognised in the statement of total recognised gains and losses	
amount – loss	**(3.3)**
percentage of the present value of the scheme liabilities	**(17%)**

8. DIRECTORS' REMUNERATION DETAILS

	2002 Total £000	2002 Highest paid director £000	2001 Total £000	2001 Highest paid director £000
Aggregate remuneration:				
Emoluments	**1,435**	**313**	1,327	309
Performance-related bonus	**220**	**66**	481	165
Long term incentive plan	**715**	**642**	763	522
	2,370	**1,021**	2,571	996

The highest paid director, who retired during the year, was based in North America and was a member of the GA long term incentive plan, further details of which are set out on page 67. Directors' remuneration above reflects that, at retirement, all outstanding benefits that have not already accrued vest immediately, which in the case of the highest paid director had accumulated over a 20 year period.

The long term incentive plan above includes the increase in value in 2002 of awards made in prior periods which have been deferred in accordance with plan rules, as explained on page 67.

Retirement benefits are accruing to four directors under defined benefit schemes sponsored by group companies. Retirement benefits accrued to the highest paid director under the defined benefit pension scheme are as follows:

	2002 £000	2001 £000
Accrued annual pension at 31 December	**190**	203

The reduction in accrued annual pension is due to movements in exchange rates.

9. NET INTEREST

	2002 Group £m	2002 Share of joint ventures £m	2002 Share of associates £m	2002 Total £m	2001 Group £m	2001 Share of joint ventures £m	2001 Share of associates £m	2001 Total £m
Interest payable:								
Bank loans and overdrafts	**28.7**	**9.0**	**–**	**37.7**	32.7	0.8	4.6	38.1
Other loans	**23.6**	**–**	**–**	**23.6**	14.3	–	–	14.3
Capitalised interest	**(7.5)**	**–**	**–**	**(7.5)**	(3.9)	–	–	(3.9)
Net interest payable	**44.8**	**9.0**	**–**	**53.8**	43.1	0.8	4.6	48.5
Interest receivable	**(9.7)**	**(3.0)**	**–**	**(12.7)**	(4.8)	(0.2)	(2.1)	(7.1)
	35.1	**6.0**	**–**	**41.1**	38.3	0.6	2.5	41.4

Cost of sales includes £0.2m of capitalised interest (2001 – £0.6m) relating to the carrying value of development properties sold in 2002.

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £m	2001 As restated £m
Current year		
UK corporation tax at 30% (2001 – 30%)	**8.9**	15.5
Adjustment in respect of prior years	**(11.6)**	(8.0)
Overseas tax	**12.1**	4.8
Deferred tax	**1.3**	1.9
	10.7	14.2
Joint Ventures:		
Overseas tax	**4.2**	0.1
Deferred tax	**1.4**	0.1
Associated undertakings:		
Overseas tax	**–**	2.2
Deferred tax	**–**	0.9
	16.3	17.5
Tax charged to reserves		
Tax relating to revaluation gains recognised in prior years		
UK corporation tax	**7.0**	16.2
Deferred tax	**(1.2)**	1.3
Total tax charges recognised in the statement of total recognised gains and losses	**22.1**	35.0
Tax reconciliation		
Profit on ordinary activities before taxation	**60.8**	81.8
Less: share of profit of joint ventures and associates	**(13.9)**	(8.9)
Group profit on ordinary activities before taxation	**46.9**	72.9
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2001 – 30%)	**14.1**	21.9
Effects of:		
Tax losses and other differences	**5.2**	(1.2)
Expenses not deductible for tax purposes	**1.3**	0.7
Higher tax rates on overseas earnings	**1.7**	0.8
Adjustments in respect of prior years	**(11.6)**	(8.0)
Group current tax charge	**10.7**	14.2

The treatment of certain transactions in prior years was ascertained or agreed in 2002 which resulted in a release of £11.6m of provisions brought forward.

As explained in note 1 the Group has adopted FRS 19 "Deferred Tax" during the period by way of a prior year adjustment to previously reported results as though the revised policy had always been adopted.

11. DIVIDENDS ON EQUITY AND NON EQUITY SHARES

	2002 £m	2001 £m
Equity shares		
Ordinary shares:		
Interim (paid) – 3.6p per share (2001 – 3.0p)	**0.2**	0.2
Final (proposed) – 5.6p per share (2001 – 4.6p)	**0.4**	0.3
	0.6	0.5
Non-voting ordinary shares:		
Interim (paid) – 3.6p per share (2001 – 3.0p)	**1.8**	1.4
Final (proposed) – 5.6p per share (2001 – 4.6p)	**2.7**	2.2
	4.5	3.6
Total dividends on equity shares	**5.1**	4.1
Non-equity shares		
12% Non-cumulative irredeemable preference shares:		
Final (proposed) – 12.0p per share (2001 – 12.0p)	**0.7**	0.7
	5.8	4.8

12. INVESTMENT PROPERTIES

	Freehold £m	Long leasehold £m	Short leasehold £m	Total £m
Valuation and net book value				
At 1 January 2002	1,521.5	485.5	0.1	**2,007.1**
Additions	216.4	100.8	0.2	**317.4**
Disposals	(98.2)	(121.5)	(0.1)	**(219.8)**
Surplus transferred to revaluation reserve	17.1	1.8	–	**18.9**
Provision for permanent diminution	(1.2)	–	–	**(1.2)**
Exchange differences	(40.9)	(2.4)	–	**(43.3)**
At 31 December 2002	1,614.7	464.2	0.2	**2,079.1**

Included in investment properties are properties in the course of construction of £94.0m (2001 – £119.6m).

12. INVESTMENT PROPERTIES (CONTINUED)

Investment properties were valued at 31 December 2002 by external valuers on the basis of open market value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. All valuations were performed by Insignia Richard Ellis, Chartered Surveyors, except that:

i) the Group's £500.8m interest in freehold properties held by Grosvenor Americas and Grosvenor Australia, and the £20.9m interest in long leasehold properties held by Grosvenor Asia were valued by Jones Lang LaSalle, Chartered Surveyors;

ii) the Group's £79.2m interest in freehold properties held by Grosvenor European Prime Properties SA was valued by Healey & Baker, Chartered Surveyors;

(iii) the Group's £87.2m interest in freehold properties held by the Arkle Fund was valued by DTZ Debenham Tie Leung, Chartered Surveyors;

(iv) the Group's £39.2m interest in freehold properties and £30.7m interest in long leasehold properties held by the GMetro Fund were valued by ATIS Real Weatheralls Limited, Chartered Surveyors; and

(v) the Group's £77.5m interest in long leasehold properties held by the Basingstoke Investment Partnership was valued by Colliers, Erdman Lewis, Chartered Surveyors.

The historical cost of the Group's investment properties was £956.4m (2001 – £890.0m). The tax which would be payable on the surplus arising on the revaluation of fixed assets, in the event of their sale at such valuation, is estimated to be approximately £227.2m (2001 – £229.0m).
The carrying value of investment properties includes capitalised interest of £14.3m (2001 – £7.2m).

13. OTHER TANGIBLE ASSETS

	Land and buildings £m	Leasehold improvements £m	Fixtures, fittings and motor vehicles £m	Total £m
Cost or Valuation:				
At 1 January 2002	21.8	4.3	5.8	**31.9**
Additions	–	0.2	0.6	**0.8**
Disposals	–	–	(0.3)	**(0.3)**
Surplus transferred to revaluation reserve	0.5	–	–	**0.5**
Exchange differences	–	–	(0.1)	**(0.1)**
At 31 December 2002	22.3	4.5	6.0	**32.8**
Depreciation:				
At 1 January 2002	–	(1.0)	(2.6)	**(3.6)**
Charge for year	–	(0.6)	(0.8)	**(1.4)**
Disposals	–	–	0.3	**0.3**
At 31 December 2002	–	(1.6)	(3.1)	**(4.7)**
Net book value:				
At 31 December 2002	22.3	2.9	2.9	**28.1**
At 31 December 2001	21.8	3.3	3.2	**28.3**

In accordance with SSAP 19 the properties which the Group owns and occupies for operational purposes are included in other tangible assets rather than investment properties.

Land and buildings are freehold and were valued at 31 December 2002 by Insignia Richard Ellis, Chartered Surveyors, on the basis of open market value for existing use in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The historical cost of land and buildings is £12.7m (2001 – £12.7m).

14. SUBSIDIARY UNDERTAKINGS

Company	Shares at cost £m
At 1 January 2002	**1,329.2**
Additions	**143.2**
Disposals	**(109.8)**
At 31 December 2002	**1,362.6**

The principal subsidiary undertakings at 31 December 2002 are:

INTERMEDIATE HOLDING COMPANIES

Grosvenor Estate Holdings *◇

Grosvenor Limited

Grosvenor Americas Limited (Canada)

Grosvenor Continental Europe SA (Luxembourg) ▲

Grosvenor First European Property Investments SA (Luxembourg) †

Grosvenor Australia Asia Pacific Limited

Grosvenor Australia Properties Pty Limited (Australia)

PROPERTY INVESTMENT

Grosvenor West End Properties *

Eaton Square Properties Limited ◇

Grosvenor (Basingstoke) Limited

Grosvenor Commercial Properties *

Grosvenor Properties *

Old Broad Street Properties Limited

Grosvenor Realty Investments Limited

PROPERTY DEVELOPMENT

Grosvenor Developments Limited

FINANCING

Grosvenor UK Finance plc

* Unlimited company

▲ Ordinary and Non-Voting Preference shares are wholly owned. All of the Floating Rate Guaranteed Voting Preferred Redeemable shares, which carry approximately 36% of the total voting rights, are publicly held.

◇ 100% of preference shares also owned

† 75% owned

All the above companies except Grosvenor Estate Holdings are indirectly owned. All companies are wholly owned and incorporated in Great Britain except where indicated. Except as disclosed above, all interests are in the form of ordinary shares.

15. TRADE INVESTMENTS

	Listed £m	Unlisted £m	**Total £m**
At 1 January 2002	72.5	17.3	**89.8**
Additions	–	21.5	**21.5**
Amounts written off	(17.3)	–	**(17.3)**
Exchange differences	0.5	(1.5)	**(1.0)**
At 31 December 2002	55.7	37.3	**93.0**

The market value of listed investments at 31 December 2002 was £62.4m (2001 – £59.1m).

Principal trade investments at 31 December 2002:

	Principal activities	Country of incorporation	Effective interest
Asia Standard International Group Limited (Listed on the Hong Kong Stock Exchange)	Property investment and development	Hong Kong	15%
Hermanos Revilla SA*	Property investment	Spain	5%
Hermill Investments Pte Limited	Property investment	Singapore	17.7%
Société Foncière Lyonnaise SA* (Listed on the Paris Stock Exchange)	Property investment	France	7.1%

* The shares are held indirectly through a 75% subsidiary.

16. JOINT VENTURES

Group

	Shares £m	**Share of retained profits £m**	**Share of revaluation reserves £m**	**Goodwill £m**	**Total £m**
At 1 January 2002	95.2	23.4	71.0	(10.3)	**179.3**
Prior year adjustment (note 1)	–	(3.4)	–	–	**(3.4)**
At 1 January 2002 as restated	95.2	20.0	71.0	(10.3)	**175.9**
Retained profit for the year	–	6.4	–	–	**6.4**
Revaluation surplus for the year	–	–	24.7	–	**24.7**
Exchange differences	6.3	(7.9)	4.6	(0.6)	**2.4**
At 31 December 2002	101.5	18.5	100.3	(10.9)	**209.4**

Shares are stated at cost, less £8.7m written off to reserves in respect of goodwill arising on acquisitions prior to 1 January 1999.

Principal joint ventures at 31 December 2002:

	Principal activities	**Country of incorporation**	**Shares held**
Lar Grosvenor BV	Property investment and development in Spain	The Netherlands	50% ordinary shares
Sonae Imobiliária SGPS SA	Property investment and development	Portugal	33% ordinary shares

Both interests are in the form of ordinary shares and are held indirectly through a 75% subsidiary, with the exception of 8% of the investment in Sonae Imobiliária SGPS SA which is held directly.

16. JOINT VENTURES (CONTINUED)

Summarised profit and loss accounts and balance sheets of the Group's share of joint ventures are set out below.

	Sonae Imobiliária £m	Lar Grosvenor £m	Total £m
Turnover	55.5	2.9	**58.4**
Profit/(loss) before tax	14.8	(0.9)	**13.9**
Tax	(4.8)	(0.8)	**(5.6)**
Profit/(loss) after tax	10.0	(1.7)	**8.3**
Fixed assets	314.8	38.8	**353.6**
Current assets	91.2	46.8	**138.0**
Liabilities due within one year	(55.1)	(13.9)	**(69.0)**
Liabilities due after more than one year	(164.5)	(48.7)	**(213.2)**
	186.4	23.0	**209.4**
Borrowings included in liabilities (non-recourse to the Group)	(166.9)	(45.7)	**(212.6)**

17. JOINT ARRANGEMENTS

At 31 December 2002, the Group had the following principal interests in incorporated joint arrangements which are accounted for on the basis explained in note 1, but which are classified as associates under the Companies Act 1985:

	Principal activities	Country of incorporation	Effective interest
Barkhill Limited	Property investment	Republic of Ireland	50%
41 Lothbury Developments Limited	Property development	England and Wales	50%
Grosvenor Stow Limited	Property investment	England and Wales	50%
Pacific Quay Developments Limited	Property development	Scotland	33.3%
Belgrave House Developments Limited	Property development	England and Wales	50%
Grosvenor Land Property Fund Limited	Property investment in Hong Kong	Bermuda	21.4%
Goldmax International Limited	Property development in Hong Kong	British Virgin Islands	29.9%

In addition, the Group has a number of other unincorporated limited partnerships all involved in property investment, principally, in the UK, a 37.1% interest in the Arkle Fund, a 31.1% interest in the GMetro Fund, a 50% interest in the Moorgate Investment Partnership. In Australia it has a 50% interest in the Fieldglen II fund and in North America it has a series of joint arrangements with interests ranging from 10% to 50%.

18. DEVELOPMENT PROPERTIES

Capitalised interest included in development properties amounted to £4.4m (2001 – £3.7m).

19. DEBTORS

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Amounts falling due within one year:				
Trade debtors	**13.6**	21.5	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**30.1**	23.7
Other debtors	**60.7**	22.0	**–**	–
Prepayments and accrued income	**40.6**	37.0	**–**	–
	114.9	80.5	**30.1**	23.7
Amounts falling due after more than one year:				
Prepayments	**0.1**	3.4	**–**	–
	0.1	3.4	**–**	–
	115.0	83.9	**30.1**	23.7

Prepayments and accrued income includes £31.7m (2001 – £30.0m) in respect of unconditional exchange of contracts on property disposals which had not completed at the year end.

20. OTHER CREDITORS

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Amounts falling due within one year:				
Trade creditors	**11.4**	11.4	**–**	–
Amounts owned to subsidiary undertakings	**–**	–	**10.0**	–
Other creditors	**63.5**	25.9	**–**	–
Corporation tax	**7.2**	26.0	**–**	–
Other taxes and social security	**3.1**	2.9	**–**	–
Accruals and deferred income	**47.9**	40.6	**–**	–
Proposed dividends	**3.8**	3.2	**3.8**	3.2
	136.9	110.0	**13.8**	3.2

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Amounts falling due after more than one year:				
Other creditors	**11.8**	2.7	**–**	–

Other creditors falling due within one year in 2002 includes £35.2m in respect of deferred consideration for property acquisitions.

21. BORROWINGS AND OTHER FINANCIAL LIABILITIES

	Group 2002 £m	Group 2001 £m	**Company 2002 £m**	Company 2001 £m
Borrowings – unsecured				
Bank loans and overdrafts	**200.1**	206.9	**–**	–
12.5% Redeemable Loan Stock 1996 – 2010	**–**	5.3	**–**	–
8.375% Loan Stock 2019	**52.5**	52.5	**–**	–
Floating Rate Guaranteed Redeemable notes due 2022	**12.2**	–	**–**	–
	264.8	264.7	**–**	–
Borrowings – secured on investment properties				
Bank and institutional mortgages	**231.3**	217.6	**–**	–
6.5% Debenture Stock due 2026	**202.8**	202.8	**–**	–
10.42% Mortgage Debenture 2034	**50.0**	50.0	**–**	–
	484.1	470.4	**–**	–
Total Borrowings	**748.9**	735.1	**–**	–

Total borrowings above include £170.7m relating to the borrowings of joint arrangements which have been proportionally consolidated on the basis explained in note 1. The 12.5% Redeemable Loan Stock 1996-2010 was redeemed on 15 April 2002 for £5.6m.

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments of the Group can be found in the Corporate Governance report on page 66. The disclosures below exclude short-term debtors and creditors as permitted by FRS 13 'Derivatives and Financial Instruments'.

MATURITY PROFILE

The maturity profile of the Group's financial liabilities at 31 December 2002 was as follows:

	Bank loans & overdrafts £m	Other loans £m	**2002 Total £m**	2001 Total £m
From 1 to 2 years	55.3	–	**55.3**	83.7
From 2 to 5 years	195.4	–	**195.4**	131.8
After 5 years	103.8	317.5	**421.3**	432.9
Due after more than one year	354.5	317.5	**672.0**	648.4
Due within one year	76.9	–	**76.9**	86.7
	431.4	317.5	**748.9**	735.1

In addition, the Group has £6.1m (2001 – £6.0m) of sterling irredeemable preference shares in issue.

21. BORROWINGS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

INTEREST RATE RISK AND CURRENCY PROFILE

The interest rate and currency profile of the financial liabilities of the Group at 31 December 2002 was as follows:

	2002 Weighted average interest rate %	2002 Weighted average period Years	2002 £m	2001 Weighted average interest rate %	2001 Weighted average period Years	2001 £m
Fixed interest borrowings						
Sterling	**7.3**	**19.0**	**395.4**	7.4	20.7	378.3
Euro	**4.1**	**1.2**	**16.7**	4.6	1.3	24.4
US dollars	**7.0**	**4.2**	**126.3**	7.3	3.3	128.4
Canadian dollars	**7.4**	**2.6**	**48.2**	7.4	3.3	50.3
Australian dollars	**6.1**	**0.3**	**2.9**	7.5	4.0	10.6
	7.1	**13.9**	**589.5**	7.3	14.3	592.0

	2002 Weighted average interest rate %	2002 £m	2001 Weighted average interest rate %	2001 £m
Floating Rate borrowings				
Sterling	**4.6**	**30.1**	4.7	17.7
Euro	**3.3**	**49.3**	3.8	32.0
US dollars	**2.6**	**38.1**	5.2	52.6
Canadian dollars	**5.5**	**2.6**	6.0	19.7
Australian dollars	**6.1**	**25.6**	5.9	11.6
Hong Kong dollars	**2.7**	**11.3**	4.7	9.5
Japanese Yen	**3.4**	**2.4**	–	–
	3.8	**159.4**	4.9	143.1

The above analysis by currency and interest rate risk profile recognises the effect of currency and interest swap agreements in place at 31 December 2002. Borrowings of £203.3m (2001 – £217.9m) included in fixed interest borrowings above, were covered by interest rate swap agreements, expiring between 2003 and 2008.

BORROWING FACILITIES

Undrawn committed borrowing facilities available to the Group at 31 December 2002 were as follows:

	2002 £m	2001 £m
Expiring less than 1 year	**188.9**	161.4
Expiring from 1 to 2 years	**88.2**	90.0
Expiring from 2 to 5 years	**136.1**	131.0
Expiring after more than 5 years	**37.4**	25.8
Total	**450.6**	408.2

22. ANALYSIS OF FINANCIAL ASSETS

The Group held the following financial assets as at 31 December 2002

	2002 £m	2001 £m
Cash and short term deposits	**113.9**	113.2
Short term liquid investments	**30.0**	85.0
Trade investments – listed	**55.7**	72.5
– unlisted	**37.3**	17.3
	236.9	288.0

Total financial assets above include £10.7m relating to the financial assets of joint arrangements which have been proportionally consolidated on the basis explained in note 1.

ANALYSIS OF FINANCIAL ASSETS BY CURRENCY

The Group's financial assets at 31 December 2002 were held in the following currencies:

	2002 £m	2001 £m
Sterling	**75.4**	129.1
Euro	**86.3**	67.9
US dollars	**14.0**	15.9
Canadian dollars	**9.3**	20.3
Australian dollars	**4.1**	1.4
Hong Kong dollars	**38.2**	41.6
Singapore dollars	**8.2**	8.5
Japanese Yen	**1.4**	3.3
	236.9	288.0

23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

A valuation was carried out at 31 December 2002 and 31 December 2001 to calculate the fair value of the Group's debt instruments and other financial liabilities and assets on a replacement basis taking into account the prevailing interest rates for the respective periods of the appropriate debt instruments. The values are as follows:

	2002		2001	
	Book £m	Fair £m	Book £m	Fair £m
Borrowings – Fixed rate	**(386.2)**	**(455.4)**	(374.1)	(426.2)
– Floating	**(362.7)**	**(362.7)**	(361.0)	(361.0)
– Total	**(748.9)**	**(818.1)**	(735.1)	(787.2)
Cash and short term deposits	**113.9**	**113.9**	113.2	113.2
Interest rate swaps	**–**	**(14.4)**	–	(9.9)
Foreign exchange hedges	**–**	**–**	–	0.1
Short term liquid investments	**30.0**	**30.0**	85.0	85.0
Trade Investments – Listed	**55.7**	**62.4**	72.5	59.1
– Unlisted	**37.3**	**37.3**	17.3	17.3
Preference shares	**(6.1)**	**(8.4)**	(6.0)	(8.5)
	(518.1)	**(597.3)**	(453.1)	(530.9)

23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fixed and floating rate borrowings in the table above are stated before taking account of the effect of interest swap agreements, and so differ from the values stated in note 21.

The valuation indicated that the fair value of net financial liabilities at 31 December 2002 exceeded book value by £79.2m. If this were taken to reserves after tax relief at 30 per cent, it would reduce the Group's net asset value by £55.4m. A significant part of excess fair value relates to long term debt which does not mature for at least 17 years.

The fair value of interest rate swap derivatives amounts to a negative present value difference of £14.4m of which £6.8m was projected at 31 December 2002 to crystallise in the year to 31 December 2003 and £7.6m in subsequent years.

The fair values of the Group's cash, short term deposits and loans are not materially different from book value. Unlisted investments are shown at book value.

Market values have been used to determine the fair value of and interest rate swaps and trade investments, which in the latter case does not take account of the intrinsic value of the properties. The fair values of all other items have been calculated by discounting the expected future cash flows at prevailing interest rates, except for the 12.5% Redeemable Loan Stock 1996-2010 which was redeemed on 15 April 2002 and was valued in 2001 at the redemption value.

GAINS AND LOSSES ON CURRENCY HEDGES

Gains on currency hedges of £2.5m (2001 – £1.6m) have been taken to other reserves during the year as permitted under SSAP 20 as the hedges have been taken out against the carrying value of foreign investments.

No further analysis of the net amount of monetary assets and liabilities by functional currencies is given as there are no material exchange gains and losses taken to the profit and loss account.

24. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £m	Pension obligations £m	Total £m
At 1 January 2002 as previously stated	1.4	1.7	**3.1**
Prior year adjustment	30.6	–	**30.6**
At 1 January 2002 as restated	32.0	1.7	**33.7**
Profit and loss account	1.3	0.5	**1.8**
Transfer to revaluation reserve	(1.2)	–	**(1.2)**
Acquisitions	0.9	–	**0.9**
Exchange movements	(2.3)	–	**(2.3)**
At 31 December 2002	30.7	2.2	**32.9**

	2002 £m	2001 As restated £m
The analysis of the deferred taxation provision is as follows:		
Revaluation surplus	**–**	1.3
Other timing differences	**30.7**	30.7
	30.7	32.0

As explained in note 1 the Group has adopted FRS 19 during the period, by way of a prior year adjustment to previously reported results as though the revised policy had always been applied. The effect of this adjustment on prior year profit was to reduce profit after tax by £2.4m. The effect of the adoption of FRS 19 on the current year's profit is not significantly different to this amount.

25. COMMITMENTS

(A) PROPERTY EXPENDITURE COMMITMENTS:

	2002 **£m**	2001 £m
Investment properties:		
Contracted but not provided	**67.9**	23.8
Development properties:		
Contracted but not provided	**61.7**	14.0

(B) ANNUAL COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES WHICH EXPIRE:

	2002 **Land and buildings** **£m**	2001 Land and buildings £m
Between two and five years	**0.7**	0.7
After five years	**2.4**	2.5
	3.1	3.2

The parent company had no commitments either for property expenditure or operating leases.

26. CONTINGENT LIABILITIES

In connection with the demerger of Deva Group Limited (non-core activities) in 1999 the Company has provided guarantees up to a maximum of £25m.

Certain Group companies have given performance undertakings to third parties in respect of various contractual obligations entered into in the ordinary course of business.

27. SHARE CAPITAL

	2002		2001	
	Number of shares	**£m**	Number of shares	£m
Authorised				
Equity interests:				
Ordinary shares of £1	**8,000,000**	**8.0**	8,000,000	8.0
Non-voting ordinary shares of £1	**64,000,000**	**64.0**	64,000,000	64.0
Non-equity interests:				
12% Non-cumulative irredeemable preference shares of £1	**8,000,000**	**8.0**	8,000,000	8.0
	80,000,000	**80.0**	80,000,000	80.0

27. SHARE CAPITAL (CONTINUED)

	2002 Number of shares	2002 £m	2001 Number of shares	2001 £m
Allotted, called up and fully paid				
Equity interests:				
Ordinary shares of £1	**6,083,924**	**6.1**	6,006,373	6.0
Non-voting ordinary shares of £1	**48,671,392**	**48.6**	48,050,984	48.1
Non-equity interests:				
12% Non-cumulative irredeemable preference shares of £1	**6,083,924**	**6.1**	6,006,373	6.0
	60,839,240	**60.8**	60,063,730	60.1

On 27 June 2002 the Company issued 77,551 ordinary shares, 620,408 non-voting ordinary shares and 77,551 non-cumulative irredeemable preference shares in consideration for new shares in its subsidiary, Grosvenor Americas Limited (see note 32).

RIGHTS OF CLASSES OF SHARES

Profits determined by the directors as available for distribution are to be applied first in paying a fixed non-cumulative dividend of 12% per annum on the amounts paid up on the 12% non-cumulative irredeemable preference shares. The balance of profits available for distribution is payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

On a return of the Company's assets to shareholders the assets are to be applied first in repaying to the holders of the 12% non-cumulative irredeemable preference shares the amounts paid up on their shares. The balance of the assets is payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

Holders of the 12% non-cumulative irredeemable preference shares and non-voting ordinary shares are not entitled to vote at general meetings of the members of the Company except on resolutions varying or abrogating any of the special rights or privileges attaching to their shares.

28. RESERVES

(A) GROUP

	Share premium £m	Merger capital reserve £m	Profit and loss account £m	Revaluation reserve £m	Other reserves £m	Total £m
At 1 January 2002 as previously stated	6.7	144.8	361.3	1,017.6	132.5	**1,662.9**
Prior year adjustment	–	–	(33.1)	–	–	**(33.1)**
At 1 January 2002 as restated	6.7	144.8	328.2	1,017.6	132.5	**1,629.8**
Retained profit for the year	–	–	37.8	–	–	**37.8**
Surplus on revaluation of investment properties	–	–	–	39.0	–	**39.0**
Premium on shares issued during the year	21.6	–	–	–	–	**21.6**
Corporation tax	–	–	–	(7.0)	–	**(7.0)**
Deferred tax	–	–	–	1.2	–	**1.2**
Other transfers	–	–	(9.7)	9.7	–	**–**
Transfer of profit on disposal of investment properties	–	–	36.7	(36.7)	–	**–**
Translation differences	–	–	(13.9)	(4.7)	(11.5)	**(30.1)**
At 31 December 2002	28.3	144.8	379.1	1,019.1	121.0	**1,692.3**

28. RESERVES (CONTINUED)

The prior year adjustment relates to the restatement of the deferred tax provision in accordance with FRS 19, as explained in notes 1 and 24.

The cumulative amount of goodwill written off directly to reserves in respect of business acquisitions completed on or before 1 January 1998, the date of adoption of FRS 10, amounted to £6.4m (2001 – £6.4m).

(B) COMPANY

	Share premium £m	Merger capital reserve £m	Profit and loss account £m	Total £m
At 1 January 2002	6.7	1,268.7	14.2	**1,289.6**
Retained profit for the year	–	–	6.9	**6.9**
Premium on shares issued during the year	21.6	–	–	**21.6**
At 31 December 2002	28.3	1,268.7	21.1	**1,318.1**

The Company's profit after tax was £12.7m (2001 – £4.8m) and dividends charged were £5.8m (2001 – £4.8m).

29. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £m	2001 As restated £m
Profit for the financial year	**43.6**	60.9
Dividends	**(5.8)**	(4.8)
	37.8	56.1
Other recognised gains and losses	**3.1**	102.5
Acquisition funded by issue of shares	**22.3**	7.0
Net addition to shareholders' funds	**63.2**	165.6
Opening shareholders' funds as previously stated	**1,723.0**	1,555.0
Prior year adjustment (note 1 and note 24)	**(33.1)**	(30.7)
Opening shareholders' funds as restated	**1,689.9**	1,524.3
Closing shareholders' funds	**1,753.1**	1,689.9
Attributable to:		
Equity shareholders	**1,746.3**	1,683.2
Non-equity shareholders	**6.8**	6.7
	1,753.1	1,689.9

30. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £m	2001 £m
Group operating profit	**73.9**	81.7
Depreciation	**1.4**	1.4
Amounts written off investment properties	**1.2**	–
Increase in provisions	**0.3**	–
(Increase)/decrease in development properties	**(13.1)**	21.9
Increase in debtors	**(10.1)**	(24.6)
Increase/(decrease) in creditors	**22.0**	(2.1)
Net cash inflow from operating activities	**75.6**	78.3

31. ANALYSIS OF NET DEBT

	1 January 2002 £m	Cashflow £m	Exchange movement £m	31 December 2002 £m
Cash at bank and in hand	53.9	(21.9)	(0.4)	31.6
Short term deposits	59.3	24.8	(1.8)	82.3
	113.2	2.9	(2.2)	113.9
Short term liquid investments	85.0	(55.0)	–	30.0
Borrowings due within one year	(86.7)	7.0	2.8	(76.9)
Borrowings due after more than one year	(648.4)	(34.6)	11.0	(672.0)
	(536.9)	(79.7)	11.6	(605.0)

32. RELATED PARTY TRANSACTIONS

Grosvenor Group Holdings Limited is wholly owned by trusts and members of the Grosvenor Family, headed by the 6th Duke of Westminster. Group companies paid £1.0m (2001 – £1.0m) in arm's length rentals to Grosvenor Trusts and received £0.3m (2001 – £0.3m) in arm's length rentals and service charges from certain directors, members of the Grosvenor Family and Grosvenor Trusts.

In the ordinary course of its business the Group provides services to certain members of the Grosvenor Family and Grosvenor Trusts. Income from these services totalled £5.0m (2001 – £4.9m).

In 2002, the Group arranged insurance cover on normal commercial terms through a related company. Aggregate premiums paid in the year were £4.4m (2001 – £3.4m).

A Group company paid interest of £0.2m (2001 – £0.7m) to a Grosvenor Trust on its holding of 12.5% Unsecured Loan Stock, which was redeemed on 15 April 2002 for £5.6m

On 27 June 2002 the Company issued new shares to a Grosvenor Trust in exchange for that Trust's minority shareholding in Grosvenor Americas Limited.

As explained in note 26 the Company has provided guarantees up to a maximum of £25m to the Deva Group Limited, which is owned by the Grosvenor Trusts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

US DOLLARS

	2002 US$m	2001 As restated US$m
Turnover: group and share of joint ventures	**492.3**	371.9
Less: share of joint ventures' turnover	**(87.9)**	(1.9)
Group turnover	**404.4**	370.0
Net rental income	**162.5**	157.7
Profit on development properties	**3.9**	9.4
Total gross profit	**166.4**	167.1
Amounts written off investment properties	**(1.8)**	–
Administrative expenses – other	**(53.4)**	(49.2)
Total administrative expenses	**(55.2)**	(49.2)
Group operating profit	**111.2**	117.9
Share of operating profit of joint ventures	**26.6**	0.7
Share of operating profit of associated undertakings	**–**	16.6
Total operating profit	**137.8**	135.2
Profit on sale of investment properties	**38.8**	40.4
Profit before interest	**176.6**	175.6
Dividend income	**2.7**	2.2
Net interest	**(61.8)**	(59.7)
Amounts written off investments	**(26.0)**	–
Profit on ordinary activities before taxation	**91.5**	118.1
Taxation on profit on ordinary activities	**(24.5)**	(25.3)
Profit on ordinary activities after taxation	**67.0**	92.8
Minority interests	**(1.4)**	(4.9)
	65.6	87.9
Dividends on equity and non-equity shares	**(8.7)**	(6.9)
Retained profit for the year	**56.9**	81.0

The above statement, prepared under UK accounting principles, is translated at the average exchange rate for the relevant year.

CONSOLIDATED BALANCE SHEET

31 December 2002

US DOLLARS

	2002 US$m	2001 As restated US$m
Fixed assets		
Tangible assets		
Investment properties	**3,347.2**	2,921.1
Other tangible assets	**45.2**	41.2
Investments		
Trade investments	**149.7**	130.7
Joint ventures:		
Share of gross assets	**791.4**	561.1
Share of gross liabilities	**(454.3)**	(305.1)
	337.1	256.0
	3,879.2	3,349.0
Current assets		
Development properties	**131.4**	101.2
Debtors	**185.1**	122.1
Short term liquid investments	**48.3**	123.7
Cash at bank and in hand	**183.4**	164.8
	548.2	511.8
Creditors: amounts falling due within one year		
Borrowings	**(123.8)**	(126.2)
Other creditors	**(220.4)**	(160.1)
	(344.2)	(286.3)
Net current assets	**204.0**	225.5
Total assets less current liabilities	**4,083.2**	3,574.5
Creditors: amounts falling due after more than one year		
Borrowings	**(1,081.8)**	(943.8)
Other creditors	**(19.0)**	(3.9)
	(1,100.8)	(947.7)
Provisions for liabilities and charges	**(53.0)**	(49.0)
	2,929.4	2,577.8
Capital and reserves		
Called up share capital	**97.9**	87.5
Share premium	**45.6**	9.8
Merger capital reserve	**233.1**	210.7
Profit and loss account	**610.3**	477.7
Revaluation reserve	**1,640.6**	1,481.0
Other reserves	**194.8**	192.8
Shareholders' funds – including non-equity interests	**2,822.3**	2,459.5
Minority interests	**107.1**	118.3
	2,929.4	2,577.8

The above statement, prepared under UK accounting principles, is translated at the closing exchange rate for the relevant year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

EUROS

	2002 €m	2001 As restated €m
Turnover: group and share of joint ventures	**521.1**	415.4
Less: share of joint ventures' turnover	**(93.0)**	(2.1)
Group turnover	**428.1**	413.3
Net rental income	**172.1**	176.2
Profit on development properties	**4.1**	10.5
Total gross profit	**176.2**	186.7
Amounts written off investment properties	**(1.9)**	–
Administrative expenses – other	**(56.6)**	(55.0)
Total administrative expenses	**(58.5)**	(55.0)
Group operating profit	**117.7**	131.7
Share of operating profit of joint ventures	**28.2**	0.8
Share of operating profit of associated undertakings	**–**	18.5
Total operating profit	**145.9**	151.0
Profit on sale of investment properties	**41.1**	45.1
Profit before interest	**187.0**	196.1
Dividend income	**2.9**	2.4
Net interest	**(65.5)**	(66.7)
Amounts written off investments	**(27.6)**	–
Profit on ordinary activities before taxation	**96.8**	131.8
Taxation on profit on ordinary activities	**(26.0)**	(28.2)
Profit on ordinary activities after taxation	**70.8**	103.6
Minority interests	**(1.4)**	(5.5)
	69.4	98.1
Dividends on equity and non-equity shares	**(9.2)**	(7.7)
Retained profit for the year	**60.2**	90.4

The above statement, prepared under UK accounting principles, is translated at the average exchange rate for the relevant year.

CONSOLIDATED BALANCE SHEET

31 December 2002

EUROS

	2002 €m	2001 As restated €m
Fixed assets		
Tangible assets		
Investment properties	**3,189.8**	3,280.8
Other tangible assets	**43.1**	46.3
Investments		
Trade investments	**142.7**	146.8
Joint ventures:		
Share of gross assets	**754.3**	630.1
Share of gross liabilities	**(433.0)**	(342.6)
	321.3	287.5
	3,696.9	3,761.4
Current assets		
Development properties	**125.2**	113.6
Debtors	**176.5**	137.1
Short term liquid investments	**46.0**	138.9
Cash at bank and in hand	**174.7**	185.1
	522.4	574.7
Creditors: amounts falling due within one year		
Borrowings	**(118.0)**	(141.7)
Other creditors	**(210.0)**	(179.8)
	(328.0)	(321.5)
Net current assets	**194.4**	253.2
Total assets less current liabilities	**3,891.3**	4,014.6
Creditors: amounts falling due after more than one year		
Borrowings	**(1,031.0)**	(1,059.8)
Other creditors	**(18.1)**	(4.4)
	(1,049.1)	(1,064.2)
Provisions for liabilities and charges	**(50.5)**	(55.1)
	2,791.7	2,895.3
Capital and reserves		
Called up share capital	**93.3**	98.2
Share premium	**43.4**	11.0
Merger capital reserve	**222.2**	236.7
Profit and loss account	**581.6**	536.6
Revaluation reserve	**1,563.6**	1,663.4
Other reserves	**185.6**	216.5
Shareholders' funds – including non-equity interests	**2,689.7**	2,762.4
Minority interests	**102.0**	132.9
	2,791.7	2,895.3

The above statement, prepared under UK accounting principles, is translated at the closing exchange rate for the relevant year.

FIVE YEAR SUMMARY

	1998 £m	1999 £m	2000 £m	2001 £m	**2002 £m**
Assets employed					
Investment properties	1,153.7	1,774.2	1,876.9	2,007.1	**2,079.1**
Investments	271.7	198.4	215.0	265.7	**302.4**
	1,425.4	1,972.6	2,091.9	2,272.8	**2,381.5**
Other tangible fixed assets	4.0	26.3	32.5	28.3	**28.1**
Development properties	38.6	59.3	89.3	69.5	**81.6**
Other net current assets/(liabilities)	(21.0)	(19.0)	17.2	169.4	**110.2**
Provisions for liabilities and charges	(24.5)	(30.2)	(30.2)	(33.7)	**(32.9)**
	1,422.5	2,009.0	2,200.7	2,506.3	**2,568.5**
Financed by					
Share capital including share premium	55.8	59.8	59.8	66.8	**89.1**
Reserves	1,040.1	1,228.1	1,466.4	1,623.1	**1,664.0**
Loans	282.7	659.5	592.2	735.1	**748.9**
Minority interest	43.9	61.6	82.3	81.3	**66.5**
	1,422.5	2,009.0	2,200.7	2,506.3	**2,568.5**
Group turnover					
Property investment	69.6	75.9	139.3	158.6	**133.6**
Property trading	69.2	58.8	109.1	97.8	**135.1**
Demerged activities	12.8	9.7	–	–	**–**
	151.6	144.4	248.4	256.4	**268.7**
Profit on ordinary activities before taxation					
Property investment	35.3	36.1	66.8	71.6	**60.3**
Property trading	8.4	5.9	12.2	10.1	**13.6**
Demerged activities	(3.8)	(1.5)	–	–	**–**
Group operating profit	39.9	40.5	79.0	81.7	**73.9**
Share of operating profit of associates and joint ventures	21.5	26.9	11.0	12.0	**17.7**
Total operating profit	61.4	67.4	90.0	93.7	**91.6**
Profit on sale of investment properties	30.9	10.5	21.4	28.0	**25.8**
Profit on sale of trade investment	–	–	30.2	–	**–**
Amounts written off investments	–	–	–	–	**(17.3)**
Net interest	(26.1)	(30.7)	(46.1)	(41.4)	**(41.1)**
Investment income	1.3	1.6	2.0	1.5	**1.8**
Profit before taxation	67.5	48.8	97.5	81.8	**60.8**

Where the effect is material, the above figures have been restated to reflect accounting policy changes.

PROPERTY PORTFOLIO
BRITAIN & IRELAND

Principal Investment Properties

Ownership	Property & Description	Location	Area m^2	Area ft^2
⌘	111 Old Broad Street 8 floor open plan office building	London City	11,426	123,000
▼	25 Moorgate 7 floor open plan office building including retail space of 743m^2 (8,000 sq ft)	London City	7,714	83,000
⌘	Almack House, King Street 7 floor 1990s office building	London WE	9,290	100,000
♠	Grosvenor Hill Court 2 floor office building with 30 residential units above and car park	London WE	7,281	78,369
⌘	40 Grosvenor Place 6 floor open plan office building	London WE	18,581	200,000
♠	4/8 Grosvenor Street & 30/32 Avery Row 6 floor office building with 5 retail units	London WE	2,944	31,690
♠	47/48 Grosvenor Street 5 floor open plan period office building	London WE	2,345	25,243
♠	73 Grosvenor Street 6 floor office building	London WE	1,312	14,120
♠	75 Grosvenor Street 6 floor office building	London WE	1,499	16,131
♠	St Anselm House, 65 Davies Street 8 floor 1930s office building	London WE	7,839	84,376
♠	Terminal House, 52 Grosvenor Gardens 7 floor office building with 9 retail outlets	London WE	8,245	88,753
▼	Viewpoint, Mayfair 9 floor open plan refurbished office building with 3 retail outlets in Oxford Street	London WE	4,925	53,000
♠	439/441 Oxford Street Retail unit and office building on 6 floors	London WE	1,342	14,450
♠	449/451 Oxford Street 2 prime retail units let as one unit	London WE	1,033	11,123
♠	443/445 Oxford Street 2 retail units and office building on 5 floors	London WE	833	8,969
♠	Eaton Square Residential units on 6 floors in historic Grade 2* listed buildings	London WE	68,151	733,305
⌘	Coopers Square, Burton on Trent Covered shopping centre with 70 retail units	East Midlands	35,754	384,852
⌘	Festival Place, Basingstoke New covered two level shopping centre with 165 retail units	South East	92,903	1,000,000
⌘	Freshney Place, Grimsby Single level covered shopping centre with 100 retail outlets	North East	46,452	500,000
⌘	Prince Bishops, Durham Shopping centre with 54 retail units	North East	14,500	155,000
⌘	Liffey Valley Shopping Centre, Dublin Regional shopping centre with 94 retail units and cinema	Rep of Ireland	36,325	390,000

Principal Developments

Ownership	Property & Description	Location	Area m^2	Area ft^2
▼	41 Lothbury 8 floor open plan office building	London City	14,900	160,000
▼	10 Grosvenor Street 6 floor open plan office building	London WE	5,018	54,000
▼	Belgrave House 6 floor open plan office building	London WE	25,100	270,000
▼	Paradise Street, Liverpool Mixed use city centre	North West	191,000	2,059,000
▼	Liffey Valley Office Campus, Dublin Office park	Republic of Ireland	17,193	185,000

PROPERTY PORTFOLIO
BRITAIN & IRELAND (CONTINUED)

Principal Developments (continued)

Ownership	Property & Description	Location	Area m²	Area ft²
▼	Grand Arcade, Cambridge Mixed use city centre development	East Anglia	13,564	146,000
♠	Chantrey House Residential apartment block	London WE	5,100	47,300
♠	55/61 Davies Street / 24/26/27 Gilbert Street Residential apartment blocks	London WE	3,000	32,400

PROPERTY PORTFOLIO
AMERICAS

Principal Investment Properties

Ownership	Property & Description	Location	Area m²	Area ft²
▼	Citibank Center, Los Angeles, California 48 floor office building with car parking	USA	81,647	878,874
▼	600 Clipper Drive, Belmont, California 3 floor office building	USA	14,350	154,471
▼	1701 Pennsylvania Avenue, Washington D.C. 12 floor office building with car parking	USA	17,366	186,927
▼	Results Way Corporate Park, Cupertino, California 10 office buildings on 24 acres of land	USA	34,022	366,227
♠	10400 Ridgeview Court, Cupertino, California 2 floor research and development building	USA	10,745	115,663
▼	2 North Lake, Pasadena, California 10 floor office building with car parking	USA	20,494	220,600
▼	WesTech Business Park, Silver Spring, Maryland 8 one floor buildings and 57 acres of building land	USA	44,045	474,114
▼	Warner Corporate Center, Los Angeles, California 12 floor office building	USA	23,476	252,698
▼	Town East Mall, Mesquite, Texas Regional shopping centre with 4 department stores and 185 retail units	USA	113,836	1,225,364
▼	Valley River Center, Eugene, Oregon Regional shopping centre with 4 department stores and 124 retail units	USA	101,037	1,087,591
▼	The Southern Railway Building, Washington D.C. Office building with retail space	USA	22,580	243,060
♠	1777 F Street, Washington D.C. 8 floor office building	USA	5,500	59,200
♠	Annacis Business Park, Vancouver B.C. Warehouse and industrial park on 50 acres of land	Canada	87,228	938,950
♠	Bow Parkade, Calgary, Alberta 1000 car parking spaces on 13 levels with retail space	Canada	2,894	31,152
♠	The Grosvenor Building, Vancouver B.C. 22 floor office building with retail space and car parking	Canada	18,922	203,682
♠	Garden City, Winnipeg, Manitoba Regional shopping centre with 3 department stores and 88 retail units	Canada	35,211	379,022

PROPERTY PORTFOLIO
AMERICAS (CONTINUED)

Principal Developments (continued)

Ownership	Property & Description	Location	Area m²	Area ft²
♠	bwtech@UMBC, Baltimore County, Maryland Multi tenant building	USA	5,574	60,000
▼	South Edmonton Common Retail 'power' centre	Canada	3,967	42,700
♠	Annacis – Millennium IV & V, Delta, B.C.	Canada	4.863	52,342
▼	2300 Cambie Street, Vancouver, B.C.	Canada	24,526	264,000
♠	Langley Interchange, Langley, B.C.	Canada	191,823	2,064,833
▼	Lower Lonsdale, North Vancouver, B.C.	Canada	29,412	316,600
▼	South Edmonton Common, Edmonton, Alberta	Canada	452,605	4,871,959
▼	West Rosemary, Surrey, B.C.	Canada	70,052	754,058

PROPERTY PORTFOLIO
CONTINENTAL EUROPE

Principal Investment Properties – Directly Owned

Ownership	Property & Description	Location	Area m²	Area ft²
♠	6-8 Rue Guimard, Brussels Offices	Belgium	6,853	73,767
♠	77 avenue des Champs Elysees, Paris Retail with offices and flats above	France	1,882	20,258
♠	47-61 Via Poma, Milan Offices	Italy	13,544	145,791
♠	260 Diputacion, Barcelona Offices	Spain	3,706	39,892
♠	132 Boulevard Haussmann, Paris Offices with retail	France	1,746	18,794
♠	21 rue des Pyramides, Paris Offices	France	1,690	18,192
♠	7 Montalban, Madrid Offices	Spain	3,695	39,774

Principal Investment Properties – Held by Sonae Imobiliária or Lar Grosvenor

Ownership	Property & Description	Location	Area m²	Area ft²
▼	Centro Colombo, Lisbon Shopping centre with 427 shops and 6,800 parking spaces	Portugal	119,869	1,290,301
▼	Parque Principado, Oviedo Shopping centre with 159 shops and 5,000 parking spaces	Spain	70,000	753,498
▼	GuimarãeShopping, Guimarães Shopping centre with 92 shops and 1,800 parking spaces	Portugal	24,875	267,761
▼	AlgarveShopping, Guia Shopping centre with 133 shops and 2,700 parking spaces	Portugal	42,352	455,888
▼	ArrábidaShopping, Vila Nova de Gaia Shopping centre with 180 shops and 3,049 parking spaces	Portugal	56,346	606,523
▼	NorteShopping, Porto Shopping centre with 289 shops and 5,000 parking spaces	Portugal	72,249	777,707
▼	Valle Real, Santander Shopping centre with 102 shops and 2,800 parking spaces	Spain	46,877	504,596
▼	MadeiraShopping, Funchal Shopping centre with 112 shops and 1,050 parking spaces	Portugal	26,583	286,146
▼	MaiaShopping, Porto Shopping centre with 112 shops and 3,200 parking spaces	Portugal	30,840	331,970

PROPERTY PORTFOLIO
CONTINENTAL EUROPE (CONTINUED)

Principal Investment Properties – Held by Sonae Imobiliária or Lar Grosvenor (continued)

Ownership	Property & Description	Location	Area m²	Area ft²
▼	CoimbraShopping, Coimbra Shopping centre with 69 shops and 1,100 parking spaces	Portugal	26,482	285,059
▼	Plaza Mayor, Malaga Shopping centre with 99 shops and 2,350 parking spaces	Spain	28,900	311,087
▼	Sintra Retail Park, Lisbon Shopping centre with 16 shops and 650 parking spaces	Portugal	17,317	186,405
▼	CascaiShopping, Lisbon Shopping centre with 169 shops and 3,700 parking spaces	Portugal	64,883	698,418
▼	GaiaShopping, Vila Nova de Gaia Shopping centre with 167 shops and 578 parking spaces	Portugal	56,443	607,567
▼	Centro Vasco da Gama, Lisbon Shopping centre with 164 shops and 2,555 parking spaces	Portugal	47,611	512,497
▼	Viacatarina, Porto Shopping centre with 100 shops and 578 parking spaces	Portugal	11,611	124,984
▼	Vila Lambert Shopping centre	Portugal	7,490	80,624
▼	Parque Dom Pedro, Sâo Paulo Shopping centre with 390 shops and 8,000 parking spaces	Brazil	105,000	1,130,248
▼	Serrano 55, Madrid Offices	Spain	3,707	39,903
▼	Serrano 49, Madrid Offices and retail	Spain	5,382	57,933
▼	Urbil, San Sebastian Shopping centre with 68 retail units and 2,440 parking spaces	Spain	30,000	322,928
▼	Castellana 280, Madrid Offices	Spain	17,500	188,375

Principal Developments – Held by Sonae Imobiliária or Lar Grosvenor

Ownership	Property & Description	Location	Area m²	Area ft²
▼	Aegean Park Shopping centre	Greece	60,000	645,856
▼	Avenida M40, Madrid Shopping centre	Spain	45,000	489,774
▼	Zubiarte, Bilbao Shopping centre	Spain	21,600	232,508
▼	Toledo Shopping, Toledo Shopping centre	Spain	35,000	376,749
▼	Pinto Shopping, Madrid Shopping centre	Spain	28,800	310,011
▼	Parque Açores, Ponta Delgada Shopping centre	Portugal	20,000	215,285
▼	Viana, Viana do Castelo Shopping centre with shops and parking spaces	Portugal	18,000	193,757
▼	Setubal Retail Park Shopping centre	Portugal	20,000	215,285
▼	Brescia Centre, Brescia Shopping centre	Italy	29,000	312,164
▼	Boavista Shopping, Sâo Paulo Shopping centre	Brazil	22,000	236,814
▼	FGLG Omega 2-8, Madrid Offices	Spain	64,500	694,295

PROPERTY PORTFOLIO
CONTINENTAL EUROPE (CONTINUED)

Principal Developments – Held by Sonae Imobiliária or Lar Grosvenor (continued)

Ownership	Property & Description	Location	Area m²	Area ft²
▼	Méndez Alvaro 20, Madrid Offices	Spain	5,600	60,280
▼	Diagonal 160, Barcelona Offices	Spain	8,175	87,997
▼	Gran Sarrià, Barcelona Offices	Spain	13,187	141,948
▼	Carabanchel, Madrid Shopping Centre	Spain	90,000	968,784

PROPERTY PORTFOLIO
AUSTRALIA AND ASIA PACIFIC

Principal Investment Properties

Ownership	Property & Description	Location	Area m²	Area ft²
♠	Cinema Centre Car Park, Sydney, NSW 906 car parking spaces on 10 levels	Australia	26,803	288,500
♠	201 Charlotte St, Brisbane Office building	Australia	13,452	144,801
♠	152 Wharf Street, Brisbane Office building	Australia	4,613	49,655
▼	Sir Joseph Banks Corporate Park Hi-tech buildings with car parking	Australia	16,444	177,005
♠	61 Plumpton Road, Sydney Distribution building	Australia	8,560	92,142
♠	57-101 Balham Road, Rocklea, Brisbane 7 building industrial complex	Australia	24,650	265,339
♠	114 Flinders Street, CW Park, Melbourne 864 car parking spaces	Australia	1,609	17,320
♠	33rd Floor Lippo Centre II Offices	Hong Kong	1,286	13,847
⌘	Horizon Lodge 2 houses, 5 apartments	Hong Kong	1,608	17,310
⌘	6-16 Peel Rise 6 houses	Hong Kong	1,863	20,052
⌘	Rosecliff 3 houses	Hong Kong	1,109	11,940
⌘	Mayfair Court, Nishiazabu, Tokyo 9 unit residential building	Japan	117	1,256

Principal Developments

Ownership	Property & Description	Location	Area m²	Area ft²
▼	Building B/C, Sir Joseph Banks Corporate Park, Sydney Hi-tech building	Australia	26,700	287,406
▼	Repulse Bay 21 Luxury apartments	Hong Kong	4,786	51,500

Key

♠	Wholly Owned
▼	Joint Venture
⌘	Fund

PHOTOGRAPHIC CAPTIONS

Page 8. The interior of 4orty Grosvenor Place, London SW1. A six floor office building of 18,581m^2 (200,000 sq ft).

Britain and Ireland

Page 19. Festival Place, Basingstoke, opened in October 2002. 92,903 m^2 (1,000,000 sq ft) with 165 retail units, 18 cafés and restaurants and a 10 screen cinema. Anchor stores are Debenhams and BhS.

Page 23
Clockwise from top left: Festival Place Basingstoke.

- The reception of 25 Moorgate, London EC2. 6,290 m^2 (74,500sq ft) of offices with 743m^2 (8,000 sq ft) of retail space.
- Freshney Place, Grimsby, a 46,452m^2 (500,000 sq ft) shopping centre with 100 units, acquired by the Arkle Fund.
- Edinburgh Technopole, a 120 acre site with planning consent in place for a 50,000m^2 (538,000 sq ft) science park. First phase of 3,530m^2 (38,000 sq ft) new build is due for completion in April 2003.
- A computer generated model of the Paradise Street Development Area, a 191,000m^2, (2,059,000 sq ft) regeneration project in Liverpool.
- Dorset Mews, Belgravia, London SW1, a courtyard development of nine houses ranging from 189 m^2 (2,034 sq ft) to 733 m^2 (7,890 sq ft). It also offers 22 underground parking spaces and a communal courtyard area.
- Central Park, Rugby. A 40 hectare (100 acre) business park. A 63,000 m^2 (670,000 sq ft) building provides distribution and warehouse facilities for fashion retailer GAP.

Americas

Page 29. 701 North Michigan Avenue, Chicago, Illinois. The 22,900 sq ft (2,127 m^2) retail portion of the Crowne Plaza Hotel situated on Chicago's 'Magnificent Mile'.

Page 33. Clockwise from top left:

- 2 North Lake, Pasadena, California. A 222,000 sq ft (20,625 m^2) office building located in the greater Los Angeles metropolitan area.
- RWD@bwtech, Baltimore County, Maryland. A 63,000 sq ft (5,853 m^2) research and development facility situated on a 41-acre (17 hectare) commercial park, adjacent to the University of Maryland Baltimore County (UMBC).
- USCO Distribution Facility, 40th Street and Westwinds Drive, Calgary, Alberta. A distribution facility measuring 302,000 sq ft (28,057 m^2).
- The Southern Railway Building, 1500 K Street, Washington, D.C., a 243,000 sq ft (22,575 m^2) office building with ground floor retail space.
- 830 North Michigan Avenue, Chicago, Illinois. A six-floor building, offering 125,000 sq ft (11,613 m^2) of retail space on Chicago's 'Magnificent Mile'.
- Warner Corporate Center, Woodland Hills, California. A 253,700 sq ft (23,570 m^2) office building situated in the greater Los Angeles metropolitan area.
- 308 North Rodeo Drive, Beverly Hills, California. A retail property measuring 11,500 sq ft (1,068 m^2) with 50 feet (15.24 m) of street frontage on North Rodeo Drive.

Continental Europe

Page 39. 21 rue des Pyramides, Paris, a recently refurbished office building of 1,690 m^2 (18,192 sq ft).

Page 43, clockwise from top left.

- Centro Vasco da Gama, 47,611 m^2 (512,497 sq ft) shopping centre in the Sonae Imobiliária portfolio with 164 shops and 2,555 car spaces. (Sonae Imobiliária).
- 77 avenue des Champs Elysees, Paris, retail with offices and residential space totalling 1,882 m^2 (20,258 sq ft).
- Parque Principado, Oviedo. 67,228 m^2 shopping centre with 5,000 car parking spaces. (25% Sonae Imobiliária and 25% Lar Grosvenor interest).
- 260 Diputación, Barcelona, Spain, 3,706 m^2 (39,892 sq ft) of offices.
- 6-8 rue Guimard, Brussels, Belgium 6,853 m^2 (73,767 sq ft) of offices.
- Gran Sarrià, Barcelona, 2 high quality office buildings, under construction. Completion due Summer 2003. 8,500 m^2 of net lettable area over 15 floors and 5,100 m^2 over 8 floors. (Lar Grosvenor).
- Serrano 49, Madrid. An office building with retail on the ground floor. 3,882 m^2 of net lettable area. (Lar Grosvenor).

Australia Asia Pacific

Page 49. 201 Charlotte Street, Brisbane, 13,400 m^2 (144,000sq ft) office building with 145 basement car bays located in the financial precinct.

page 53, clockwise from top left

- 201 Charlotte Street, Brisbane external streetscape.
- Repulse Bay, Hong Kong, location of Grosvenor Place, a development of 21 luxury apartments due for completion towards the end of 2003.
- The Equant building at Sir Joseph Banks Corporate Park, Botany Bay, Sydney, an 8,600m^2 (92,500 sq ft) office/showroom/hi-tech/warehouse building with 150 car bays completed in 2001.
- 152 Wharf Street, Brisbane. A 4,613 m^2 (49,600 sq ft) office building with 49 parking bays.
- Chester House, Tokyo, Japan. A turn key studio apartment complex completed in February 2003.
- Interior 'streetscape' of the Equant building.
- The Lippo Centre, Hong Kong. Grosvenor has interests in two floors of this office building, floor 33 of Tower II 13,800 sq ft (1,286 m^2) and floor 15 Tower I 13,300 sq ft (1,239 m^2).

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