GROSVENOR

ANNUAL REPORT & ACCOUNTS

2003

REVIEW

ACCOUNTS

This year, each of our operating regions has invited a local expert to write about the world from their own particular perspective. These comments appear within each operating review.

GROSVENOR

GROSVENOR IS AN INTERNATIONAL PROPERTY GROUP

with operating companies in Britain and Ireland, the Americas,

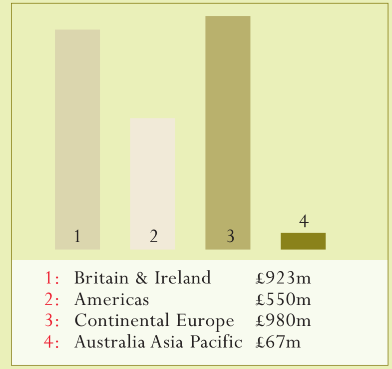
Continental Europe and the Australia Asia Pacific region.

The Group is united by a common business approach,

culture and shareholder.

Grosvenor in 2003

Fund Management by region



Interests in

17 countries

Australia, Brazil, Canada, England, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Portugal, Scotland, Singapore, Spain, U.S.A.

2 new funds launched in 2003

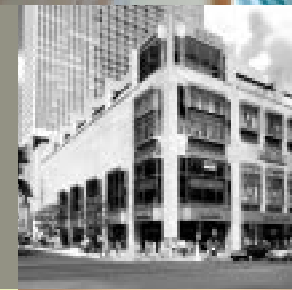
with 8 new and 2 existing investors

Interests in

1,700,000 m^2

(18 million sq ft) of retail space

2,681 DIRECT CUSTOMERS

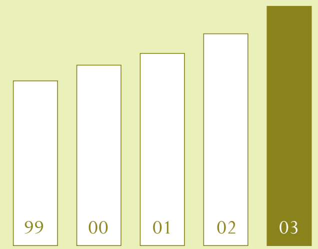


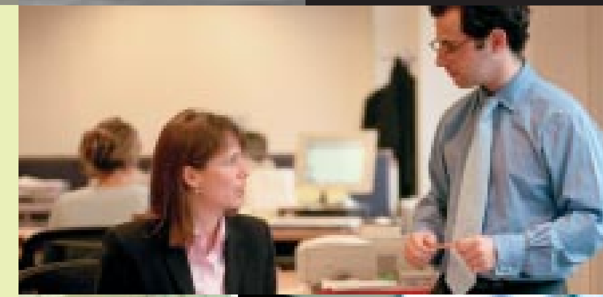
3,357

Grosvenor leases

Assets under management over 5 years

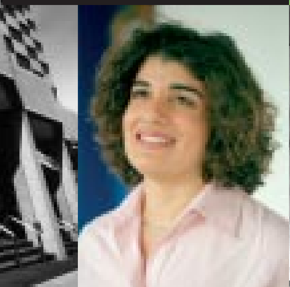
99:	£4.2bn
00:	£4.6bn
01:	£4.9bn
02:	£5.4bn
03:	£6.1bn

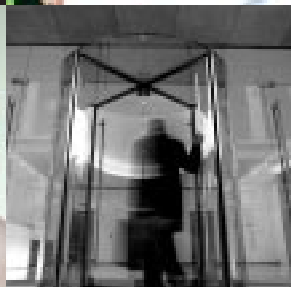




373

staff





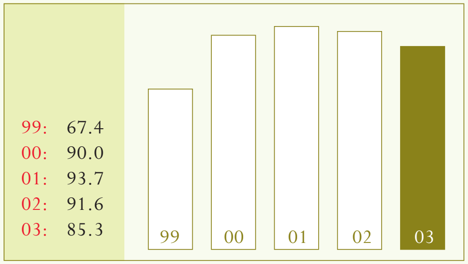
27 Fund Management partners in 15 funds

Highlights for 2003

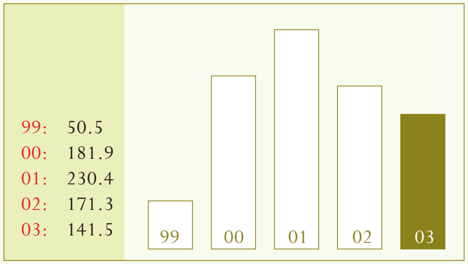
Results

	2003 £m	2002 £m
Property assets	2,472	2,485
Shareholders' funds	1,848	1,753
Gross rental income	144.4	146.2
Total operating profit	85.3	91.6
Revenue profit (see page 61)	54.2	53.5
Profit before tax	91.7	60.8

Total operating profit (£m)



Cumulative enterprise value added (£m)

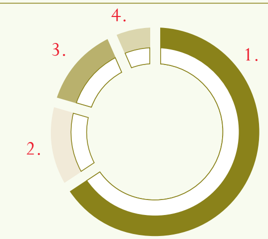


"We have increased our total return against a background of highly challenging office markets around the world and significant currency movements."

Statistics

	5 Year Average	2003	2002
Weighted average cost of capital	**9.3%**	8.5%	8.7%
Total return on property assets	**9.8%**	7.5%	5.4%
Gearing	**35.1%**	26.2%	34.5%
Interest cover	**1.6**	1.4	1.5
Enterprise value added	**£28.3m**	(£29.8m)	(£59.1m)

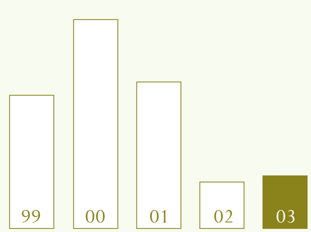
Value of shareholders' funds by region £1.8bn



1:	Britain & Ireland	£1,223.3m
2:	Americas	£247.4m
3:	Continental Europe	£250.9m
4:	Australia Asia Pacific	£126.8m

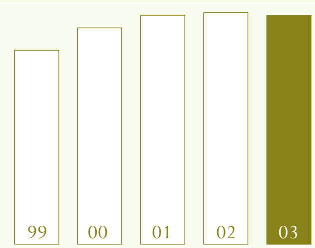
Revaluation movement (£m)

99: 111.9
00: 175.5
01: 123.1
02: 39.0
03: 44.2



Gross rental income (£m)

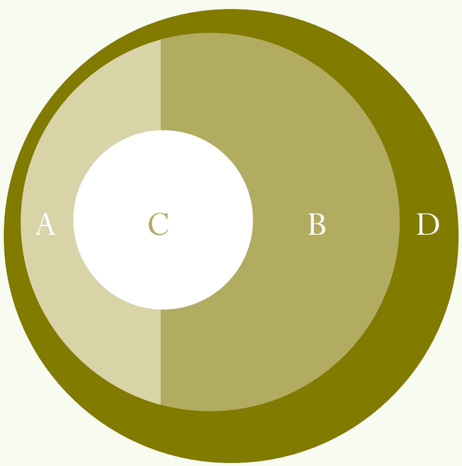
99: 122.5
00: 136.3
01: 144.6
02: 146.2
03: 144.4



Portfolio Analysis

GROSVENOR HAS INTERESTS IN PROPERTIES WITH A TOTAL VALUE OF £8.9bn (US$16.0bn, €12.7bn)

THE CHART BELOW ILLUSTRATES THE NATURE OF GROSVENOR'S TOTAL EXPOSURE TO PROPERTY, OUR OWN PROPRIETARY PORTFOLIO AND THE ASSETS WE MANAGE.

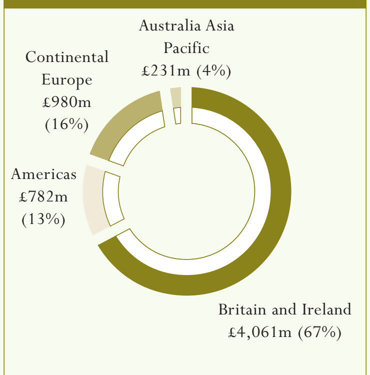


A	£1.6bn	Wholly owned assets
B	£2.7bn	Third party assets managed by Grosvenor
C	£1.7bn	Grosvenor assets in jointly owned vehicles
D	£2.9bn	Non-Grosvenor share of properties in vehicles where Grosvenor has a strategic interest
	£8.9bn	**Total**

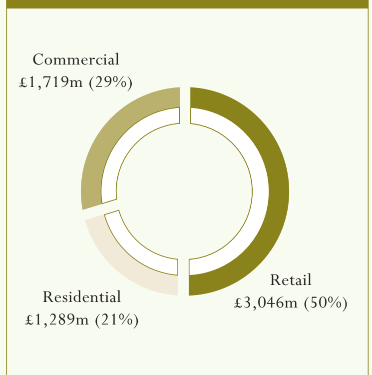
Further details of the Group's regional portfolios are given in each review section.

Assets Under Management £6.1bn

By Region

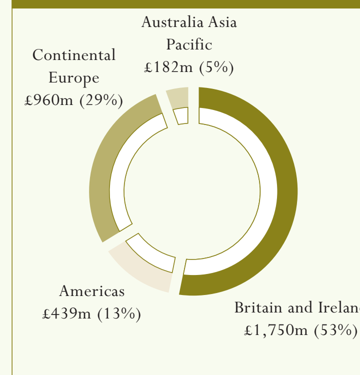


By Sector

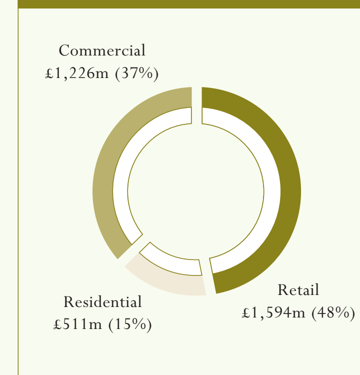


Proprietary £3.3bn

By Region



By Sector



CHAIRMAN'S STATEMENT

IN 2003, OUR TOTAL RETURN ON CAPITAL WAS 7.5%. THIS WAS HIGHER THAN IN 2002 BUT STILL BELOW OUR COST OF CAPITAL. PROPERTY HAS ONCE AGAIN BECOME A MAIN STREAM ASSET CLASS WITH LARGE AMOUNTS OF ADDITIONAL CAPITAL ENTERING THE MARKET, SUPPORTING TOTAL RETURNS AND NOW THAT THE PROSPECTS FOR UNDERLYING PROPERTY MARKETS ARE GOOD THE OUTLOOK FOR OUR BUSINESS IN 2004 IS BETTER THAN IT HAS BEEN FOR SEVERAL YEARS.

We seem to be in an era marked by occasional but spectacular business failures. This is in spite of the fact that, overall, business management continues to become more professional and sophisticated. The public and political reaction to these events tends to be to demand 'changes' to ensure that they can never occur again. So we see more governance initiatives and regulations each year which (at least some) companies embrace like children required to eat vegetables. Of course, these regulations invariably apply to listed companies and so, reluctant child or not, we as a private company are free to do as we want. However, we set great store by the rigour of professional management and have always seen 'public company' standards as the appropriate benchmark. The new Combined Code will apply to this report in 2005; we have already decided that, so far as it is relevant to us, we will continue to be guided by this and other Codes as well as providing additional information that is helpful to our banks and other financial partners.

I would like to say something about the image of property developers. While I hope nobody would deny the need for new or adapted buildings, the old caricature of developers is proving hard to shift.

The perception is of sharp-suited men imposing unappealing architecture and land uses on communities with whom they have no sympathy or commitment and making large profits in the process. There is still distrust of developers. We and our peers have to work harder to demonstrate that we are well-intentioned and that we understand our responsibilities. We know that there are commercial and social advantages in building long term relationships in the communities in which we operate. Developers must ensure that development is, in effect, initiated, inspired and delivered locally.

We property developers and owners also need to improve the service that we provide for the occupiers of our buildings across all sectors. These relationships have been functional and too often adversarial, but there is a growing appreciation of the mutual benefit to be derived from a more genuine partnership. By knowing our customers we can develop the products and services they want and we can help commercial occupiers with their business problems. We should have the ambition to satisfy all requirements including an approach to pricing which is more sophisticated than blindly following 'the market'. Such things are easy to say but are not achievable instantly. Progress is never smooth but I know that we are moving in the right direction.

Our knowledge of the way in which tax transparent real estate vehicles work in the U.S.A., Australia, Japan, Singapore and France has convinced us that they encourage greater property industry efficiency, improving choice and flexibility for investors. We are delighted that the UK Government has launched its consultation on tax transparent property structures and believe that it is imperative to get both the transitional arrangements and the final structures right in order to secure their long-term adoption and success. The essential element is to ensure that investors can acquire and hold property within a vehicle as if each investor owned the property themselves so that the un-taxed cash flow passes directly to the investors. We think that the benefits of these vehicles should not be restricted to listed companies; private capital has always had an important role in the development and ownership of property.

"Developers must ensure that development is initiated, inspired and delivered locally."

I am particularly pleased to welcome publicly two new Group Board directors, Sir Edward George, former Governor of the Bank of England and Alasdair Morrison, Chairman and Chief Executive of Morgan Stanley Asia. John Coates has become a consultant to our Australian business, he is a lawyer who is also President of the Australian Olympic Committee and a member of the International Olympic Committee. Altogether we have fifteen external directors and consultants to the Group and its operating companies and they are listed on pages 58 and 59. In June 2004, the Continental European operating company will have its own Board of Directors and Tony Wyand, who has been a Group Board Director for four years, will become its first Chairman. The fact that we are able to attract support and guidance from such experienced and respected people is of considerable benefit to us and I am very grateful to all of them for their time and commitment.

The Duke of Westminster KG OBE TD DL
Chairman
18 March 2004

"Real estate has been rehabilitated as an investment class since 2001… capital flows into property investment throughout the developed world have grown and are likely to continue to do so."

OPERATING AND FINANCIAL REVIEW

THE GROUP TOTAL RETURN OF 7.5% INCLUDES STRONG RESULTS IN CONTINENTAL EUROPE AND AUSTRALIA, EACH WITH A TOTAL RETURN OF OVER 11% EXCLUDING CURRENCY MOVEMENTS. OVERALL, THE RESULTS CONTINUE TO BE STRONGLY INFLUENCED BY THE LONDON ESTATE; THIS PORTFOLIO IS IN TURN MAINLY INFLUENCED BY OFFICE PROPERTY (46%) AND HAS HISTORICALLY UNDER PERFORMED WHEN THE ECONOMY IS WEAK AND OUTPERFORMED WHEN IT IS STRONG.

While the UK economy as a whole has performed well, the London financial services sector has been very weak and significant job losses are only now being arrested. The Group's increased diversification of the last 10 years reduces the effect, but it still exists. We are optimistic that 2003 saw the low point in this cycle for our key markets in London, San Francisco and Hong Kong. In the long term, we continue to believe that the central London office, residential and retail sectors will be among the best performing property markets in the world and we are happy to maintain London's West End as the core of our portfolio.

Real estate has been rehabilitated as an investment class since 2001; while this is at least partly due to the woeful performance of equities, most investors now accept that property should play a larger role in their portfolios in the future. The capital flows into property investment throughout the developed world have grown and are likely to continue to do so. This means that, based on a finite short term supply of quality investment stock, capital prices are likely to continue to rise and yields to fall. Office returns should improve over the next couple of years as service sector employment levels pick up and rents start to recover. The way that capital values have diverged from income return has unnerved many professional investors; there is no doubt that we experienced a great selling opportunity in many markets last year but our view is that these lower capitalisation rates are likely to endure for some time and we should get used to them. Following our recent strategic sales of large, securely leased, down-town and regional scale assets overseas we are in a position to invest a substantial amount of capital. Generally, we are searching for opportunities that require greater property expertise to generate better returns.

Our strategy is to manage our activities in three strands. First, we aim to create value in real estate by developing and improving properties; second, we aim to manage properties in the best way possible; and third, we aim to advise and assist others investing in real estate. Fund Management represents a very large opportunity for Grosvenor. Having co-invested with and advised third party investors for nearly 30 years, we have built solid foundations upon which we plan to grow. Capital is progressively becoming more international and the majority of our Fund Management partners have always invested across borders. Our business has evolved from small clubs of investors and discrete joint ventures and we have started to build on these to establish specialist larger funds which will become 'flagships' both in their market and as Grosvenor products.

One of the most important changes that we have made at Grosvenor in recent years has been the much greater emphasis on research as a basis of both strategy and decision making. We have a team of economic and market research specialists who collectively provide us with a highly individual and distinctive view of the world economy and our markets. They provide a challenge to the conventional thinking into which we, as typical industry insiders, are apt to fall; by integrating strategy and decision making with the research process we ensure that our research effort is tailored to the business and that the research team themselves are more clearly valued.

In this report, the Chairman raises the challenge of becoming more involved in society and one way we are addressing this is through the education sector; our simple logic is that nothing is more important to any society's long term future than education and the property industry has a great deal to offer. This can include direct support in teaching, mentoring or career advice, commissioning research and making endowments, as well as advice to universities and schools on real estate strategy, property management, construction and financing. Each Grosvenor business around the world is developing a plan to increase the work with education and universities in particular coordinated at the centre by Stephen Barter.

Currency fluctuations caused a significant adjustment to our results in 2003, both the fall of the US dollar and the rise of the Euro. Our policy is to hedge only short term cash flows. Other than by raising debt locally we do not hedge our long term property exposure in any region against sterling, although we may hedge within a region. We believe this policy is sound because we are investing capital overseas for the long term and do not expect to repatriate significant amounts of capital already invested. We monitor our results by reference to local currency although our economic research and analysis inevitably addresses currency as an economic indicator.

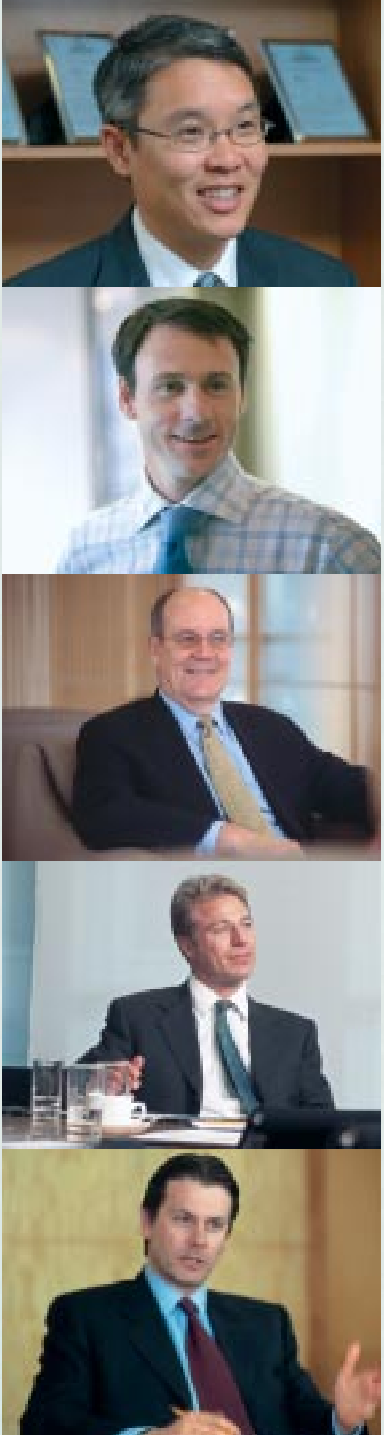
We both travel extensively throughout the Grosvenor world. We see the initiatives of very different local businesses, we hear the ambition to succeed locally and we are witnesses to the common bond with the Grosvenor Estate in London, with its history and that of the Grosvenor family. We manage the Group on a devolved basis and we are sometimes asked what our role is. Perhaps the best answer is that our task is to make something so unique be as normal as possible!

Jonathan Hagger
Group Finance Director
18 March 2004

Jeremy Newsum
Group Chief Executive
18 March 2004

OUR OBJECTIVE

is to offer fund management and co-investment opportunities in selected international markets where we can build upon the core skills, competence and local knowledge of our own proprietary investment and development business. We aim to deliver attractive returns, commensurate with the level of risk. Our investment process integrates a macroeconomic research led approach with local knowledge and expertise. We co-invest with our clients and we aim to build long term relationships with them, reflecting the Grosvenor values of 'property and partnership'.



Top to Bottom
John So, Investment Director, Asia Pacific;
Brett Dillon, Fund Manager, Australia;
John Flavin, Senior Vice President and Fund Management Director, Americas;
Neil Jones, Managing Director, Continental Europe;
Mervyn Howard, Fund Management Director, Britain and Ireland.

Our plans for Grosvenor Fund Management play a central role in the future of the business. Our aim is to enhance our reputation as an innovative international property group with high quality staff, which is able to balance the delivery of attractive returns with an opportunistic approach in the short term. We have built a team of investment specialists around the world and their local market knowledge is the single most important pillar supporting our investment strategy.

Stuart Beevor
Group Fund Management Director

PROPERTY HAS REASSERTED ITSELF AS A STRONG INVESTMENT ASSET CLASS OVER THE LAST DECADE RESULTING IN INCREASED INVESTOR INTEREST AROUND THE WORLD. WE EXPECT THIS TREND TO CONTINUE AS THE INCOME RETURNS AND THE POTENTIAL FOR GROWTH REMAIN ATTRACTIVE.

Funds

Our fund management business started in the 1970s, with a group of co-investors from the UK creating a portfolio of commercial investments in North America. From these origins, co-investment with our partners has been a key aspect of our approach. We now operate 15 funds across 14 countries, with total funds under management of £2.5 billion.

The funds we manage around the world vary in terms of structure and strategy and are active in the residential, office and retail sectors. In the UK, we have a vehicle that both funded the development of Festival Place in Basingstoke and now provides for its long term ownership and we are working on a similar structure for our £680 million regeneration project in Liverpool. Today, the funds we manage vary in size, the largest being our Grosvenor Shopping Centre Fund which has total assets in the UK of £350 million and ten investors drawn from the UK and continental Europe.

Partners

Our 27 investment partners include major institutions such as the BBC Pension Trust Ltd, which, at 28 years, is our longest co-investment relationship, clients of Hermes, PGGM Pensioenfonds and other privately owned groups such as Buccleuch Estates Ltd, Getty Family Trusts and Omega Capital; insurance companies such as Equitable Life Assurance Society Ltd and Scottish Widows Investment Partnership and charitable foundations such as Wellcome Trust and Esmée Fairbairn Foundation. Investors are drawn from Canada, Denmark, Hong Kong, Japan, the Netherlands, Philippines, Spain, the UK and U.S.A.

Investment Process

The past few years have seen increasing interest amongst institutional investors in property funds as the performance of other asset classes has weakened. Investors recognise that a carefully selected portfolio and well planned fund strategy can ensure effective diversification of risk. Our research led investment process is designed to ensure an integrated approach to optimising risk adjusted returns. It relies on input from both macroeconomic and local perspectives, coupled with a clear investment strategy for each fund and a rigorous hurdle rate approach to stock selection. This is set against a backdrop of an increasingly complex tax, legal and regulatory environment that we must monitor closely in order to manage the funds efficiently and to keep our investor clients up to date.

All this is coordinated across our operating regions to encourage the development of new initiatives and ensure consistency of style, standards and delivery.

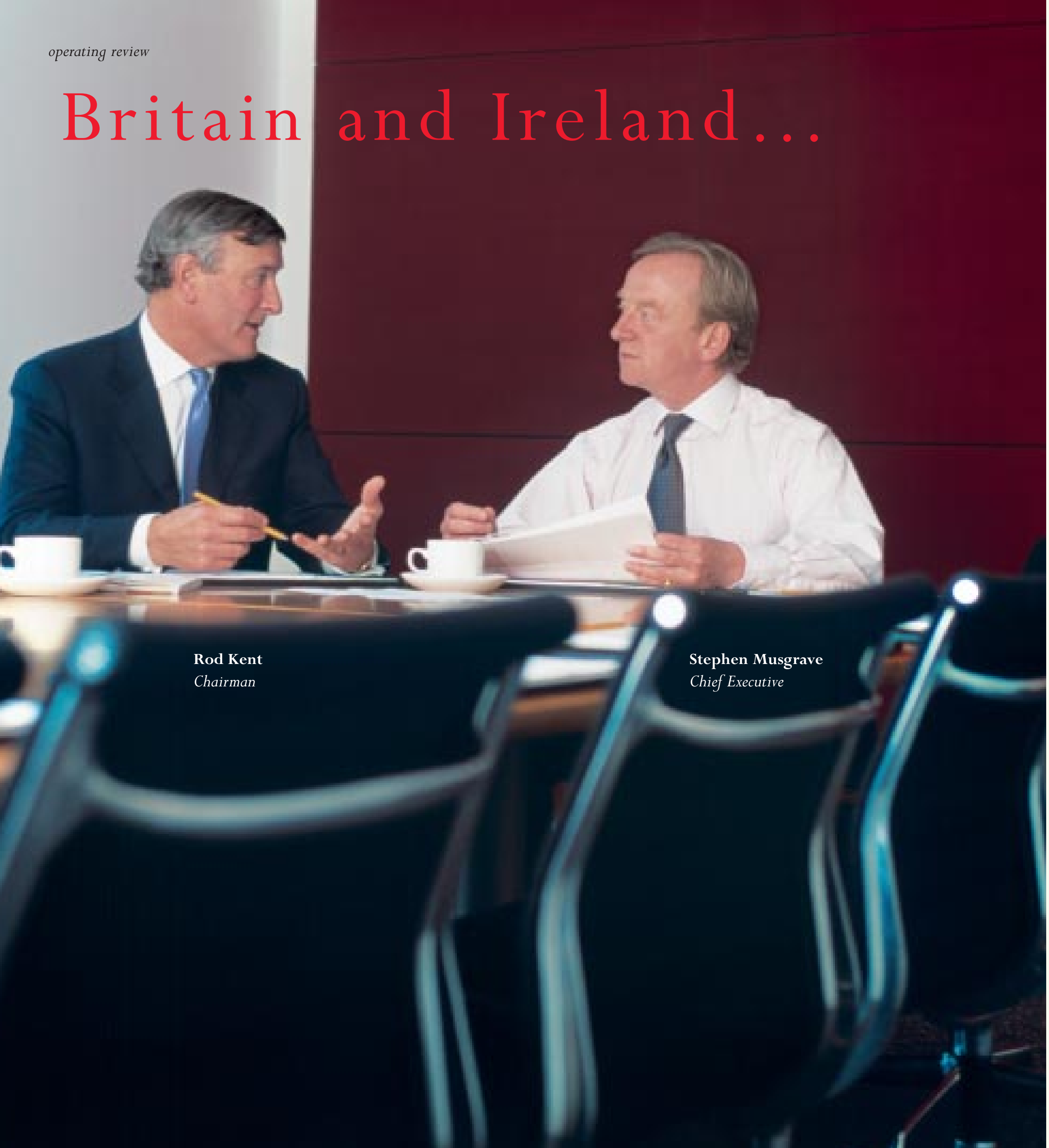
Plans

In 2003, the foundations were prepared for a series of new funds that we intend to launch in 2004. The combined value of the new ventures will increase funds under management by over £1billion. These new vehicles include Grosvenor Retail European Properties, a fund which will invest in town centre retail and retail warehousing in the Eurozone, primarily in France and Spain and a fund concept for our major regeneration project in Liverpool, for which we have strong interest from a number of potential investors. In Australia, we have been appointed by a group of Australian superannuation funds, represented by Industry Superannuation Property Trust, to create a vehicle which will enable them to invest internationally. In Japan, following the success of the Grosvenor Uni-Asia Fund which sold five properties and acquired three during the year, we are finalising a second fund which is expected to have a full investment value of over JPY 20bn.

We believe that the growth in demand for property fund management services will continue and that sophisticated investors will increasingly require exposure to international portfolios to achieve their performance objectives. We believe that Grosvenor Fund Management is well placed to assist them to meet their needs.

From top left clockwise: Festival Place, Basingstoke; Valley River Center, Eugene Oregon; Sarriá Forum, Barcelona (Lar Grosvenor); Chester Court, Tokyo

Britain and Ireland...



Rod Kent
Chairman

Stephen Musgrave
Chief Executive

"Following a cloudy start to 2003, the outlook for 2004 is clearer and seemingly more settled. Our business is in a good position to exploit appropriate opportunities as they arise."

IN 2003

WE ACHIEVED CREDITABLE FINANCIAL RESULTS

in the face of difficult market conditions.

Britain and Ireland…

We maintained our commitment to an active development programme.

Despite the challenging conditions in the offices sector we pursued the creation of new office space that meets the requirements of commercial occupiers. We implemented our new strategy to provide high-end residential rental space, completing three new developments.

Cornwallis House, Dorset Mews, Belgravia, sold in 2003

In the face of difficult market conditions we achieved creditable financial results in 2003. We managed the uncertainties at the beginning of the year and were able to capitalise on the improving economic conditions that began to emerge as the year wore on.

Despite the negative sentiment in the office market, the other areas of our business – particularly the strong retail sector – delivered positive rental income and returns, and significant uplifts in value.

As always, the London portfolio played a central role in the overall performance of Britain and Ireland. We implemented our new strategy to provide high-end residential rental space, completing three new developments at Gilbert Street, Davies Street and Chantrey House. The underlying strength of the residential market was demonstrated by improving capital growth during the course of the year.

In line with our strategic focus on large, mixed-use urban projects, we applied our knowledge, experience and creativity to major cities such as Liverpool, Bath, Preston, Cambridge and Dublin. In each of these cities we made positive progress on the projects with which we are involved, drawing upon many of the varied skills we possess. These cities represent opportunities for us and our public and private partners to invest in, develop and asset-manage agglomerated land over the long-term.

Meeting the needs and aspirations of our customers is a constant and very important endeavour. The continued expansion of the Grosvenor Service Offer and the introduction of its 24-hour helpdesk, enabled us to improve the breadth and quality of the services we provide to our customers.

We maintained our commitment to an active development programme across the sectors. Notwithstanding the challenging conditions in the offices sector, we pursued the creation of new, quality space that answers the requirements of commercial occupiers.

Managing third party assets through fund management activities was a high priority. We changed the name of The Arkle Fund to the Grosvenor Shopping Centre Fund. The fund outperformed the industry benchmark and acquired seven new investors, including a UK charity, the Esmée Fairbairn Foundation. The Basingstoke Investment Partnership, which is the investment fund for Festival Place, outperformed the industry benchmark too. The GMETRO central London offices fund continued to make progress in spite of the weak offices market.

We benefited from our continued investment in the recruitment, training and retention of staff. The focus was on bringing in additional skills with appointments such as that of a new Grosvenor Service Centre Director, Retail Strategist and Systems Director. We also maintained an emphasis on nurturing young talent through our graduate programme.

"We will build on our achievements this year and continue to improve the way we do business. We look forward to a year of further progress in 2004."

Britain and Ireland...

PORTFOLIO OVERVIEW

In London, performance was driven by the management team, which achieved notable successes headlined by total sales of £69m. The London team concluded over 700 rent reviews, lettings and lease renewals.

Outside London, our successful partnerships with various local authorities helped us to move ahead with key projects.

In Liverpool, the Paradise Street Project passed several important milestones with the conclusion of the Public Inquiry, the commitment of the John Lewis Partnership and Debenhams as anchor tenants and the selection of the main contractors. As part of the appointment of a quality professional team on the Western Riverside project in Bath, we selected Llewelyn Davies as masterplanners. In Cambridge we signed an agreement with the John Lewis Partnership for a temporary re-location of their Robert Sayle store, significantly shortening the original projected timescale for the Grand Arcade project, which we are carrying out with our partners Universities Superannuation Scheme. A planning application for 4,650 m^2 (50,000 sq ft) of additional retail space and for 560 apartments was made at Liffey Valley in Dublin. The decision, subject to public consultation, to designate Liffey Valley as a major town centre within the draft South Dublin plan is encouraging. In Preston, important consultation work with local stakeholders has kept the 38 acre (15 hectare) Tithebarn project moving ahead. This project will see the revitalisation of the city centre.

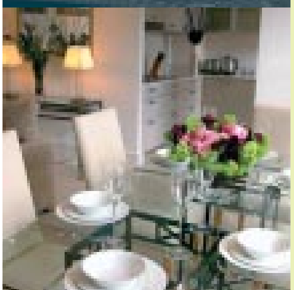
We faced the most challenging office market for several years. Despite this, some creditable achievements helped to offset the falls in capital and rental value. We fully let the 20,000 m^2 (216,000 sq ft) at 4orty Grosvenor Place and 4,650 m^2 (50,000 sq ft) at Viewpoint, in Belgravia and Mayfair respectively. We completed the construction of new offices at 10 Grosvenor Street in the West End, and Holyrood Park House in Edinburgh. Also in Scotland we completed the first phase, and began construction on the second phase of our Edinburgh Technopole project in partnership with the University of Edinburgh.

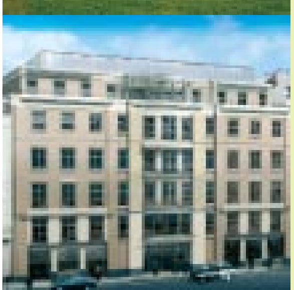
Our retail portfolio delivered significantly positive results, with our continued focus on dominant town centre shopping. Festival Place maintained a strong performance during its first year of trading, with good returns and positive consumer support. Over 20 million shoppers visited the centre, comfortably exceeding our initial predictions on footfall.

It has been a tough but productive year which, ultimately, has had a positive overall impact on our portfolio.

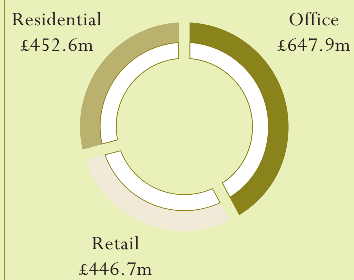
	Number **No.**	Value **£'m**	Passing rent **£'m**	ERV **£'m**	Average yield **%**
Office	306	647.9	32.7	39.8	5.0
Retail	136	446.7	25.6	30.1	5.7
Residential	440	452.6	8.3	10.8	1.8
Total	**882**	**1,547.2**	**66.6**	**80.7**	**4.3**

Average lease length in Great Britain and Ireland is 25.3 years (includes ground rented property on long leases)

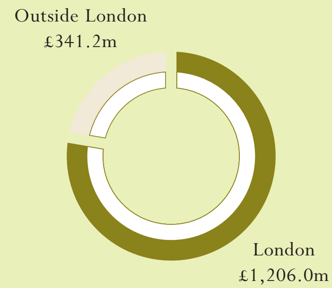





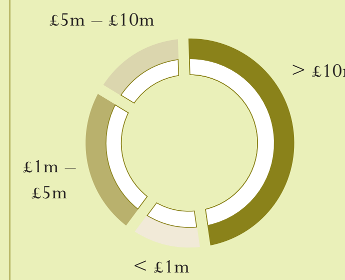

By Sector



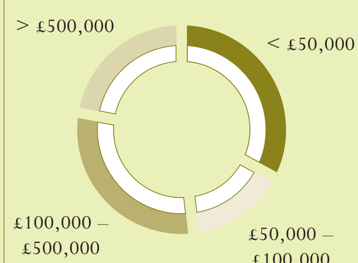
By Region



By Value

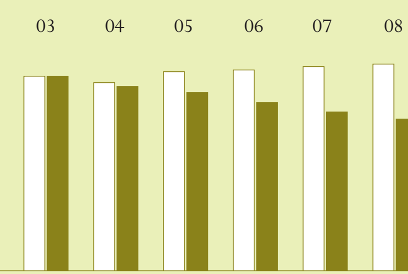


By Passing Rent



Income Projection

£'m	
03:	66.6 / 66.6
04:	64.4 / 63.2
05:	68.1 / 61.2
06:	68.7 / 57.8
07:	69.9 / 54.5
08:	70.6 / 52.1



Projection assuming expiring leases are re-let at market rent
Projection assuming expiring leases are not renewed or re-let

"As individuals, we need to assess and reflect upon what we really want from life and prioritise accordingly."

– Michael Willmott, Future Foundation

MICHAEL WILLMOTT

Michael is co-founder of the Future Foundation and has 25 years' experience as a researcher, analyst and forecaster. In addition to consulting work for government and major corporates, he is a regular writer, presenter and media commentator on social, economic, political and technological change and its implications for business, government and society. His published books include *Citizen Brands* which considers the dynamics of the relationship between companies and society and the implications for branding and business strategy. And a new book, *Complicated Lives*, suggests that complexity is a defining feature of modern life and that the ever-growing reports of stress and time pressures arise directly from this. A sociologist and statistician by training, Michael is a full member of the Market Research Society and a Fellow of the Royal Statistical Society. He is an Associate of Demos and an advisor to the International Longevity Centre (UK).

future foundation group

"Complicated Lives"

Four years into the 21st century and the problems facing the world seem as intractable as ever. There is the threat of terrorism, of course. But we also worry about crime, the economy, our children, the collapse of communities, our health, the demands of our jobs, the supposed cultural neutering as a result of globalisation and the pernicious growth of individualism and materialism. On a personal level, for many people life just feels too busy, too stressful with so much to do and so little time in which to do it.

But are things really so bad?

Despite popular perceptions and the prognostications of many commentators, the reality is that on the whole they are not. Work time over the course of the average year has not increased significantly (indeed for some it has decreased). Community and social life is amazingly resilient. Of course it has changed, but humans are social beings who on the whole actively seek, and enjoy, opportunities to meet, mix and converse. That is why some technologies, and particularly communication ones, have been so successful – people just love to talk. Equally, in a number of places in the world (the United States, Britain and parts of Europe) crime is, in fact, falling. Affluence continues to grow at a steady pace and people across the developed world are living longer, healthier lives.

Why then are we not revelling in our ever better circumstances? Why is there not a mood of optimism and a rejoicing in the freedoms and choices now afforded to the vast majority of consumers? The reason is quite simple – life has become too complex.

This is the paradox of progress. Today's generation is richer, healthier, safer and enjoys more options than any in the past. Yet, life seems more pressured because the discretion and choice that the modern era offers inevitably means there are more, and more complex, decisions. Underlying all this is that we want, and expect, more from life. Understanding this simple fact – that people have higher expectations, more varied choices and more complex decisions – is critically important.

Here are a few examples of how complicated life has become:

- The nature of the technology (and communications technologies in particular) encourages what I call the culture of immediacy – some might call it the tyranny of immediacy. We can send things immediately via e-mail rather than waiting for the post; we can be contacted 24 hours a day, anywhere in the world by our mobile phone or Blackberry or Palm. This just makes things seem faster and more complex.
- Increasing affluence, the declining deference to, and influence of, mainstream institutions and the opening up of markets and cultures (thanks to globalisation) feeds the growth of individualism. So consumers need more choice. Yet, we have now reached the stage where the choices available to consumers in many markets make consumption itself more challenging. Did American consumers really need a three fold increase in the 1990s in the number of brands on grocery store shelves?[1] And how do they cope with the clutter of the over three-fold increase over the last 40 years in advertising messages they receive each day?[2] Our research in the UK shows that the vast majority of consumers think there is more choice than they need across a range of markets: insurance, grocery products, utilities, washing machines and even clothes[3].

➵ Related to this is a shift in what is important in defining identity and creating differentiation; a move from an interest in material possessions to experiences; from physical belongings to cultural capital. A transition – as Jeremy Rifkin puts it – 'from accumulating things to accumulating experiences'[4]. Increasingly, it is our leisure and cultural activities that define who we are and act to differentiate and position us in society. Our research shows that spending on experiences in the UK now amounts to nearly a fifth of all consumer spending, a doubling in real terms over the last 20 years. Also, it shows that developing cultural capital is particularly important for the middle-aged, well educated, middle-class, higher income segments – all growing groups in society. This is important because maintaining cultural capital is, in itself, more complex and helps to add to the perceived pressures in consumers' lives.

How to benefit from the positive developments without being drowned in the complexities that ensue thus becomes one of the critical issues of life today. How, in this world, do people avoid feeling overwhelmed by it all? If we can understand why people have unnecessary and unsubstantiated fears and why – despite more free time and more discretion and longer, healthier lives – they feel more pressured, we can start to develop remedies.

This requires action by government, companies and individuals themselves.

Government needs to concentrate on serving its citizens. While this includes continuing to provide a safety net for the unfortunate and disadvantaged, increasingly it also implies focusing on the simplification of the interface with, and usage of, public services. That means more streamlined and easier to understand legislation, greater transparency and plain talking communication.

Companies have a huge responsibility and a massive opportunity to develop products and services that help people with the complexities of their lives. This ranges from time-saving gadgets, to advice on how to plan and manage life, to service offers (like home cleaning or management) that just take away the irritating, time consuming chores of everyday life.

As individuals, we need to assess and reflect upon what we really want from life and prioritise accordingly. Most of us seek a great career, happy families, a fantastic social life and truly enhancing experiences (the cultural described earlier). But the irony is that, in pursuit of all this, we make our lives yet more unwieldy and ever more complicated.

1 McKinsey Quarterly, 2003 No. 4
2 Ibid.
3 nVision is a pan-European subscription service from the Future Foundation that combines an extensive on-line data and analytic resource with workshops and briefings about future trends. It includes a consumer research programme, Changing Lives, that conducts surveys on a regular six-monthly basis. Trends can be tracked back to the early 1980s.
4 Jeremy Rifkin, Age of Access: how the shift from ownership to access is transforming modern life, Penguin, 2000.

MANAGING COMPLEXITY THUS BECOMES ONE OF THE MOST CRUCIAL ISSUES OF THE 21ST CENTURY…

THE CHALLENGES AND THE OPPORTUNITIES FOR US ALL ARE IMMENSE.

Americas...

Carmine Guerro
Chairman

Bill Abelmann
Chief Executive and President

"Our strategy is to focus on certain key sectors and take advantage of the strong capital markets to sell a number of non-strategic assets."

IN 2003,

CONSUMER SPENDING CONTINUED TO FUEL THE ECONOMY THROUGHOUT THE YEAR

as a result of favorable North American monetary policies.

Americas…

In the Americas, our focus is to invest in key cities and property types where we can achieve superior returns. Experience, economic and market research, and an active ownership and asset management role all contribute to our success. By combining these tools with risk management in all areas of our business, we can deliver strong returns to our co-investors given their stated risk stance.

180 Post Street, San Fransisco

The relationship between our people and our co-investors, tenants and service providers is the source of our long-term value creation and competitive advantage, while our presence in San Francisco, Washington, D.C., Vancouver, B.C., and a planned new Toronto office gives us excellent market coverage.

...continued

This year marked the 50th anniversary of Grosvenor's real estate activities in North America. Since our initial purchase of Annacis Island in Vancouver in 1953, we have focused on the real estate fundamentals and proven strategies that build long term value for us and partners. To commemorate the occasion, a sculpture, entitled "LightShed," was donated to the city of Vancouver.

Our best performers in 2003 were retail and residential properties, led by consumers benefiting from low interest rates, rising home values and federal income tax cuts. Office and industrial properties performed less well, except in the Washington, D.C. market, which benefits from the sizable presence of the federal government. In the San Francisco Bay Area, vacancy rates in the office and research and development sectors exceeded 25% throughout the year due to the continuing impact of the technology sector collapse. Most observers estimate that it will be several years before this market regains a proper supply and demand balance.

Fuelled by strong capital markets, low interest rates and a scarcity of prime properties, the investment market remained strong throughout the year as capitalization rates fell for quality stock. Prices achieved for well-leased assets on long-term leases reached levels not seen since the late 1980s. When capitalization rates move upward, if there is no corresponding increase in net income levels, many investors will experience unfavorable value adjustments. We actively seek those assets that will perform well in such an environment.

In mid-2003, on behalf of our American Freeholds partnership, we successfully sold WestShore Plaza, a 1,100,000 sq ft (102,200 m^2) shopping center in Tampa, Florida. The property had been positioned for sale following a series of renovation and expansion improvements over the last few years. In November, we sold our interest in Citibank Center in downtown Los Angeles. Made fashionable by the popular television series "LA Law", which was filmed there, the 48-story high-rise office complex was 95% leased at the time of sale and was our last remaining major high-rise office building in the U.S.A.; we had owned the signature building since 1984.

In Canada, we successfully sold our interests in two community shopping centres: Cherry Lane in Penticton, British Columbia, originally developed in the mid -1970s and renovated over the years; and Semiahmoo Shopping Centre in suburban Vancouver, where our partner also sold its interest.

We are undertaking more development, with two office building developments in suburban Maryland under construction. Three Vancouver area developments are in the planning stages; two mixed-use retail/residential complexes, and one mixed-use commercial park.

Our residential program, primarily focused on the Greater Vancouver area and Seattle, continued to perform well. Grosvenor provides mezzanine financing to selected locally based developers for a specified return and share of the profits. Extensive research is first completed on the developer, product and market before we commit to any individual project. To date, we have invested in apartments, townhouses and single-family lot subdivisions. We also undertake direct development on our own or in joint ventures, an example of which is our joint venture development of a 265-unit condominium project with two floors of retail in North Vancouver. More than 90% of the residential units were successfully pre-sold prior to the start of construction.

In 2004, our strategy is to expand our residential program to California. We will continue to increase the number of quality community retail centers in our target markets while reducing our exposure to offices. The Washington, D.C. metropolitan area continues to be our preferred market for office investment but we will respond to opportunities in all of our target markets. Only in Canada will we target quality industrial parks, focusing on Vancouver and Toronto.

"Our in-depth residential strategy, coupled with an updated review of our overall business strategy, will see an expansion of our residential program to the California market in 2004."

Americas...

PORTFOLIO OVERVIEW

The Americas investment portfolio consists of more than 6.0 million sq ft (557,000 m²) of commercial space, including retail, office and industrial holdings. Our average occupancy rate during 2003 was 93%.

Leasing activity was strong overall, totalling more than 500,000 sq ft (46,000 m²). Two of our San Francisco Bay Area office/research and development properties had high vacancy rates commensurate with other properties in Silicon Valley. To capitalize on strong residential market activity we are considering the sale of a portion of one of our research and development parks in Silicon Valley for residential use.

In the retail sector, 308 North Rodeo Drive, in Beverly Hills, acquired in 2002, received City planning approval for redevelopment and expansion that will commence in early 2004. Our two retail properties in Union Square, San Francisco, continued to perform well at nearly full occupancy, as did those in North Michigan Avenue, Chicago. The year also marked our first retail property acquisition in the Washington, D.C. metropolitan area. Best Buy Metro Center, a 105,000 sq ft (9,750 m²), class A retail shopping center in Springfield, Virginia, was acquired at year end. The two regional malls we own in the U.S.A. performed well, driven by the consumer-led economic recovery. In Canada, our two suburban retail community centres in Vancouver enjoyed high occupancy levels and capital growth. At our successful retail project in Edmonton, the largest 'power' centre development in Canada, we carried out further development activity. Ikea opened their store along with Sears Home, Old Navy, Tommy Hilfiger and La Senza, joining such well-known firms as Wal-Mart, Home Depot and Cineplex. An additional 135 acres (55 hectares) are available for development, ensuring the continued long-term dominance of this retail location.

In the office sector, our two suburban office buildings in the Los Angeles metropolitan area experienced a 90% average occupancy in a challenging leasing environment. Our more than 1.0 million sq ft (93,000 m²) of office space in the Washington, D.C. metropolitan area performed well. On the West Coast, we continue to be challenged by a high vacancy rate in our suburban San Francisco office complexes. The market has a vacancy rate of more than 25% and rents have decreased by more than 80% from their market highs.

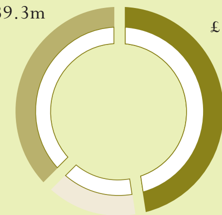
The industrial portfolio in Canada, consisting of more than 1.5 million sq ft (140,000 m²), saw occupancy levels averaging more than 99%.

In both the U.S.A. and Canada, we continue to expand our development program. In Vancouver, we are working on two major projects: one in the midtown Cambie Street corridor, where we plan to start construction in mid-2004 on a 280,000 sq ft (26,000 m²) mixed-use retail/residential development; and the other in Langley, where we have approximately 48 acres (19 hectares) available for sale and development at a strategic interchange. We are also involved in two sizable joint venture developments in Surrey, B.C. for more than 600 residential units. In the U.S.A., we continue to focus on office development in the Washington, D.C. area, and are pursuing retail development opportunities in all of our target markets.

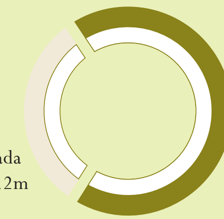
	Number **No.**	Value **£'m**	Passing rent **£'m**	ERV **£'m**	Average yield **%**
Office	12	171.6	15.1	16.5	8.8
Industrial	4	57.7	3.6	3.7	6.3
Retail	13	139.3	10.2	12.7	7.3
Total	**29**	**368.6**	**28.9**	**32.9**	**7.8**

Average lease length in the Americas is 5.8 years

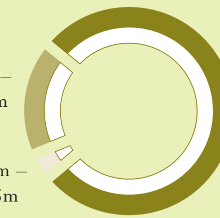
By Sector



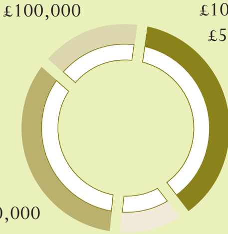
By Region



By Value

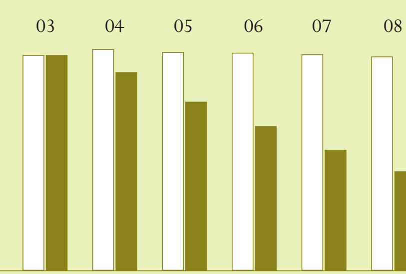


By Passing Rent



Income Projection

£'m	
03:	29.0 / 29.0
04:	29.8 / 26.7
05:	29.4 / 22.7
06:	29.3 / 19.4
07:	29.1 / 16.2
08:	28.8 / 13.3



Projection assuming expiring leases are re-let at market rent

Projection assuming expiring leases are not renewed or re-let

ROBERT

JOSS

Robert L. Joss, a leader in global banking, former Treasury Department official and Stanford Ph.D., became the eighth Dean of the Graduate School of Business in 1999. For six years, Mr Joss served as Chief Executive Officer and Managing Director of Australia's Westpac Banking Corporation. From 1971 to 1993 he held a variety of posts at San Francisco-based Wells Fargo Bank, rising to the position of Vice Chairman in 1986.

His affiliation with the School is long-standing: he was a Sloan Fellow in 1965-66, earned his MBA in 1967 and a Ph.D. in 1970, writing his dissertation on the market for commercial paper. He was a member of the School's Advisory Council.

Before joining Wells Fargo, Mr Joss worked in Washington, first as a White House Fellow and then for the U.S. Treasury Department as deputy to the assistant secretary for economic policy.

"The four cornerstones of entrepreneurship, social accountability, leadership, and global awareness are essential to a complete general management education."

– Robert Joss, Dean of Stanford University Business School

MANAGEMENT…
is a TOUGH JOB

Society relies on managed institutions to produce and deliver our goods and services – public and private. How well those institutions perform their economic and social roles – that is, how well they are managed – has a very large impact on the quality of people's lives. It is the managers of those institutions, from front-line supervisors to the most senior executives, who work together to determine and deliver the performance of each institution. Management is a tough job, requiring one to work with and through others to accomplish the mission of the organization in an ever-changing environment. It is a noble calling – just as is the work in other professions. A manager can impact the world significantly when an organization performs well. Society benefits from a job well done, and employees benefit from a positive work life.

Schools of management ask themselves how to best prepare managers for this pursuit. The future of international business education will be shaped by four forces that exist as major factors in the business world of today: rapid change, corporate and individual social accountability, the need for leadership, and global competition. How does this translate into the impact academic institutions have on society and business and vice-versa?

I

Entrepreneurship:

With rapid change comes the need for an entrepreneurial mind set characterized by thinking and acting with a sense of ownership and bias toward innovation. The study of entrepreneurship has implications for any business, whether one is managing it, advising it, or investing in it.

II

Social Accountability:

With increased public scrutiny of corporations comes the realization that businesses are not only economic institutions, but also social institutions that are part of the larger fabric of society. They will succeed and prosper only if they continue to earn the respect of the community.

These dynamics increase the need for strong analytical skills and robust frameworks for understanding markets, organizations, people, economies, and societies. Management education must begin with a solid disciplinary foundation of the relevant social sciences and methods of careful inquiry and analysis; supporting "walls" represent the functions of management; and the general management "roof" knits the structure together, simultaneously gaining and giving strength to the walls and foundation.

The four cornerstones of entrepreneurship, social accountability, leadership, and global awareness are essential to a complete general management education. An understanding of global issues is essential to setting the foundation for successful managers to build organizations that span multiple countries, cultures, and economic or political systems.

This reality necessitates a multidisciplinary, cross-functional approach to research and teaching that will drive business education into a much larger arena. This involves the convergence of traditional business disciplines and geography, demography, anthropology, and culture. It is the role of leading schools of management to foster faculty research that will help develop frameworks to prepare managers with a better understanding of, and the tools to address, the challenges of operating in the global environment.

A globally-oriented business education also requires the creation of new approaches to curriculum, case studies, and textbooks and teaching methods that encompass these issues and infuse international perspectives into every discipline – be it finance, marketing, accounting, or organizational behavior. In addition, collaborative relationships with industry partners provide real-world laboratories for the study of complex problems in this arena. Combined with experiential opportunities in a diverse community, business education will bring new insights to today's executives and prepare tomorrow's leaders.

III

Leadership:

To keep changing for the better, all organizations require personal leadership that builds on a strong self-knowledge, good communication skills, emotional strength, high ethical standards, and the ability to take and give honest feedback.

Global Awareness:

The emergence of new markets, the geographic competitiveness of industries, and the movement of an ever-greater portion of the world's human, physical, and financial capital across national boundaries means that business education must serve to develop the next generation of business leaders in a global context.

IV

Continental Europe...

Neil Jones
Managing Director

"Retail remains our favourite asset class accounting for 84% of our capital employed at the end of the year and, once again, it drove our strong overall returns. We continued with a programme of sales, predominantly in our office portfolio, taking advantage of strong investment demand and attractive pricing, in a still stagnant occupier market."

2003

SAW THE CONTINUED PURSUIT OF OUR 'PROFIT COMES FROM OUR PEOPLE' STRATEGY WITH ITS UNDERLYING FOCUS ON 'CAPITAL AND CUSTOMERS':

deploying our capital in 'property with potential'; and building our service offer to our customers and partners.

Continental Europe…

In France, one of the most important changes in the law for listed property companies in recent years was introduced. The tax transparent Société d'Investissement Immobilier Côté (SIIC) status joins France with the Netherlands and Belgium, who already have such vehicles. While free cash-flow now becomes an even more important value driver, historically such vehicles have tended to trade at close to net asset value, easing the possibility of raising additional equity capital to fund growth. This change had a positive impact on our investment in Société Foncière Lyonnaise.

Centro Vasco da Gama, Lisbon (Sonae Imobiliária)

Our investment approach combines a top down, with a bottom up process. We integrate our conclusions from macro-economic research, the property cycle and analysis of investment market trends with a rigorous practical assessment of the region's real estate markets and our skills base, to determine our investment strategy. France, Spain and Italy are our preferred markets and we service these from our offices in Paris and Luxembourg, and our joint venture office in Madrid. Retail continues to be our preferred sector while we maintain a pause in activity in the office sector, for the time being.

2003 was primarily a year of sales, generating liquidity and preparing for the future. We continued to reduce our exposure to the office sector, disposing of 12 office buildings in Brussels, Paris, Madrid and Barcelona, for a total property value of some €400m, of which six were from our Spanish joint venture, Lar Grosvenor. The remainder were from our pan-European office joint venture, Grosvenor European Prime Properties (GEPP), which largely completed its liquidation strategy. GEPP was established in 1996 and during its life owned 11 office properties across Europe's major business centres and achieved strong returns. One property remains in Milan.

In July we sold a 5% shareholding in Hermanos Revilla, a private Spanish office investment company. This was our first investment in continental Europe, made in 1996. It benefited from the strong rise in office rental values seen in the Madrid market over the last seven years and the convergence of capitalisation rates resulting from Spain's entry into the European Monetary Union.

Lar Grosvenor, our 50/50 Spanish joint venture, had a strong and very active year. Total sales of office properties under management amounted to over €280m and despite the weak office market, occupiers were secured for 7,500 m^2 (807,000 sq ft) of the portfolio including lettings to Ernst & Young at Sarría Forum in Barcelona and Royal Bank of Scotland at Serrano 49 in Madrid.

Following nearly a year of researching the market, Lar Grosvenor made its first investments in the industrial sector with the acquisition of two development projects in strategically located suburbs of Madrid. In addition, a joint venture with UK industrial specialist, IO Group, was established to develop activity further in this sector.

Our activities in the retail sector were enhanced through investment and development. A new property was acquired, the recently completed Centro Comercial L'Aljub, a 45,000 m^2 (484,000 sq ft) shopping centre in Elche. The joint venture now has four operating shopping centres in its investment portfolio and is undertaking the development of a further five shopping centres located throughout Spain.

Sonae Imobiliária, a European shopping centre development and management specialist in which we have a 33% shareholding, launched the SIERRA shopping centre fund, raising €540m of equity capital commitments from U.S., French and Dutch investors. The funding of Sonae's future shopping centre development programme was thus assured, while in addition, €150m of the company's capital was distributed to its shareholders. Sonae retains a 50.1% interest in the fund and undertakes all management operations. The launch of SIERRA marks the successful culmination of the strategy established by Sonae SGPS and Grosvenor, the company's two shareholders, in 2001, beginning with the de-listing of Sonae Imobiliária from the Lisbon stock exchange at the end of that year.

In fund management, we have been managing capital for third parties on the continent since 1997 and in August, Wellcome Trust joined the Government of Singapore Investment Corporation in investing in our European umbrella fund, Grosvenor First European Property Investments (GFEPI). This fund holds all our investments on the continent and has gross assets of €1,390m. Net assets grew by 12.3% to €500m during the year. Reflecting our confidence in the retail market we plan to launch a new fund in 2004 focusing primarily on high street retail and retail warehousing in France and Spain. The first investments have already been secured in the provincial towns of France.

"We continue to monitor the evolving dynamics of the office sector in the major Eurozone markets with a view to increasing investment once we feel that recovery is secured."

Continental Europe…

PORTFOLIO OVERVIEW

At the end of 2003, Grosvenor had €1,390m of gross property assets under management, including the following underlying investments:

Lar Grosvenor, our Spanish joint venture has over €900m of gross property assets under management including the development portfolio. The investment portfolio includes shopping centres Madrid Sur 25,000 m^2 (269,000 sq ft) in the Madrid suburbs, Parque Principado 75,000 m^2 (807,000 sq ft) in Oviedo, Urbil 30,000 m^2 (323,000 sq ft) in San Sebastian and Centro Comercial L'Aljub, 45,000 m^2 (484,000 sq ft) in Elche.

During 2003 the joint venture won a tender to develop a 55,000 m^2 (595,000 sq ft) scheme in the Cornella suburb of Barcelona; and made a commitment to develop three further schemes, in alliance with the Eroski group, in Caixacente, Orense and Mieres. An agreement was reached with Canadian investor, Ivanhoé, to jointly develop the 90,500 m^2 (975,000 sq ft) Caraba scheme, in the Madrid suburb of Carabanchel.

The joint venture also owns one office development and two industrial developments, all located in the Madrid suburbs.

Sonae Imobiliária manages a total of 1.56m m^2 (16.8m sq ft) of GLA accounting for 5,405 lease contracts in 42 shopping centres and several shopping centre galleries, in which it owns stakes in 28. Total visitors to its managed centres in 2003 were 382 million people. Total assets under management are €3,500m of which Sonae Imobiliária's share is €2,765m.

Sonae Imobiliária's development programme continues apace, focusing primarily on the Eurozone countries of Spain, Portugal, Italy, Greece and Germany. 2003 saw the opening of three schemes and one extension totalling 61,200 sq m of GLA. Total GLA under construction amounts to 292,000 m^2 (3,146,000 sq ft) in eight new schemes and one extension, of which six will be opened in 2004. A further 495,000 m^2 (5,329,000 sq ft), in 11 schemes, is in the pre-construction development phase.

One office investment property is held in Milan and we have committed to acquiring a town centre retail investment property in Bordeaux.

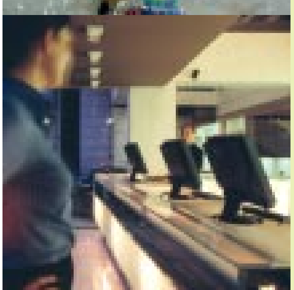
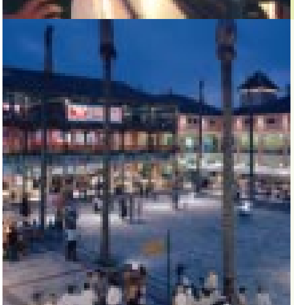
The businesses we invest in and operate continued to win industry awards and accreditations in 2003.

Sonae Imobiliária was awarded the Procos "Prix European" as developer and investor and the ICSC Marketing Award B2B. Today Sonae Imobiliária has collected more international shopping centre awards then any other international company and is credited with seven ICSC-Europe awards, two ICSC-Las Vegas awards, seven ICSC-Marketing awards, three MIPIM awards and two Procos Awards. Lar Grosvenor has two ISO accreditations (9001 & 14001) and a UNE certification for its activities in developing shopping centres and offices. It has also received three national awards on two office developments, Serrano 55 and Crisalis, in Madrid.

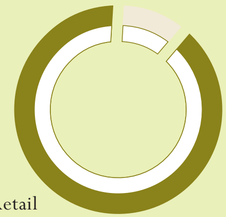
	Number **No.**	Value **£'m**	Passing rent **£'m**	ERV **£'m**	Average yield **%**
Direct properties					
Office	1	17.1	1.1	1.4	6.4
Joint venture properties					
Retail	28	424.3	30.0	30.0	7.1
	29	441.4	31.1	31.4	7.0
Trade investments (cost)	1	45.5			
Total	**30**	**486.9**			

Average lease length in Europe is 5.3 years

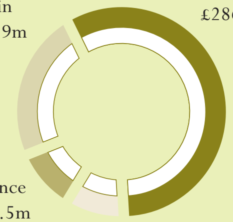


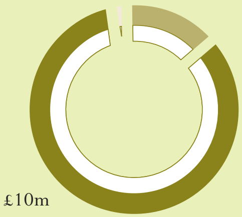
By Sector



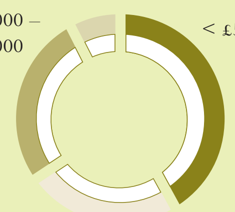
By Region



By Value

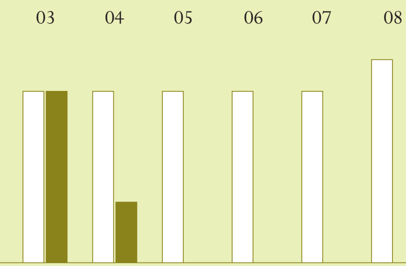


By Passing Rent



Income Projection*

£'m
03: 1.1 / 1.1
04: 1.1 / 0.4
05: 1.1 / 0
06: 1.1 / 0
07: 1.1 / 0
08: 1.3 / 0



Projection assuming expiring leases are re-let at market rent
Projection assuming expiring leases are not renewed or re-let

* direct properties only

"The key of the whole model is to adapt the fashion offer in our store, in the shortest possible time, to customer demand."

– José María Castellano

JOSÉ MARÍA CASTELLANO

is Deputy Chairman and Chief Executive Officer of Inditex, a vertically integrated fashion retailer with retail operations in 48 countries through 8 independent retail chains (Zara, Massimo Dutti, Pull&Bear, Bershka, Stradivarius, Kiddy's Class, Oysho and Zara Home). During 2003, Inditex has continued to expand its operations, opening 364 new stores to reach a total of 1,922 units worldwide. Inditex is focussed on consolidating a strong European network to become one of the very few international fashion retailers. The group's distinctive business model is characterized by a high degree of vertical integration.


Spring*Summer.04
spring summer_04
primavera verano 04
Get into the flow ... get cool
00/News
Opening new stores
03-10-2003
Zara opens today 2 new stores in Boulevard Haussman - Paris and in the CC Gran Turia - Valencia
01/Catalogues
If you want to see or download to your computer the season's catalogues, you only have to come to this section. CLICK HERE
INDITEX
ZARA
Massimo Dutti
Pull and Bear
Bershka
Stradivarius
oysho
ZARA HOME

THE KEY ELEMENT OF OUR ORGANISATION...

is THE STORE

WE BEGAN OUR OPERATIONS IN 1963, WHEN OUR FOUNDERS STARTED MANUFACTURING LADIES' DRESSING GOWNS IN A WORKSHOP IN A CORUÑA, SPAIN.

Over the years, we developed the idea for a new business model based on a flexible structure, in which all the stages of the process - design, manufacturing, logistics and distribution - would be carried out within the group and with a strong orientation towards the customer to allow our group to minimize the risk involved in the sector. So, in 1975 we opened our first Zara store, based on this model, aiming to offer high-fashion women's clothing at reasonable prices.

The key element of our organization is the store: a carefully designed space in prime locations, conceived to present our customers with the latest fashions and where we obtain the information needed to modulate our offer in accordance with their demands.

The key of the whole model is to adapt the fashion offer in our store, in the shortest possible time, to customer demand. For INDITEX, 'time to market' is the main factor to be considered, above and beyond production costs. Vertical integration allows our time to market to be shortened and greater operational flexibility by reducing inventory to a minimum and diminishing fashion risk to the greatest possible extent.

The product cycle starts with the design of the garments, carried out by the various teams of designers at INDITEX that take as principal sources of inspiration both the fashion trends reigning in the market and the customers themselves, through the information received via the stores. The flexibility of our model allows the product teams to adapt the collection in very short spaces of time, being capable of introducing a new design into the stores in just two weeks.

A significant proportion of the production takes place in the factories belonging to INDITEX, which fundamentally manufacture the garments containing a greater element of fashion, while external suppliers provide the more basic collections.

In the case of our internal manufacturing – between 40 and 50 percent of the total – INDITEX directly manages the supply of fabrics, the marking and cutting and the final finishing of the garments. The assembling stage is subcontracted to specialized companies located mainly in the Iberian Peninsula. A high percentage of our external suppliers are European and, in many cases, they are also supplied with the fabric and other elements needed for the production of the garments, by INDITEX.

All the sourcing, regardless of its origin, is received at the logistics centers of each format, from where distribution takes place simultaneously to all stores worldwide on a highly-frequent and constant basis. In the case of Zara, distribution takes place twice a week, always including new lines in each consignment, thus allowing constant renewal of the offer in the stores.

In our business model the store is not the end of the process but rather starts up the whole design cycle once again, acting as a system to collect market information that provides feedback to the product teams and reports the trends demanded by the customers. Store design enjoys detailed attention both in its interior and exterior. The window display has a role of great importance, becoming an authentic advertisement of our formats in the world's main shopping streets. Interior design and layout aims to create a space with plenty of light where the latest fashions take center stage, eliminating any barrier between the garments and its customers.

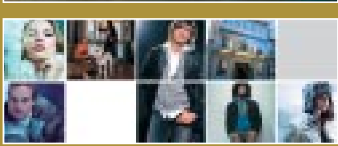
Once the customers are inside the store, our personnel have to interact with them to obtain information, not only regarding the existing offer but, even more importantly, regarding any different fashion trend that our customers may demand and we are not yet offering.

Our ability continuously to offer the latest fashions at attractive prices serves as our principal method of marketing our products. We provide a continuous flow of fresh products in season to generate the sense of novelty and scarcity associated with fashion.

The way in which our organization is customer oriented is the main differentiating factor versus our competitors and the most difficult to implement. We use our daily in-store sales data and feedback from our retail store managers to design and produce what is "in" for our customers and to modify existing designs quickly to meet customer preferences at the right prices.

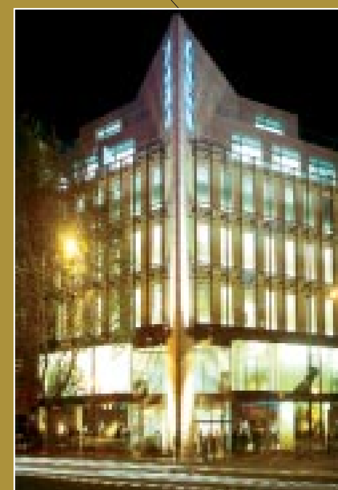
We aim to develop retail concepts with broad international appeal and capacity to expand to multiple markets. This model has allowed INDITEX to double the number of stores over the last three years from 1,080 stores in 33 countries at January 31, 2001 to 1,922 stores in 48 countries at January 31, 2004, with a strong focus on expanding our operations in Europe to become one of the very few international retailers.

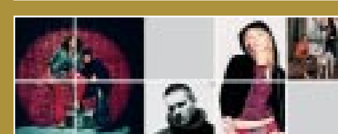
Amberes



Preciados

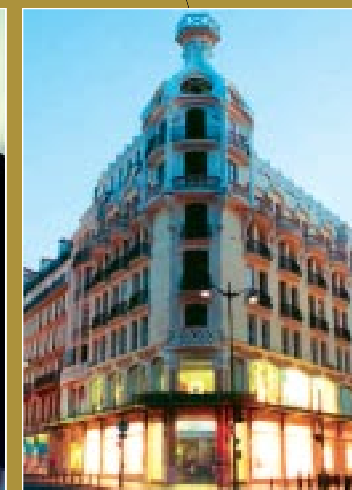
Madrid

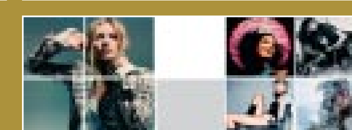




Preciados

Paris





ZARA STORES

around the World

Australia Asia Pacific...

Rob Kerr
Managing Director, Sydney

Nick Loup
Managing Director, Hong Kong

"We work closely together to develop our strategy for the region as a whole. A key theme is the impact of the growth of the economy of mainland China on the entire region."

IN 2003

THE AUSTRALIAN ECONOMY STRENGTHENED IN THE SECOND HALF OF THE YEAR.

The outlook for Hong Kong is increasingly positive.

Australia Asia Pacific…

"In Australia, high occupancy and solid rental growth helped achieve strong revaluation gains at year end across most of the portfolio."

"In Asia, property market sentiment was neatly in step with the political and economic environment and started to improve in the middle of the year. Increases in values of 10-20% were seen later in 2003 for both Grade 'A' offices and luxury residential."

Grosvenor Place, our development of luxury apartments overlooking Repulse Bay, Hong Kong

In Australia, it was another busy year on a number of fronts.

The development team in Sydney secured a pre-commitment for the final stage of Sir Joseph Banks Corporate Park, a joint venture with the Buccleuch Group. The pre-commitment for 8,000 m^2 (86,000 sq ft) of office and warehouse space is from Abbott Australasia, a major pharmaceutical company. They will occupy approximately 80% of the fourth and final stage at the Park. The building is anticipated to be completed before the end of 2004.

In Brisbane, we purchased a 20 hectare (49 acre) site from the Department of Defence in the northern suburb of Banyo. Our plan, which will require a material change of use is to create a residential estate of 101 single housing lots aimed at the owner occupier market. An industrial area will be subdivided into 20 lots which we intend either to sell to owner occupiers or arrange design and construction facilities for them or for tenants to lease.

We disposed of 152 Wharf Street, a small office building in Brisbane, following a refurbishment and the renewal of the existing lease to Hatch Associates. The property was acquired in 1998 for $8.1m and sold mid year for $13m, achieving an unleveraged internal rate of return of 12.8%. We achieved significant lettings in our Brisbane assets, particularly at our office building at 201 Charlotte Street and our Rocklea industrial complex.

Our two car park assets performed slightly below expectations due to flat central business district office markets, where they are located. However, we expect the office sector to improve through 2004 and that this will have a positive influence on the future performance of the car parks.

Strong local fundamentals and limited impact of negative global events have helped to make the Australian economy one of the most resilient OECD economies over the last few years. This is set to continue into 2004.

...continued

The mettle of both Hong Kong's people and economy were truly tested during 2003. However, despite the preceding year's downturn, the surprise SARS attack and momentous demonstration of 500,000 people on July 1, Hong Kong ended the year on an upbeat note having drawn something positive from each experience and with a GDP growth of 2.9%. For the medium term, a key achievement was the consensus reached between the governments in Hong Kong, Beijing and Guangdong Province to co-ordinate the economies within the Pearl River Delta with Hong Kong established as the service and trade centre.

By the end of December, Grosvenor Place, our 60,000 sq ft (5,574 m^2) luxury residential development in Repulse Bay, was nearing completion. Together with our partners, Asia Standard International and Ayala International, we plan to launch the apartments in March 2004. The building was designed by prominent UK architect, Paul Davis, to a high specification and provides 21 apartments with stunning views over Repulse Bay. As we complete this development we begin the search for another good site to follow on.

For the Grosvenor Land Property Fund, the recovery in the Hong Kong luxury residential market has confirmed the fund's strategy. The recent acquisition focus has been on Tokyo where stakes in two assets were acquired for US$20m towards the year end.

With a positive outlook for the property market in 2004 and the launch of our luxury residential development project in Hong Kong, we expect a stronger performance for our portfolio in the coming year.

As the recovery in the Japanese economy picked up we had another active and profitable year with our partner Capital Advisers. We successfully disposed of five assets (JPY975m) and acquired another three (JPY1,635m) in the Grosvenor Uni-Asia Fund. As a result, a second fund (GCAP) is in the process of being finalised which, upon full investment, should be over JPY20bn in gross assets.

"We are well positioned to benefit from the forecast growth in the economy and property markets."

Australia Asia Pacific…

PORTFOLIO OVERVIEW

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.

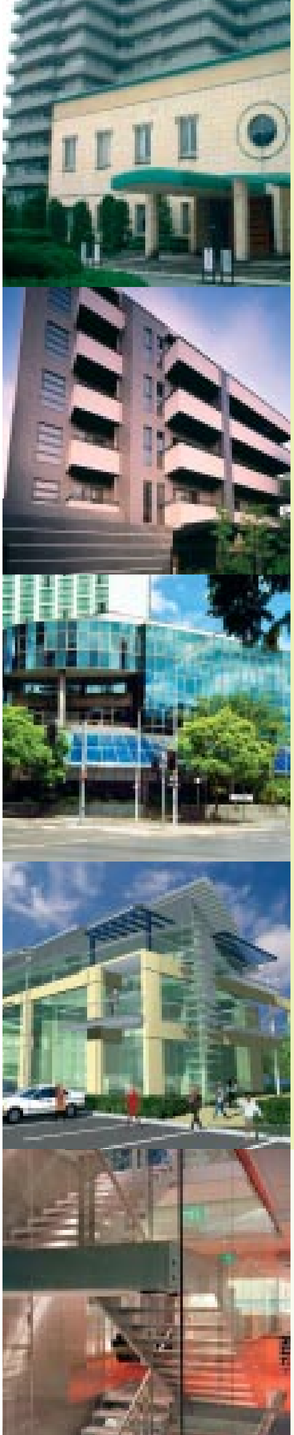
61.5% of the portfolio by value is in Australia, the remaining 38.5% is split between Hong Kong, (30.5%), Singapore (4.4%) and Japan (3.6%). Our investment activities in Australia are well balanced geographically with 47% in Sydney, 29% in Brisbane and 18% in Melbourne. The portfolio is heavily weighted to car parks which comprise 44% by value at year end 2003. Our focus in 2004 is to add to our office and industrial weightings as these sectors are expected to deliver strong growth in the short term and re-balance the portfolio by sector more evenly. Given our recent experience in Kensington Residential Estate and Banyo, we intend to build up our development program to include more residential, on a land subdivision basis and in medium density apartment projects.

The focus in Asia remains predominantly on well located urban residential property in major cities. We also have some direct exposure to office and retail. Looking ahead, we see many opportunities in the high growth China market, in which we already have some indirect exposure through Asia Standard International.

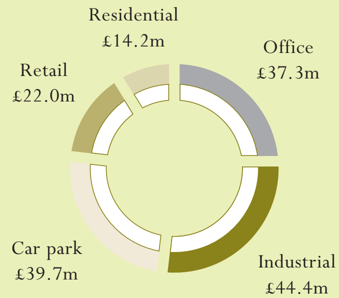
In spite of the events in the first half of the year, Asia Standard International, in which we hold a 15% shareholding maintained a stable performance over the year, aided by the recovery of the property market in the second half of the year. The company completed a 120,000 sq ft (11,000 m^2) mid-high end urban residential project in October 2003 and sold all units in 8 weeks. Their JV residential/retail development project in Shenzhen, China was completed on schedule in 2003 with an excellent response from the market.

	Number No.	Value £'m	Passing rent £'m	ERV £'m	Average yield %
Direct properties					
Office	3	26.3	2.4	2.5	9.1
Industrial	10	33.4	2.7	3.1	8.1
Car parks	2	39.7	4.3	4.3	10.8
Retail	1	4.0	0.3	0.3	6.7
Residential	11	14.2	0.7	0.8	4.7
	27	117.6	10.4	11.0	8.8
Trade investments (cost)	3	40.0			
Total	**30**	**157.6**			

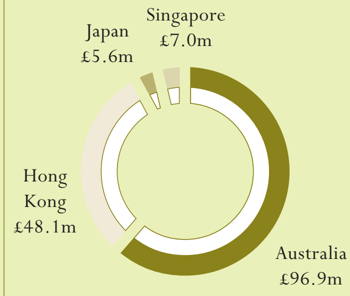
Average lease length in Australia Asia Pacific is 4.7 years



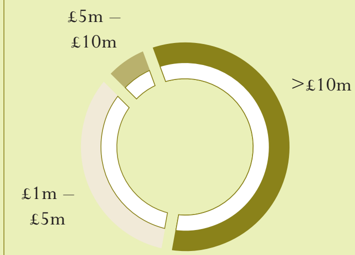
By Sector



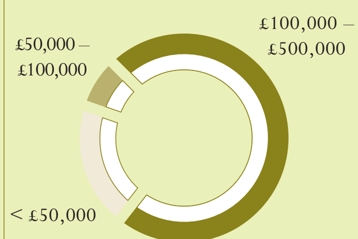
By Region



By Value

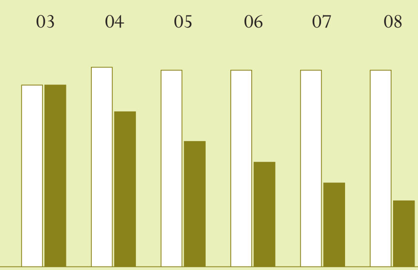


By Passing Rent



Income Projection*

£'m	
03:	6.2 / 6.2
04:	6.8 / 5.3
05:	6.7 / 4.3
06:	6.7 / 3.6
07:	6.7 / 2.9
08:	6.7 / 2.3



Projection assuming expiring leases are re-let at market rent

Projection assuming expiring leases are not renewed or re-let

* direct properties only

"Two major challenges are facing Australia in the near term – the overheated local housing market and how we continue to integrate with Asia, particularly with China."

– Bob Mansfield

BOB MANSFIELD

Bob Mansfield has been non-executive Chairman of Telstra Corporation Limited, the largest telecommunications group and one of the largest companies in Australia, since 2000 and is Chairman and Director of several other public companies in Australia. His varied business career includes a wide range of industries and he has held the CEO position with McDonald's Australia Limited, Wormald International Limited, Optus Communications and John Fairfax. Mr Mansfield has also fulfilled a number of roles for the Australian Federal Government: in 1996 he reviewed the Operating Charter of the Australian Broadcasting Corporation; in 1997 he acted as a consultant to the Prime Minister as Major Projects Facilitator and in 1998 he was appointed Strategic Investment Co-ordinator within the Prime Minister's Office. These roles were completed in 1999.

In January 2000 he was honoured with an Order of Australia award in recognition of his contribution to Australian business and economic development and to the telecommunications industry.

Domestically in Australia, I feel we have managed to achieve over the last decade what most countries have aspired to – consistent, solid economic growth with excellent fundamentals of relatively low interest rates, lower unemployment rates, tax reform, low inflation, higher productivity and a competitive currency. Australia has managed to steer a steady course over that period, without participating in the heady highs and at the same time, avoiding the deep low periods as corrections are inevitably experienced. This consistency of performance at times may have appeared to some to be somewhat unexciting, but over the longer term it has provided an environment of solid growth with resulting economic progress and benefits.

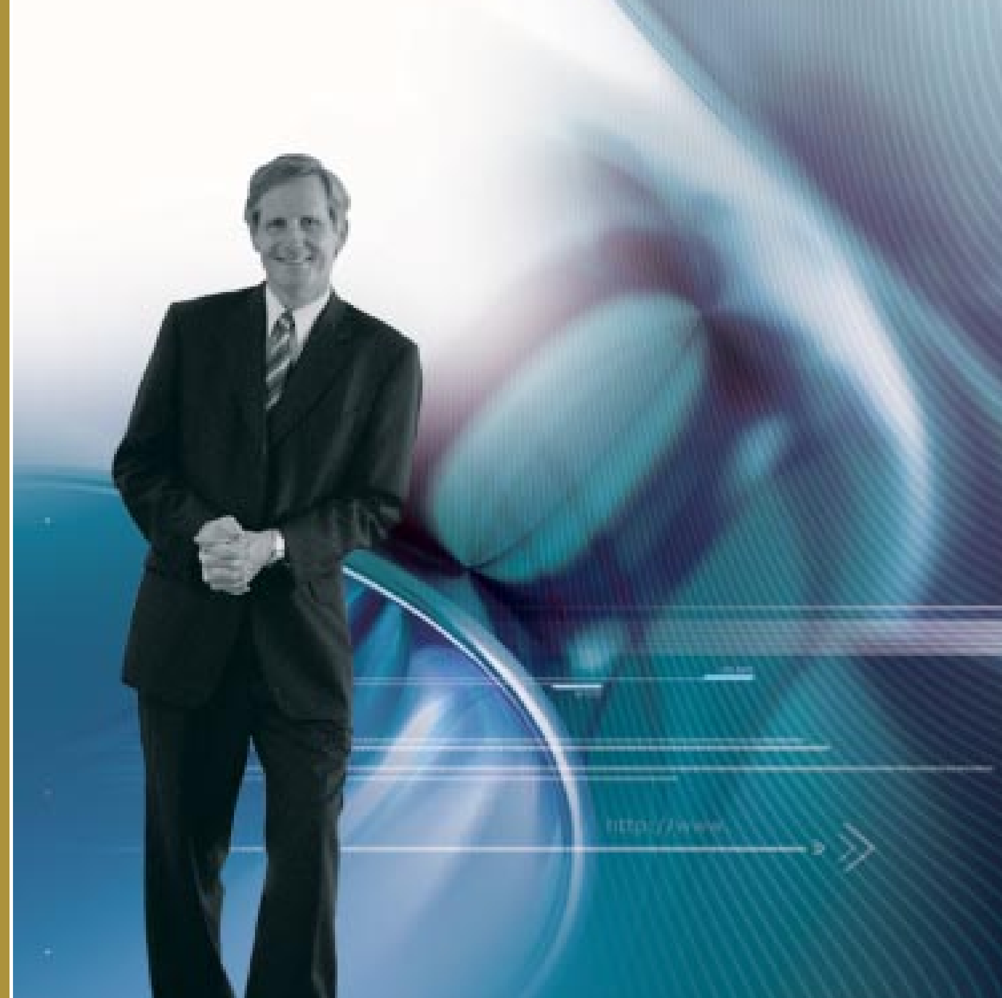
For the year ahead, how we manage the deflation of a protracted property boom – principally driven by residential property over the last 4-5 years will be important. This factor of recent years has been a major influence in economic activity and how we transition to more normal conditions in this sector will be vital over the coming year.

The Asian Region continues to hold out major growth prospects, so essential for Australian exporters and for their own continued economic development and prosperity. In particular, China's recent and ongoing extraordinary economic performance represents significant excitement for Australian resource companies to build upon the growth in trade between the two countries. Australia has already embraced this trading partner and will be a major beneficiary for years to come.

In the world of telecommunications, where I spend a significant part of my own time, I see the continuation of aggressive competition in all markets and the associated challenge of introducing new technologies, with particular emphasis on wireless and voice over internet protocol (VOIP) opportunities. In essence, an exciting period for consumers with new technologies and products, accompanied by continuing downward pressure on pricing.

To grasp the challenges ahead we need to manage the guaranteed reality of change in a more flexible and dynamic manner such that the ever changing needs of our staff and customers are continually met more urgently. If that is achieved, ongoing success will be guaranteed in my view, irrespective of the industry involved.

WE NEED TO MANAGE...
THE GUARANTEED
REALITY OF CHANGE...



One long-standing strength of Japanese firms has been application technologies in a variety of hardware products.

– Dr Eisuke Sakakibara

DR EISUKE SAKAKIBARA

Dr Eisuke Sakakibara is Professor at Keio University in Japan having recently served as Vice Minister of Finance for International Affairs at the Ministry of Finance. Since joining the Ministry in 1965 he has worked in several bureaux and has served as president of its Institute of Fiscal and Monetary Policy Studies. Dr Sakakibara has also worked as an economist at the International Monetary Fund, and has held academic positions at Harvard University and the University of Saitama. He is author of numerous articles on international finance and the Japanese financial system. Dr Sakakibara received his Bachelor of Arts from the University of Tokyo and his PhD from the University of Michigan.

“THE WORLD ECONOMY’S CENTRE OF GRAVITY IS GRADUALLY SHIFTING...

TO THE EAST”

The world seems to be undergoing a major structural change that happens only once in a few hundred years. This great transformation has been driven by waves of innovation in information technology, biotechnology, and other areas, and by the resurgence of Asian economies, such as China and India. The world economy’s centre of gravity is gradually shifting to the East, although the process will be a long-term historical evolution. China and India together already have 2.4 billion people, more than a third of the world’s population, and at least 10 to 20 percent of this population is quickly becoming middle class, providing vast, rapidly expanding markets for the world economy. Thus, these countries not only function as production bases for manufactured goods and some services, but also have started to create their own demand for many products.

In this dynamic process, important regional industrial clusters have emerged in the East and elsewhere in Asia. There, driven by foreign direct investment, foreign companies, including those of Japan, Korea, and Western countries, established joint operations with indigenous firms, thus more closely integrating aggressively to restructure their operations, outsourcing their production to Asia, primarily to China.

One long-standing strength of Japanese firms has been application technologies in a variety of hardware products. As the communications platform has become increasingly ubiquitous, Japanese strength in application technology has started to bear fruit in new products like thin-type televisions, third-generation cellular phones, digital cameras, and so forth. With these new products and the outsourcing of production to Asia, the competitiveness and earnings of Japanese firms have begun to improve dramatically. Thus, Japan and its corporations seem to be benefiting quite considerably from the resurgence of Asia centred on China and India and in return, they continue to provide important technologies to these areas.

Accordingly, investing in Asia, including Japan, seems to be an attractive proposition for the coming decades, and the years 2004 and 2005 might be a good starting point for a long-term commitment to this area. At least as far as Japan is concerned, a decade-long decline seems to be over.

PROFILE OF THE BOARD

at 18 March 2004

Executive Directors

Jeremy Newsum *(Group Chief Executive)* is a Trustee of the Grosvenor Estate. He is a director of TR Property Investment Trust plc, an adviser to Bidwells, Chairman of the Property Advisory Committee for the Rector of Imperial College, Chairman of the Advisory Board to the Land Economy Department at the University of Cambridge and Trustee of the Urban Land Institute. Age 48.

Jonathan Hagger FCA FCT *(Group Finance Director)* is Chief Financial Officer of the Grosvenor Trusts. He is Chairman of English Sinfonia. Age 55.

Bill Abelmann is Chief Executive and President of the Americas. He is a member of the Urban Land Institute, International Council of Shopping Centers and Building Owners and Managers Association. Age 53.

Stuart Beevor FRICS is Group Fund Management Director. He is a Trustee of Investment Property Forum Educational Trust, a director of The UNITE Group plc and is an active member of a number of industry organisations. Age 47.

Stephen Musgrave MRICS is Chief Executive of Britain and Ireland. He is a member of the Hypo Real Estate Bank International Board and Royal & Sun Alliance London Regional Board and a member of the Client Committee of the Royal Academy of Arts. He is a Freeman of the City of London. Age 50.

Non-executive Directors

The Duke of Westminster KG OBE TD DL *(Chairman)* is Chairman of the Grosvenor Trusts. He is involved with many leading charity organisations and holds the position of Major-General (2 Star) in the Reserve Forces. In March 2004 he was appointed to the key role of Assistant Chief of Defence Staff (Reserves and Cadets). He is a member of the Prince's Council of the Duchy of Cornwall. Age 52.

John Sclater CVO *(Deputy Chairman)* is a Trustee of the Grosvenor Trusts. He is Chairman of 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 63.

Robin Broadhurst CBE FRICS is a Trustee of the Grosvenor Trusts. He is a member of the Prince's Council of the Duchy of Cornwall, Property Consultant to Sir Robert McAlpine, a senior adviser to Credit Suisse First Boston and a non-executive director of the British Library and Grainger Trust plc. Age 57.

The Rt. Hon Sir Edward George was Governor of the Bank of England from 1993 until his retirement in 2003. He is a non-executive director of N M Rothschild, where he chairs the European Advisory Council, and Rothschilds Continuation Holdings. He is also a consultant to Nestlé. Age 65.

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 56.

Alasdair Morrison is Chairman and Chief Executive of Morgan Stanley Asia and a Managing Director of Morgan Stanley. He is a member of the CapitaLand International Advisory Panel, a member of the Hong Kong/European Union Business Cooperation Commission, Hong Kong/US Business Council and Vice Chairman of the Harvard Business School Association of Hong Kong. Age 55.

Kurt Viermetz was Chairman of the Supervisory board of Bayerische Hypo-und Vereinsbank AG in Munich, Germany until 2003. He served 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 a Member of the Board of the American Council on Germany in New York and a Trustee of the Haniel Foundation in Duisburg, Germany. He is an Honorary Director of the New York Philharmonic Society. Age 64.

Tony Wyand retired from the Board of Aviva plc, where he was Group Executive Director, in 2003. He is a non-executive director of Société Générale and UniCredito Italiano and a member of the Lehman Brothers European Advisory Board. Age 60.

GROSVENOR OFFICES

at 18 March 2004

Britain & Ireland

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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Bill Abelmann, Group Chief Executive and President
David Taylor CA, Finance Director
Mark Preston MRICS, President U.S.A.
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Jeremy Newsum FRICS
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Lizanne Galbreath

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Benoit Prat-Stanford, Finance Director
Stephen Cowen MRICS, Investment Director
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Jeremy Newsum FRICS

Consultant
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William Lo, Finance Director
John So, Investment Director
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Jeremy Newsum FRICS

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ACCOUNTS

FINANCIAL OVERVIEW

SUMMARY

- Revenue profit (profit before exceptional items and tax) has increased to £54.2m (2002 – £53.5m); profit before tax is up by £30.9m to £91.7m (2002 – £60.8m)
- The residential market in the UK remains strong and continues to account for the majority of investment property disposal profits, at £22.9m out of a total of £40.3m. A further £9.5.m of disposal profits arose from London offices and £6.9m from disposals in Europe.
- Another strong performance from the Group's European joint ventures and trade investments delivered profits increasing by £5.1m to £24.6m (2002 – £19.5m)
- Asian markets stabilised: in 2002 we wrote down Asian investments by £17.3m, compared to only £0.4m this year.
- In 2003 provisions of £3.5m were made against certain office developments and a £3m provision was made for payments under a guarantee given to the Deva Group in 1999.
- The total revaluation uplift for the Group's properties and joint ventures was £49m (2002 – £44m), reflecting strong retail growth, a continuing rise in residential values but weaker office markets.
- Total assets under management increased to £6.1bn, of which £3.3bn relates to Grosvenor's proprietary assets (including developments at completed cost) and £2.8bn is managed on behalf of third parties.
- The committed development programme is £0.8bn (£1.7bn including developments we are managing for our partners).

EARNINGS	**2003 £m**	2002 £m
Net rental income and fees	**101.1**	108.0
Development profit	**6.5**	2.6
Administrative expenses	**(38.5)**	(35.5)
	69.1	75.1
Joint ventures and trade investments	**24.6**	19.5
Interest	**(39.5)**	(41.1)
Revenue profit	**54.2**	53.5
Investment property sales	**40.3**	25.8
Trade investment sales	**3.7**	–
	98.2	79.3
Exceptional charges	**(6.5)**	(18.5)
Profit before tax	**91.7**	60.8
Tax	**(31.4)**	(16.3)
Profit after tax	**60.3**	44.5

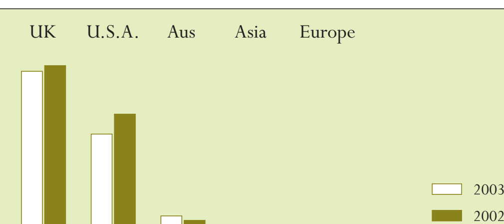
The Group's total return on property assets in 2003, taking account of the movement in share price of our listed property investments, foreign exchange impact and goodwill, was 7.5% (2002 – 5.4%). The return for 2003 included a net revaluation uplift of £49m (£44m in 2002). In 2002, the return was reduced by write downs of £18.5m; in 2003 write downs were £6.5m. Revenue return, which excludes disposal profits and revaluation gains, was 3.8% (2002 - 4.0%), 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, is a total of £142m.

NET RENTAL INCOME

Net rental income fell to £101.1m in 2003 from £108.0m in 2002.
There was a slight fall in the UK but the most significant reduction arose in North America. The US dollar has declined in value by approximately 10% during 2003, with a corresponding impact on income from the U.S.A. portfolio, accounting for £2.2m of the fall in net rental income. There were also some significant asset sales in North America, with the proceeds from those sales not yet re-invested.

NET RENTAL INCOME

£'m
UK: 55.5 / 57.4
U.S.A.: 34.4 / 41.1
Australia: 6.9 / 5.4
Asia: 1.4 / 1.4
Europe: 2.9 / 2.7



FINANCIAL OVERVIEW

JOINT VENTURES AND OTHER INVESTMENTS – PROFITS UP BY £5.1M

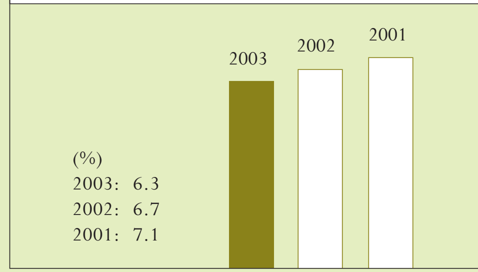
Profits from joint ventures related to the Group's 33% investment in Sonae Imobiliária SGPS, the Portuguese based shopping centre developer, owner and fund manager, and Lar Grosvenor B.V., the Group's 50% Spanish joint venture. Revenue profit from joint ventures increased by £4.6m to £22.3m. Including disposal profits, the Group's share of joint ventures' profit after tax increased by £5.9m to £14.2m. During 2003 Sonae Imobiliária SGPS launched the European Retail Real Estate Asset Fund ("SIERRA") transferring the majority of its mature assets into the Fund. Sonae Imobiliária SGPS have retained a 50.1% interest in the Fund, and the cash generated will be used to finance the ongoing development programme.

AVERAGE COST OF DEBT FALLS TO 6.3%

The Group's average cost of debt continues to fall, reflecting lower average interest rates in all of our regions.

The lower cost of debt, together with reduced debt levels over the year have resulted in net interest for the Group falling from £35.1m in 2002 to £31.8m in 2003. Including the Group's share of joint ventures, interest has fallen from £41.1m to £39.5m.

AVERAGE COST OF DEBT



PROFITS ON DISPOSALS OF £44.0M

Disposals of the Group's investment properties generated profits of £33.2m, and our share of joint ventures' disposal profits was £7.1m. We also sold the 5% trade investment in Hermanos Revilla, a Spanish development and investment company, realising a profit of £3.7m on the Group's stake which was carried at a cost of £5.8m.

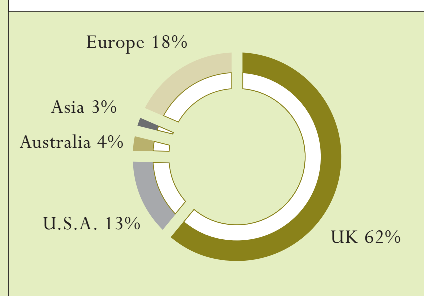
£32.8m of the Group's disposal profits arose in the UK which almost entirely related to lease premiums on the London Estate. In North America, we made some significant sales in 2003, at values close to the carrying value in the 2002 accounts. In Continental Europe, we sold all but one of the properties that were previously held in the Grosvenor European Prime Properties Fund. Total cash generated from disposals in 2003 amounted to £183.6m.

NET ASSETS INCREASE TO £2.0BN

The Group's net assets (before deduction of minority interests) increased by £143m during 2003, of which £109m arose from profits and the revaluation uplift. A new investor was brought into our European business, with the issue of £33m new shares, and movements in exchange rates resulted in a £19m gain. With 38% of the Group's net assets exposed to currencies other than Sterling, exchange rate fluctuation has a significant impact on net assets, which it is the Group's policy not to hedge in view of our long term commitment to those regions. In 2003 the Euro, Canadian Dollar and Australian Dollar all strengthened against the Pound, but these gains were largely offset by a weakening US Dollar and Hong Kong Dollar.

An interim dividend of £2.3m was paid during the year and a final dividend of £14.6m has been proposed (out of distributable profits in 2003 of £55.9m): a total of £16.9m. Dividends have historically been at a low level; with an average of 0.4% of equity paid out over the past five years; this compares with an average return over the same period of 9.8%.

NET ASSETS BY REGION



NET ASSETS INCREASE TO £2.0BN (continued)

The Group's portfolio of investment properties reduced by £28.6m, after a number of significant disposals in 2003. The revaluation resulted in an uplift of £31.7m. In Britain and Ireland, the upward trend in residential and retail values continued, with particularly strong growth in shopping centres outside London. Office values continued to fall. In Australia and North America, values generally increased across all sectors, with the exception of Silicon Valley in California where markets continue to be affected by the significant supply of surplus property. In Hong Kong, values were relatively stable, with residential slightly up and offices slightly down; Japanese residential values increased.

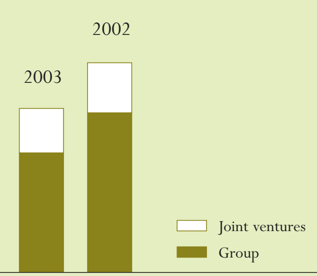
In Continental Europe, our share of joint ventures' net assets increased by £47.8m, reflecting a strong revaluation uplift, especially from Sonae Imobiliária's shopping centres. A proportion of the cash generated by Sonae Imobiliária's launch of the SIERRA Fund was returned to shareholders towards the end of 2003, with £34.8m being paid back to the Group.

NET GEARING DOWN TO 26.2%

Total net debt for the Group fell by £121.4m during 2003; a result of cash generated from sales, return of capital from joint ventures and cash received from new investors awaiting investment. Gross debt at the end of 2003 was £687.6m and cash (including short term deposits) amounted to £204.0m. These amounts include the Group's share of debt and cash in jointly controlled investment vehicles where there is limited scope to offset surplus cash against debt. Including our partners' share, the Group is responsible for managing total debt of £910m and cash of £251m. Including the Group's share of joint venture net debt, gearing would increase to 35.6% (2002 – 45.1%).

NET GEARING

%
2003: 9.4 / 26.2
2002: 10.6 / 34.5



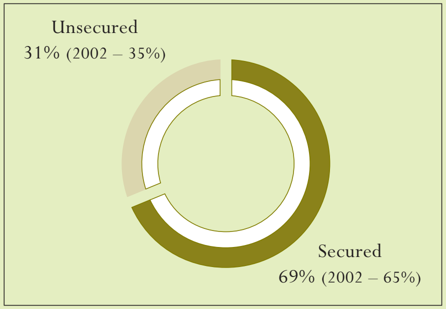
COMMITTED DEBT FACILITIES

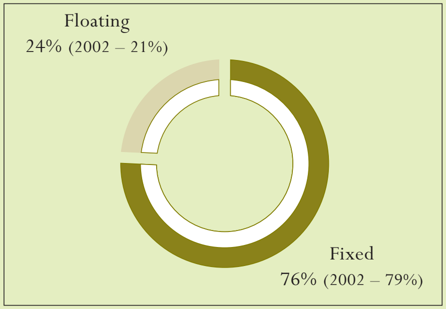
£'m
Current: 424.2 / 686.4
1 year: 227.5 / 658.2
2 years: 187.0 / 539.0
5 years: 23.6 / 327.9
10 years: – / 318.6
15 years: – / 318.6
20 years: – / 252.7

In addition to the total debt drawn of £687.6m, the Group has undrawn committed bank facilities of £424.1m. If all these facilities were drawn gearing would increase to 49%. The average life of committed debt facilities (drawn and undrawn) is 8.7 years (2002 – 9.1 years).

TOTAL DEBT £687.6M

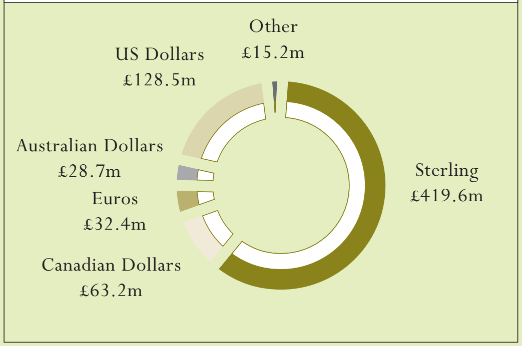
The profile of the Group's debt remains similar to 2002 and is illustrated below. Average debt utilisation during 2003 was £740m.





Foreign currency borrowings amounting to £268.0m were drawn at the end of 2003 (2002 – £323.4m), all held by overseas subsidiaries.

CURRENCY ANALYSIS OF DEBT



CASHFLOW

Cash generated from operations after debt service was £29.6m, down from £35.9m in 2002 due to lower operating profit. Net sales of properties in 2003 generated £30.3m, together with the proceeds of trade investment sales (£9.5m), the capital repayment from joint ventures (£34.8m) and the proceeds of new shares issued to minorities in our European business (£33.4m), net debt reduced by £114.2m.

CORPORATE GOVERNANCE

THE COMBINED CODE

Grosvenor's business philosophy is based on an open style and high levels of accountability, elements which are essential not only for the conduct of its own business but particularly for the operation of its third party arrangements, whether in fund management, joint ventures or other partnerships. As a consequence, Grosvenor's approach to corporate governance follows very closely best practice recommended by the Financial Services Authority under the heading of the "Combined Code", even though that code applies only to publicly quoted companies. After consultation with the Group's auditors, the Board has reviewed all the provisions of the Combined Code and has determined which of those provisions are appropriate in the context of Grosvenor's ownership structure.

BOARD OF DIRECTORS

The Board comprises five full time employee directors and eight non-executive directors, amongst whom four also represent the shareholders. The composition of the Board is designed to ensure effective management and control of the Group, provide complete and timely information to the shareholders as well as proper representation of the shareholders' interests.

The Board 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 Board and its committees held eleven meetings during the year, with full attendance at the majority of meetings. The Group's operating companies have their own boards, each with non-executive directors who are independent from the management team; each operating company is required to hold at least four board meetings each year.

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 additional training as they see fit. All new directors receive an induction training programme.

The Board undertake an evaluation of its own performance at least annually.

The Board encourages the appointment of executive directors to appropriate external posts as this increases the breadth of knowledge and experience of directors. Earnings from all such appointments are returned to the Group. Non-executive directors representing shareholders receive no fees.

AUDIT COMMITTEE

The Board has a well established Audit Committee, which provides independent scrutiny of the Group's affairs. The Audit Committee is chaired by the Deputy Chairman and includes two other non-executive directors. The members bring both a wide range of relevant international experience and an appreciation of the long term interests of the shareholders.

The Audit 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.

The Audit Committee reviews annually the independence of the auditors. Auditor objectivity is ensured through a variety of procedures including rotation of audit partners. Any non-audit fees in excess of fifty per cent of the audit fee are pre-approved by the Audit Committee.

NOMINATIONS COMMITTEE

The Nominations Committee comprises all of the non-executive directors. The Committee meets at least once a year and is attended, by invitation, by the Group Chief Executive and other senior personnel as appropriate. It is responsible for reviewing the structure of the Board, giving consideration to succession planning and for making recommendations to the Board with regard to any changes. It is also responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

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 relevant. All the principal shareholders are represented on the Board and receive a monthly report. The Annual Report and Accounts 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.

CORPORATE GOVERNANCE

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 provide only 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 financial functions to regional management teams. The Britain and Ireland and Americas regions have local boards, with non-executive chairmen and at least two other non-executive directors, which oversee the regions' operations. These boards form an integral part of the overall internal control process. Local boards for Continental Europe and the Australia Asia Pacific region work closely with the Holding Company team to ensure appropriate internal controls are maintained. The relationship between regional boards and the Group Board is dearly defined and is set out in formally approved financial delegation procedures.

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 to 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 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 2003 at its meeting in March 2004 by considering reports from management and the Audit Committee and taking account of events since December 2003.

Risk management is a regular 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. Training and development programmes are in place to ensure that all key personnel maintain appropriate standards of professional competence and have the relevant skills to fulfil properly their responsibilities.

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 income receipts 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. Each year a detailed operational budget and a five year financial forecast is prepared. Treasury reporting is reviewed on a monthly basis, with further reporting each quarter.

TREASURY POLICIES

Treasury policies, approved by the Board, are:

- except for Holding Company operations, to raise all 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 for 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 that 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.

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

THE GROUP'S EMPLOYMENT POLICY recognises the value of staff to its long term success. The promotion of loyalty is important 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 rewards 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. For staff in the UK, Continental Europe and Asia, 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 Grosvenor Americas and Grosvenor Australia 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 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 in the UK 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. Staff joining the Group in the UK after 1 January 2004 are subject to new pension arrangements. A defined benefit pension will be provided to all staff up to an upper earnings limit, and above this limit the Group will contribute between 25% and 30% of salary into employees' personal pension schemes.

  Outside the UK pensions are provided from a number of schemes, including separate defined benefit schemes in Australia, Canada and the U.S.A. Details of the pension schemes' funding and assumptions are given in note 9 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 10 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 33 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.

JOHN SCLATER
Chairman of the Remuneration Committee
18 March 2004

DIRECTORS' REPORT

The directors present their annual report and the Group's audited consolidated financial statements for the year ended 31 December 2003.

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 Review on pages 1 to 59.

CHANGE OF NAME

On 9 January 2004 the Company changed its name from Grosvenor Group Holdings Limited to Grosvenor Group Limited.

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 £60.3m (2002 – £44.5m). An interim dividend of £2.3m (2002 – £2.0m) was paid in October 2003 and the directors recommend payment of a final dividend of £14.6m (2002 – £3.8m), making a total for the year of £16.9m (2002 – £5.8m).

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.

Stuart Beevor	(appointed 16 January 2003)
Sir Edward George	(appointed 1 October 2003)
Alasdair Morrison	(appointed 1 March 2004)

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors who served during the year in the share and loan capital of Grosvenor Group Limited are shown below.

	Ordinary shares		Non-voting ordinary shares		12% Non-cumulative irredeemable preference shares	
	At 1 January 2003	At 31 December 2003	At 1 January 2003	At 31 December 2003	At 1 January 2003	At 31 December 2003
Beneficial						
The Duke of Westminster	**6,083,924**	**6,083,924**	**48,671,392**	**48,671,392**	**6,083,924**	**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	**4,248,367**	**4,248,367**	**33,986,936**	**33,986,936**	**4,248,367**	**4,248,367**
Robin Broadhurst	**3,738,905**	**3,738,905**	**29,911,240**	**29,911,240**	**3,738,905**	**3,738,905**

There have been no changes in beneficial or non-beneficial interests since 31 December 2003.

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.

DIRECTORS' REPORT

CHARITABLE CONTRIBUTIONS

Charitable contributions during the year amounted to £1.2m (2002 – £1.1m). £1.1m was donated to the Westminster Foundation (2002 – £1.1m) 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 the Group Chief Executive.

HEALTH AND SAFETY

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

Overall responsibility for health and safety is taken by the Group Finance Director. Operating companies also have the support of the internal Group Health and Safety Consultant and external consultants with local expertise to help them achieve compliance.

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 process. Each operating company formally reports its compliance each year and progress is monitored on a regular basis.

In 2003, there were 38 (2002 – 27) incidents relating to premises and projects where Grosvenor has the majority controlling share which resulted in an individual taking three or more days off work. The principal reason for the increase in recorded incidents is a greater awareness of health and safety procedures and reporting requirements.

Grosvenor did not receive any enforcement action from statutory Health and Safety authorities in 2003.

Health and Safety targets continue to be developed by the Group and each Operating Company. These include achieving a full understanding of the risk burden that each business needs to manage and receiving assurances that we have management systems in place to cope with workplace and other risks.

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. In respect of the Group's activities in the UK, trade creditors at 31 December 2003 represented 11 days' purchases (2002 – 8 days). The Company has no trade creditors.

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

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP, with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

JONATHAN HAGGER
Secretary
18 March 2004

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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company, the system of internal control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CORPORATE ADVISERS AND BANKERS

AUDITORS:	Deloitte & Touche LLP
VALUERS:	CB Richard Ellis, Healey & Baker, DTZ Debenham Tie Leung
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 LIMITED

We have audited the financial statements of Grosvenor Group Limited for the year ended 31 December 2003 which comprise the consolidated profit and loss account, the balance sheets, the consolidated statement of total recognised gains and losses, the note of historical cost profits and losses, the consolidated cash flow statement, and the related notes 1 to 33. 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 read the Directors' Report, Financial Overview, Corporate Governance, and Remuneration 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. 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.

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 2003 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 LLP
Chartered Accountants and Registered Auditors
London
18 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	Notes	2003 £m	2002 £m
Turnover: group and share of joint ventures	3	**293.5**	327.1
Less: share of joint ventures' turnover	3	**(51.2)**	(58.4)
Group turnover	3	**242.3**	268.7
Net rental income		**101.1**	108.0
Profit on development properties		**6.5**	2.6
Total gross profit		**107.6**	110.6
Exceptional charges	4	**(6.1)**	(1.2)
Administrative expenses – other		**(38.5)**	(35.5)
Total administrative expenses		**(44.6)**	(36.7)
Group operating profit	5	**63.0**	73.9
Share of operating profit of joint ventures	6	**22.3**	17.7
Total operating profit		**85.3**	91.6
Profit on sale of investment properties	7	**40.3**	25.8
Profit on sale of trade investment	7	**3.7**	–
Profit before interest		**129.3**	117.4
Dividend income		**2.3**	1.8
Net interest	11	**(39.5)**	(41.1)
Amounts written off investments		**(0.4)**	(17.3)
Profit on ordinary activities before taxation		**91.7**	60.8
Tax on profit on ordinary activities	12	**(31.4)**	(16.3)
Profit on ordinary activities after taxation		**60.3**	44.5
Equity minority interests		**(4.4)**	(0.9)
		55.9	43.6
Dividends on equity and non-equity shares	13	**(16.9)**	(5.8)
Retained profit for the year	30	**39.0**	37.8

All activities derive from continuing operations.

BALANCE SHEETS

31 December 2003

			Notes	**Group 2003 £m**	Group 2002 £m	**Company 2003 £m**	Company 2002 £m
Fixed assets							
Tangible assets	– Investment properties		14	**2,050.5**	2,079.1	**–**	–
	– Other tangible assets		15	**23.9**	28.1	**–**	–
Investments	– Subsidiary undertakings		16	**–**	–	**1,358.4**	1,362.6
	– Trade investments		17	**85.6**	93.0		–
	– Joint ventures	– Share of gross assets		**625.2**	491.6	**–**	–
		– Share of gross liabilities		**(402.8)**	(282.2)	**–**	–
			18	**222.4**	209.4	**–**	–
				2,382.4	2,409.6		1,362.6
Current assets							
Development properties			20	**94.4**	81.6	**–**	–
Debtors			21	**136.3**	115.0	**25.1**	30.1
Cash and short term deposits				**204.0**	143.9	**–**	–
				434.7	340.5	**25.1**	30.1
Creditors: amounts falling due within one year							
Borrowings			23	**(29.4)**	(76.9)	**–**	–
Other creditors			22	**(127.9)**	(136.9)	**(4.6)**	(13.8)
				(157.3)	(213.8)	**(4.6)**	(13.8)
Net current assets				**277.4**	126.7	**20.5**	16.3
Total assets less current liabilities				**2,659.8**	2,536.3	**1,378.9**	1,378.9
Creditors: amounts falling due after more than one year							
Borrowings			23	**(658.2)**	(672.0)	**–**	–
Other creditors			22	**(5.0)**	(11.8)	**–**	–
				(663.2)	(683.8)	**–**	–
Provisions for liabilities and charges			26	**(34.4)**	(32.9)	**–**	–
				1,962.2	1,819.6	**1,378.9**	1,378.9
Capital and reserves							
Called up share capital			29	**60.8**	60.8	**60.8**	60.8
Share premium			30	**28.3**	28.3	**28.3**	28.3
Merger capital reserve			30	**144.8**	144.8	**1,268.7**	1,268.7
Profit and loss account			30	**494.6**	379.1	**21.1**	21.1
Revaluation reserve			30	**994.3**	1,019.1	**–**	–
Other reserves			30	**125.6**	121.0	**–**	–
Shareholders' funds – including non-equity interests			30	**1,848.4**	1,753.1	**1,378.9**	1,378.9
Equity minority interest				**113.8**	66.5	**–**	–
				1,962.2	1,819.6	**1,378.9**	1,378.9

Approved by the Board on 18 March 2004 and signed on behalf of the Board

THE DUKE OF WESTMINSTER KG OBE TD DL
Chairman

JONATHAN HAGGER FCA FCT
Group Finance Director

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2003

	Notes	**2003 £m**	2002 £m
Profit for the financial year before dividends		**55.9**	43.6
Unrealised surplus on revaluation of properties	*30*	**44.2**	39.0
Tax charged to reserves on realisation of revaluation surpluses	*30*	**(0.3)**	(5.8)
Currency translation differences on foreign currency net investments	*30*	**12.4**	(30.1)
Total recognised gains and losses relating to the year		**112.2**	46.7

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2003

	2003 £m	2002 £m
Profit on ordinary activities before taxation	**91.7**	60.8
Realisation of property revaluation gains of previous years	**71.0**	36.7
Historical cost profit on ordinary activities before taxation	**162.7**	97.5
Historical cost retained profit for the year – after taxation, minority interests and dividends	**109.7**	68.7

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 2003

	Notes	2003 £m	2002 £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	*32a*	**66.2**	75.6
Dividends from joint ventures and associates		**2.4**	2.0
Returns on investments and servicing of finance			
Interest received		**7.6**	9.6
Interest paid		**(48.2)**	(52.3)
Investment income		**2.3**	1.7
Preference dividends paid		**(0.7)**	(0.7)
		(39.0)	(41.7)
Taxation			
Corporation tax paid		**(17.6)**	(39.2)
Capital expenditure and financial investment			
Purchase of, and improvements to properties		**(153.3)**	(274.3)
Sale of freehold and leasehold properties		**133.7**	158.2
Lease premiums received		**49.9**	66.4
Purchase of other fixed assets		**(0.6)**	(0.8)
Sale of other fixed assets		**0.2**	–
		29.9	(50.5)
Acquisitions and disposals			
Sale of trade investments		**9.5**	(21.5)
Equity dividends paid		**(5.4)**	(4.4)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**46.0**	(79.7)
Management of liquid resources			
(Purchase)/sale of short term liquid investments		**(49.0)**	55.0
Placement of short term deposits		**0.2**	(24.8)
		(48.8)	30.2
Financing			
Issue of shares in subsidiaries		**33.4**	–
Repayment of capital from joint ventures		**34.8**	–
Loans drawndown		**55.3**	90.7
Loans repaid		**(112.6)**	(63.1)
		10.9	27.6
INCREASE/(DECREASE) IN CASH IN THE YEAR	*32b*	**8.1**	(21.9)

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 years.

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.

Negative goodwill is amortised in line with the sale of the underlying assets to which it relates.

INVESTMENTS

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

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, 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

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. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

PENSION SCHEMES

Pension costs are charged to the profit and loss account on a systematic basis over the average remaining service lives of employees.

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	
	2003	2002	**2003**	2002
Euro	**1.45**	1.59	**1.42**	1.53
US dollar	**1.64**	1.50	**1.79**	1.61
Canadian dollar	**2.31**	2.37	**2.31**	2.54
Australian dollar	**2.53**	2.78	**2.38**	2.86
Hong Kong dollar	**12.79**	11.74	**13.90**	12.56
Singapore dollar	**2.86**	2.69	**3.04**	2.79

3. SEGMENTAL ANALYSIS

	Turnover		Profit before taxation		Net assets	
	2003 £m	2002 £m	**2003 £m**	2002 £m	**2003 £m**	2002 £m
Continuing operations:						
Property investment *	**154.8**	133.6	**93.5**	70.6	**2,130.1**	2,121.8
Property development	**87.5**	135.1	**8.3**	11.5	**93.3**	93.4
Group	**242.3**	268.7	**101.8**	82.1	**2,223.4**	2,215.2
Share of joint ventures	**51.2**	58.4	**29.4**	19.8	**222.4**	209.4
Group and share of joint ventures	**293.5**	327.1	**131.2**	101.9	**2,445.8**	2,424.6
Net interest/debt	**–**	–	**(39.5)**	(41.1)	**(483.6)**	(605.0)
	293.5	327.1	**91.7**	60.8	**1,962.2**	1,819.6

* Profit on property investment includes £33.2m on sale of investment properties (2002 – £23.7m). It also includes fees for fund management activities.

The business can be analysed geographically as follows:

	Turnover		Profit before taxation		Net assets	
	2003 £m	2002 £m	**2003 £m**	2002 £m	**2003 £m**	2002 £m
Britain and Ireland	**163.1**	189.9	**65.6**	59.8	**1,605.5**	1,593.9
Continental Europe	**3.1**	2.9	**5.3**	2.7	**60.7**	77.1
Canada	**25.8**	21.1	**8.6**	8.5	**135.1**	120.4
United States of America	**39.2**	46.0	**18.5**	23.5	**250.3**	315.0
Australia Asia Pacific	**11.1**	8.8	**3.8**	(12.4)	**171.8**	108.8
Group	**242.3**	268.7	**101.8**	82.1	**2,223.4**	2,215.2
Share of joint ventures – Continental Europe	**51.2**	58.4	**29.4**	19.8	**222.4**	209.4
Group and share of joint ventures	**293.5**	327.1	**131.2**	101.9	**2,445.8**	2,424.6
Net interest/debt	**–**	–	**(39.5)**	(41.1)	**(483.6)**	(605.0)
	293.5	327.1	**91.7**	60.8	**1,962.2**	1,819.6

Turnover by geographical destination was the same as turnover by origin.

4. EXCEPTIONAL CHARGES

	2003 £m	2002 £m
Amounts written off investment properties	**3.1**	1.2
Amounts provided in respect of guarantees (see note 28)	**3.0**	–
	6.1	1.2

5. OPERATING PROFIT

	2003 £m	2002 £m
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	**1.2**	1.4
Operating lease rentals:		
Land and buildings	**3.0**	3.6
Auditors' remuneration:		
Deloitte – audit	**0.6**	0.5
– other	**0.4**	0.2

All of the Group's operating companies were audited by Deloitte. Other services provided by the auditors in 2003 include £0.2m relating to a financial model audit. Amounts paid to other accountancy firms in 2003 totalled £1.6m.

6. SHARE OF OPERATING PROFIT OF JOINT VENTURES

	2003 £m	2002 £m
Joint ventures' operating profit	**15.5**	17.7
Realisation of negative goodwill	**6.8**	–
	22.3	17.7

The negative goodwill relates to deferred gains deducted from the carrying value of joint venture assets.

7. PROFIT ON SALE OF INVESTMENT PROPERTIES AND TRADE INVESTMENTS

	2003 £m	2002 £m
Investment properties		
Group undertakings	**33.2**	23.7
Share of joint ventures' profits	**7.1**	2.1
	40.3	25.8
Trade investments	**3.7**	–
	44.0	25.8

8. EMPLOYEE INFORMATION

	2003 £m	2002 £m
Staff costs:		
Wages and salaries	**23.6**	24.3
Social security costs	**1.9**	1.7
Pension costs:		
Defined benefit schemes	**5.3**	2.9
Defined contribution schemes	**0.4**	0.3
	31.2	29.2

	Number	Number
Average number of employees by business:		
Property investment	**143**	137
Property development	**55**	54
Management and administration	**133**	127
Shopping centre and property management	**42**	55
	373	373
Average number of employees by geographic region:		
Britain and Ireland	**271**	273
Continental Europe	**14**	11
Canada	**23**	22
United States of America	**38**	43
Australia Asia Pacific	**27**	24
	373	373

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

9. 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. Staff joining the Group in Britain and Ireland after 1 January 2004 are subject to new pension arrangements. A defined benefit pension will be provided to all staff up to an upper earnings limit, and above this limit the Group will contribute between 25% and 30% of salary into employees' personal pension schemes.

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 most recent actuarial valuation was carried out at 31 December 2002 using the projected unit funding method and taking assets at their market value. The most important actuarial assumptions made for valuation relate to investment returns with equities assumed to offer a real return of 5% per annum and gilts 2.1% (2.5% for new investments). Salaries were assumed to increase at 3% to 4% per annum above inflation, and pensions in line with inflation.

At 31 December 2002, the market value of the GEPS assets was £49.5m which was sufficient to cover 72% of the funding target for benefits that had accrued to members, after allowing for expected increases in earnings; a deficit of £19.3m. The funding shortfall is being met by annual fixed payments of £2m plus a one-off contribution of £5m paid during 2003. These contributions will be reviewed following the 31 December 2005 valuation. The "regular cost" of benefit accrual is in addition to these fixed contributions and is payable at a rate of 21.3% of salaries. As a result of the additional contributions during 2003 and a recovery in the market, the market value of the GEPS assets had increased by £17.3m to £66.8m at 31 December 2003.

In addition, the Group operates an unfunded defined benefit scheme to satisfy pension commitments not catered for by the principal schemes.

OVERSEAS

The Group operates a number of defined benefit pension schemes in Australia, Canada and the U.S.A., the most significant of which are in Canada and the U.S.A. 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 most significant plans amounted to £17.7m at 31 December 2003 and the most recent actuarial valuation showed that assets covered110% of the accrued benefits (as at 1 January 2003 for U.S.A. and 31 December 2001 for Canada).

GROUP PENSION COSTS

Defined benefit pension costs charged to the profit and loss account were £5.3m (2002 – £2.9m). This includes a variation cost of £1.4m for the UK Scheme, which is calculated as a level payment sufficient to meet the shortfall between the asset and the funding target over 15 years (the expected remaining service lives of current employees in the scheme). At 31 December 2003, the prepayment for pension liabilities was £3.5m (2002 – £nil) and the provision for pension liabilities was £2.9m (2002 – £2.2m) which related wholly to the unfunded pension scheme.

The Group's contributions to the defined contribution scheme were £0.4m (2002 – £0.3m).

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 to 31 December 2003 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 U.S.A. are set out in full.

9. PENSION SCHEMES (CONTINUED)

PENSION SCHEMES DEFICIT/SURPLUS

	2003 Britain* £m	2003 Canada and U.S.A. £m	2002 Britain* £m	2002 Canada and U.S.A. £m	2001 Britain* £m	2001 Canada and U.S.A. £m
Pension scheme (deficit)/surplus before tax	**(7.8)**	**(4.8)**	(14.9)	(3.8)	2.4	(1.8)

ASSETS IN THE SCHEMES AND THE EXPECTED RATES OF RETURN

BRITAIN*

	2003 Value £m	2003 Long-term rate of return expected	2002 Value £m	2002 Long-term rate of return expected	2001 Value £m	2001 Long-term rate of return expected
Equities	**60.3**	**7.7%**	44.9	7.4%	55.2	8.0%
Gilts	**6.3**	**4.8%**	4.7	4.4%	6.1	4.9%
Other	**0.2**	**5.4%**	0.1	5.1%	0.2	5.8%
	66.8		49.7		61.5	
Present value of scheme liabilities	**(74.6)**		(64.6)		(59.1)	
(Deficit)/surplus in the scheme	**(7.8)**		(14.9)		2.4	
Related deferred tax asset/(liability) at 30%	**2.3**		4.5		(0.7)	
(Deficit)/surplus in the scheme	**(5.5)**		(10.4)		1.7	

* The pension scheme deficit for the scheme in Britain relates to the whole of the scheme, including the element that relates to non-Group employees.

9. PENSION SCHEMES (CONTINUED)

ASSETS IN THE SCHEMES AND THE EXPECTED RATES OF RETURN (CONTINUED)

CANADA AND U.S.A.

	2003 Value £m	**2003** Long-term rate of return expected	2002 Value £m	2002 Long-term rate of return expected	2001 Value £m	2001 Long-term rate of return expected
Equities	**9.9**	**8.7%**	7.8	8.8%	9.6	9.6%
Bonds	**4.5**	**5.4%**	4.5	5.1%	5.7	5.7%
Other	**3.3**	**1.5%**	3.3	2.5%	2.2	2.2%
	17.7		15.6		17.5	
Present value of scheme liabilities	**(22.5)**		(19.4)		(19.3)	
Deficit in the schemes	**(4.8)**		(3.8)		(1.8)	
Related deferred tax asset/(liability) at 30%	**1.4**		1.1		0.5	
(Deficit)/surplus in the scheme	**(3.4)**		(2.7)		(1.3)	

THE MAJOR ASSUMPTIONS USED BY THE ACTUARY OF EACH SCHEME WERE:

	2003 Britain	**2003** Canada and U.S.A.	2002 Britain	2002 Canada and U.S.A.	2001 Britain	2001 Canada and U.S.A.
Rate of increase in salaries	6.2%	4.5%	5.9%	4.5%	6.0%	4.7%
Rate of increase in pensions in payment	2.7%	2.8%	2.4%	2.8%	2.5%	2.7%
Discount rate	5.4%	6.3%	5.6%	6.8%	5.8%	7.0%
Inflation	2.7%	3.0%	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 £3.3m (2002 – £2.7m).

9. PENSION SCHEMES (CONTINUED)

Since the UK scheme is a multi-employer scheme (see page 83) the remaining disclosures required by FRS17 are not relevant. The following disclosures relate only to schemes in Canada and the U.S.A.

CANADA AND U.S.A.

	2003 £m	2002 £m
Analysis of the movement in the Canada and U.S.A. scheme deficit during the year		
Deficit at the beginning of the year	**(3.8)**	(1.8)
Movement in the year:		
current service cost	**(0.7)**	(0.7)
contributions	**0.8**	1.7
other finance income	**(0.3)**	(0.1)
actuarial loss	**(1.3)**	(3.3)
exchange rates	**0.5**	0.4
Deficit at the end of the year	**(4.8)**	(3.8)

	2003 £m	2002 £m
Analysis of amount which would be charged to operating profit		
Current service cost	**(0.7)**	(0.7)
Total operating charge	**(0.7)**	(0.7)

	2003 £m	2002 £m
Analysis of amount which would be debited to other finance costs		
Expected return on pension scheme assets	**1.0**	1.3
Interest on pension scheme liabilities	**(1.3)**	(1.4)
Net charge	**(0.3)**	(0.1)

9. PENSION SCHEMES (CONTINUED)

CANADA AND U.S.A. (CONTINUED)

	2003 £m	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	**0.8**	(2.7)
Experience gains and losses arising on the schemes' liabilities	**(0.4)**	0.3
Changes in assumptions underlying the present value of the scheme liabilities	**(1.7)**	(0.9)
Actuarial loss recognised in statement of total recognised gains and losses	**(1.3)**	(3.3)

	2003 £m	2002 £m
History of experience gains and losses		
Difference between expected and actual return on scheme assets		
amount – gain/(loss)	**0.8**	(2.7)
percentage of scheme assets	**4%**	(17%)
Experience gains and losses on scheme liabilities		
amount – (loss)/gain	**(0.4)**	0.3
percentage of the present value of the scheme liabilities	**(2%)**	1%
Total amount recognised in the statement of total recognised gains and losses		
amount – loss	**(1.3)**	(3.3)
percentage of the present value of the scheme liabilities	**(6%)**	(17%)

10. DIRECTORS' REMUNERATION DETAILS

	2003 Total £000	2003 Highest paid director £000	2002 Total £000	2002 Highest paid director £000
Aggregate remuneration:				
Emoluments	**1,552**	**348**	1,435	313
Performance-related bonus	**268**	**57**	220	66
Long term incentive plans	**344**	**115**	715	642
	2,164	**520**	2,370	1,021

The total cost of the long term incentive plans above includes the increase in value in 2003 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 five 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:

	2003 £000	2002 £000
Accrued annual pension at 31 December	**127**	190

The highest paid director in 2002, who retired during that 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.

11. NET INTEREST

	2003 Group £m	2003 Share of joint ventures £m	2003 Total £m	2002 Group £m	2002 Share of joint ventures £m	2002 Total £m
Interest payable:						
Bank loans and overdrafts	**27.1**	**12.1**	**39.2**	28.7	9.0	37.7
Other loans	**23.7**	**–**	**23.7**	23.6	–	23.6
Capitalised interest	**(8.5)**	**–**	**(8.5)**	(7.5)	–	(7.5)
Net interest payable	**42.3**	**12.1**	**54.4**	44.8	9.0	53.8
Interest receivable	**(10.5)**	**(4.4)**	**(14.9)**	(9.7)	(3.0)	(12.7)
	31.8	**7.7**	**39.5**	35.1	6.0	41.1

Cost of sales includes £1.2m of capitalised interest (2002 – £0.2m) relating to the carrying value of development properties sold in 2003.

12. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £m	2002 £m
Current year		
UK corporation tax at 30% (2002 – 30%)	**12.1**	8.9
Adjustment in respect of prior years	**(1.1)**	(11.6)
Overseas tax	**12.4**	12.1
Group current tax charge (see below)	**23.4**	9.4
Deferred tax	**0.5**	1.3
Joint Ventures:		
Overseas tax	**5.8**	4.2
Deferred tax	**1.7**	1.4
Profit and loss charge	**31.4**	16.3
Tax charged to reserves		
Tax relating to revaluation gains recognised in prior years		
UK corporation tax	**0.4**	7.0
Deferred tax	**–**	(1.2)
Total tax charges recognised in the statement of total recognised gains and losses	**31.8**	22.1
Tax reconciliation		
Profit on ordinary activities before taxation	**91.7**	60.8
Less: share of profit of joint ventures and associates	**(21.7)**	(13.9)
Group profit on ordinary activities before taxation	**70.0**	46.9
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002 – 30%)	**21.0**	14.1
Effects of:		
Expenses not deductible for tax purposes	**2.6**	1.3
Higher tax rates on overseas earnings	**1.8**	1.7
Adjustments in respect of prior years	**(1.1)**	(11.6)
Other items attracting no tax relief or liability	**(0.4)**	5.2
Other timing differences	**(0.5)**	(1.3)
Group current tax charge	**23.4**	9.4

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 in that year.

13. DIVIDENDS ON EQUITY AND NON EQUITY SHARES

	2003 £m	2002 £m
Equity shares		
Ordinary shares:		
Interim (paid) – 4.2p per share (2002 – 3.6p)	**0.3**	0.2
Final (proposed) – 25.4p per share (2002 – 5.6p)	**1.5**	0.4
	1.8	0.6
Non-voting ordinary shares:		
Interim (paid) – 4.2p per share (2002 – 3.6p)	**2.0**	1.8
Final (proposed) – 25.4p per share (2002 – 5.6p)	**12.4**	2.7
	14.4	4.5
Total dividends on equity shares	**16.2**	5.1
Non-equity shares		
12% Non-cumulative irredeemable preference shares:		
Final (proposed) – 12.0p per share (2002 – 12.0p)	**0.7**	0.7
	16.9	5.8

14. INVESTMENT PROPERTIES

	Freehold £m	**Long leasehold £m**	**Short leasehold £m**	**Total £m**
Valuation and net book value				
At 1 January 2003	1,614.7	464.2	0.2	**2,079.1**
Additions	97.4	62.0	–	**159.4**
Disposals	(195.5)	(22.5)	–	**(218.0)**
Net surplus transferred to revaluation reserve	31.2	0.5	–	**31.7**
Provision for permanent diminution	–	(3.1)	–	**(3.1)**
Short leasehold amortisation	–	–	(0.2)	**(0.2)**
Exchange differences	3.6	(2.0)	–	**1.6**
At 31 December 2003	1,551.4	499.1	–	**2,050.5**

Included in investment properties are properties in the course of construction of £100.1m (2002 – £94.0m).

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties were valued at 31 December 2003 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 CB Richard Ellis, Chartered Surveyors, except that:

(i) the Group's £96.9m interest in freehold properties held by Grosvenor Australia, and the £20.7m interest in long leasehold properties held by Grosvenor Asia and the Group's £76.2m interest in freehold properties and £20.1m interest in long leasehold properties held by the Grosvenor Shopping Centre Fund were valued by DTZ Debenham Tie Leung, Chartered Surveyors;

(ii) the Group's £368.6m interest in freehold properties held by Grosvenor Americas were valued by Cushman & Wakefield, Chartered Surveyors;

(iii) the Group's £17.1m interest in freehold properties held by Grosvenor First European Property Investments SA was valued by Healey & Baker, Chartered Surveyors;

(iv) the Group's £35.5m interest in freehold properties and £29.6m interest in long leasehold properties held by the GMetro Fund were valued by ATIS Real Weatheralls Limited, Chartered Surveyors; and

(v) the Group's £85.5m 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 £924.6m (2002 – £956.4m). 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 £224.6m (2002 – £227.2m).

The carrying value of investment properties includes capitalised interest of £22.2m (2002 – £14.3m).

15. OTHER TANGIBLE ASSETS

	Land and buildings £m	Leasehold improve-ments £m	Fixtures, fittings and motor vehicles £m	Total £m
Cost or Valuation:				
At 1 January 2003	22.3	4.5	6.0	**32.8**
Additions	–	0.1	0.5	**0.6**
Disposals	–	–	(0.2)	**(0.2)**
Deficit transferred to revaluation reserve	(3.5)	–	–	**(3.5)**
At 31 December 2003	18.8	4.6	6.3	**29.7**
Depreciation:				
At 1 January 2002	–	(1.6)	(3.1)	**(4.7)**
Charge for year	–	(0.6)	(0.6)	**(1.2)**
Disposals	–	–	0.1	**0.1**
At 31 December 2003	–	(2.2)	(3.6)	**(5.8)**
Net book value:				
At 31 December 2003	18.8	2.4	2.7	**23.9**
At 31 December 2002	22.3	2.9	2.9	**28.1**

In accordance with FRS 15 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 2003 by CB 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 (2002 – £12.7m). The carrying value of long leasehold land and buildings includes capitalised interest of £0.1m (2002: £0.1m).

16. SUBSIDIARY UNDERTAKINGS

Company

	Shares at cost £m
At 1 January 2003	1,362.6
Disposals	(4.2)
At 31 December 2003	1,358.4

The principal subsidiary undertakings at 31 December 2003 are:

INTERMEDIATE HOLDING COMPANIES

Grosvenor Estate Holdings *◇
Grosvenor Limited (Great Britain)
Grosvenor Americas Limited (Canada)
Grosvenor International SA (Luxembourg) ▲
Grosvenor First European Property Investments SA (Luxembourg) †
Grosvenor Australia Properties Pty Limited (Australia)
Grosvenor Asset Management Limited (Hong Kong)

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
Cambridge Retail 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
† 67.5% 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.

17. TRADE INVESTMENTS

	Listed £m	Unlisted £m	**Total £m**
At 1 January 2003	55.7	37.3	**93.0**
Disposals	–	(5.8)	**(5.8)**
Amounts written off	(0.2)	–	**(0.2)**
Exchange differences	2.1	(3.5)	**(1.4)**
At 31 December 2003	57.6	28.0	**85.6**

The market value of listed investments at 31 December 2003 was £73.6m (2002 – £62.4m).

Principal trade investments at 31 December 2003:

	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%
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 67.5% subsidiary.

18. JOINT VENTURES

Group

	Shares £m	**Share of retained profits £m**	**Share of revaluation reserves £m**	**Goodwill £m**	**Total £m**
At 1 January 2003	101.5	18.5	100.3	(10.9)	**209.4**
Retained profit for the year	–	3.4	–	6.8	**10.2**
Revaluation surplus for the year	–	–	20.7	–	**20.7**
Repayment of capital	(34.8)	–	–	–	**(34.8)**
Exchange differences	8.2	1.3	8.1	(0.7)	**16.9**
At 31 December 2003	74.9	23.2	129.1	(4.8)	**222.4**

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

18. JOINT VENTURES (CONTINUED)

Principal joint ventures at 31 December 2003:

	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 67.5% subsidiary.

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	49.2	2.0	**51.2**
Profit before tax	17.0	4.7	**21.7**
Tax	(5.4)	(2.1)	**(7.5)**
Profit after tax	11.6	2.6	**14.2**
Fixed assets	367.6	54.5	**422.1**
Current assets	148.1	55.0	**203.1**
Liabilities due within one year	(66.4)	(22.9)	**(89.3)**
Liabilities due after more than one year	(255.5)	(58.0)	**(313.5)**
	193.8	28.6	**222.4**
Borrowings included in liabilities (non-recourse to the Group)	(174.2)	(56.1)	**(230.3)**

19. JOINT ARRANGEMENTS

At 31 December 2003, 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 27.7% interest in the Grosvenor Shopping Centre Fund (formerly The Arkle Fund) a 31.1% interest in the GMetro Fund, a 50% interest in the Moorgate Investment Partnership, a 26.4% interest in the Basingstoke Investment Partnership, a 20% interest in the Grand Arcade Partnership and a 50% interest in the Grosvenor Street Limited Partnership. In Australia the Group 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%.

20. DEVELOPMENT PROPERTIES

Capitalised interest included in development properties amounted to £3.9m (2002 – £4.4m).

21. DEBTORS

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Amounts falling due within one year:				
Trade debtors	**42.9**	13.6	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**25.1**	30.1
Other debtors	**44.1**	60.7	**–**	–
Prepayments and accrued income	**44.7**	40.6	**–**	–
	131.7	114.9	**25.1**	30.1
Amounts falling due after more than one year:				
Other debtors	**4.6**	–	**–**	–
Prepayments	**–**	0.1	**–**	–
	4.6	0.1	**–**	–
	136.3	115.0	**25.1**	30.1

Trade debtors includes £29.4m due from partners in funds.

Prepayments and accrued income includes £22.3m (2002 – £31.7m) in respect of unconditional exchange of contracts on property disposals which had not completed at the year end.

22. OTHER CREDITORS

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Amounts falling due within one year:				
Trade creditors	**14.2**	11.4	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**–**	10.0
Other creditors	**23.0**	63.5	**–**	–
Corporation tax	**10.4**	7.2	**–**	–
Other taxes and social security	**7.6**	3.1	**–**	–
Accruals and deferred income	**58.1**	47.9	**–**	–
Proposed dividends	**14.6**	3.8	**4.6**	3.8
	127.9	136.9	**4.6**	13.8

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Amounts falling due after more than one year:				
Other creditors	**5.0**	11.8	**–**	–

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

23. BORROWINGS AND OTHER FINANCIAL LIABILITIES

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Borrowings – unsecured				
Bank loans and overdrafts	**147.5**	200.1	**–**	–
8.375% Loan Stock 2019	**52.5**	52.5	**–**	–
Floating Rate Guaranteed Redeemable notes due 2022	**13.4**	12.2	**–**	–
	213.4	264.8	**–**	–
Borrowings – secured on investment properties				
Bank and institutional mortgages	**221.5**	231.3	**–**	–
6.5% Debenture Stock due 2026	**202.7**	202.8	**–**	–
10.42% Mortgage Debenture 2034	**50.0**	50.0	**–**	–
	474.2	484.1	**–**	–
Total Borrowings	**687.6**	748.9	**–**	–

Total borrowings above include £139.9m (2002 – £170.7m) relating to the borrowings of joint arrangements which have been proportionally consolidated on the basis explained in note 1. 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 2003 was as follows:

	Bank loans & overdrafts £m	Other loans £m	2003 Total £m	2002 Total £m
From 1 to 2 years	119.1	–	**119.1**	55.3
From 2 to 5 years	211.1	–	**211.1**	195.4
After 5 years	9.4	318.6	**328.0**	421.3
Due after more than one year	339.6	318.6	**658.2**	672.0
Due within one year	29.4	–	**29.4**	76.9
	369.0	318.6	**687.6**	748.9

In addition, the Group has £6.1m (2002 – £6.1m) of sterling irredeemable preference shares in issue.

23. 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 2003 was as follows:

	2003 Weighted average interest rate %	2003 Weighted average period Years	2003 £m	2002 Weighted average interest rate %	2002 Weighted average period Years	2002 £m
Fixed interest borrowings						
Sterling	**7.4**	**20.2**	**369.6**	7.3	19.0	395.4
Euro	**–**	**–**	**–**	4.1	1.2	16.7
US dollars	**7.0**	**2.1**	**99.8**	7.0	4.2	126.3
Canadian dollars	**6.9**	**2.0**	**52.2**	7.4	2.6	48.2
Australian dollars	**–**	**–**	**–**	6.1	0.3	2.9
	7.3	**14.9**	**521.6**	7.1	13.9	589.5

	2003 Weighted average interest rate %	2003 £m	2002 Weighted average interest rate %	2002 £m
Floating Rate borrowings				
Sterling	**4.5**	**50.0**	4.6	30.1
Euro	**2.5**	**32.4**	3.3	49.3
US dollars	**2.0**	**28.7**	2.6	38.1
Canadian dollars	**5.1**	**11.0**	5.5	2.6
Australian dollars	**6.4**	**28.7**	6.1	25.6
Hong Kong dollars	**1.5**	**11.7**	2.7	11.3
Japanese Yen	**2.8**	**3.5**	3.4	2.4
	3.8	**166.0**	3.8	159.4

The above analysis by currency and interest rate risk profile recognises the effect of currency and interest swap agreements in place at 31 December 2003. Borrowings of £148.2m (2002 – £203.3m) included in fixed interest borrowings above, were covered by interest rate swap agreements, expiring between 2003 and 2008.

23. BORROWINGS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

BORROWING FACILITIES

Undrawn committed borrowing facilities available to the Group at 31 December 2003 were as follows:

	2003 £m	2002 £m
Expiring less than 1 year	**146.7**	188.9
Expiring from 1 to 2 years	**90.3**	88.2
Expiring from 2 to 5 years	**163.5**	136.1
Expiring after more than 5 years	**23.6**	37.4
Total	**424.1**	450.6

24. ANALYSIS OF FINANCIAL ASSETS

The Group held the following financial assets as at 31 December 2003:

	2003 £m	2002 £m
Cash and short term deposits	**125.0**	113.9
Short term liquid investments	**79.0**	30.0
Trade investments – listed	**57.6**	55.7
– unlisted	**28.0**	37.3
	289.6	236.9

Total financial assets above include £26.7 (2002 – £10.7m) relating to the financial assets of joint arrangements which have been proportionally consolidated on the basis explained in note 1. Financial assets, with the exception of trade investments, are held in a form to mature within 6 months and are subject to variable rates of interest based on LIBOR.

ANALYSIS OF FINANCIAL ASSETS BY CURRENCY

The Group's financial assets at 31 December 2003 were held in the following currencies:

	2003 £m	2002 £m
Sterling	**45.3**	75.4
Euro	**136.4**	86.3
US dollars	**29.2**	14.0
Canadian dollars	**24.6**	9.3
Australian dollars	**12.1**	4.1
Hong Kong dollars	**34.0**	38.2
Singapore dollars	**7.1**	8.2
Japanese Yen	**1.0**	1.4
	289.7	236.9

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

A valuation was carried out at 31 December 2003 and 31 December 2002 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:

		2003		2002	
		Book £m	**Fair £m**	Book £m	Fair £m
Borrowings	– Fixed rate	**(373.4)**	**(446.1)**	(386.2)	(455.4)
	– Floating	**(314.2)**	**(314.2)**	(362.7)	(362.7)
	– Total	**(687.6)**	**(760.3)**	(748.9)	(818.1)
Cash and short term deposits		**125.0**	**125.0**	113.9	113.9
Interest rate swaps		**–**	**(8.8)**	–	(14.4)
Short term liquid investments		**79.0**	**79.0**	30.0	30.0
Trade Investments	– Listed	**57.6**	**73.6**	55.7	62.4
	– Unlisted	**28.0**	**28.0**	37.3	37.3
Preference shares		**(6.1)**	**(8.3)**	(6.1)	(8.4)
		(404.1)	**(471.8)**	(518.1)	(597.3)

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 23.

The valuation indicated that the fair value of net financial liabilities at 31 December 2003 exceeded book value by £67.7m. If this were taken to reserves after tax relief at 30 per cent, it would reduce the Group's net asset value by £47.4m. A significant part of excess fair value relates to long term debt which does not mature for at least 17 years (as shown in note 23).

The fair value of interest rate swap derivatives amounts to a negative present value difference of £8.8m (2002 – £14.4m) of which £5.5m was projected at 31 December 2003 to crystallise in the year to 31 December 2004 and £3.3m 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 interest rate swaps and trade investments, which in the latter case does not take account of the intrinsic value of the underlying properties. The fair values of all other items have been calculated by discounting the expected future cash flows at prevailing interest rates.

GAINS AND LOSSES ON CURRENCY HEDGES

Gains on currency hedges of £1.7m (2002 – £2.5m) 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.

26. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £m	Pension obligations £m	**Total £m**
At 1 January 2003	30.7	2.2	**32.9**
Profit and loss account	0.5	0.7	**1.2**
Exchange movements	0.3	–	**0.3**
At 31 December 2003	31.5	2.9	**34.4**

	2003 £m	2002 £m
The analysis of the deferred taxation provision is as follows:		
Other timing differences	**31.5**	30.7
	31.5	30.7

27. COMMITMENTS

(A) PROPERTY EXPENDITURE COMMITMENTS:

	2003 £m	2002 £m
Investment properties:		
Contracted but not provided	**15.8**	67.9
Development properties:		
Contracted but not provided	**68.9**	61.7

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

	2003 Land and buildings £m	2002 Land and buildings £m
Between two and five years	**0.2**	0.7
After five years	**3.3**	2.4
	3.5	3.1

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

28. 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 £22m (2002: £25m).
During 2003, £3m has been provided in respect of loans made to Deva Group Limited in early 2004.
Certain Group companies have given performance undertakings to third parties in respect of various contractual obligations entered into in the ordinary course of business.

29. SHARE CAPITAL

	2003 Number of shares	**2003** £m	2002 Number of shares	2002 £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

	2003 Number of shares	**2003** £m	2002 Number of shares	2002 £m
Allotted, called up and fully paid				
Equity interests:				
Ordinary shares of £1	**6,083,924**	**6.1**	6,083,924	6.1
Non-voting ordinary shares of £1	**48,671,392**	**48.6**	48,671,392	48.6
Non-equity interests:				
12% Non-cumulative irredeemable preference shares of £1	**6,083,924**	**6.1**	6,083,924	6.1
	60,839,240	**60.8**	60,839,240	60.8

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.

30. 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 2003	28.3	144.8	379.1	1,019.1	121.0	**1,692.3**
Retained profit for the year	–	–	39.0	–	–	**39.0**
Surplus on revaluation of investment properties	–	–	–	44.2	–	**44.2**
Corporation tax	–	–	–	(0.3)	–	**(0.3)**
Transfer of realised surplus on disposal of investment properties	–	–	71.0	(71.0)	–	**–**
Exchange movements	–	–	5.5	2.3	4.6	**12.4**
At 31 December 2003	28.3	144.8	494.6	994.3	125.6	**1,787.6**

(B) COMPANY

	Share premium £m	Merger capital reserve £m	Profit and loss account £m	Total £m
At 1 January 2003	28.3	1,268.7	21.1	**1,318.1**
Retained profit for the year	–	–	–	**–**
At 31 December 2003	28.3	1,268.7	21.1	**1,318.1**

The Company's profit after tax was £16.9m (2002 – £12.7m) and dividends charged were £16.9m (2002 – £5.8m).

31. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 **£m**	2002 £m
Profit for the financial year	**55.9**	43.6
Dividends	**(16.9)**	(5.8)
	39.0	37.8
Other recognised gains and losses	**56.3**	3.1
Acquisition funded by issue of shares	**–**	22.3
Net addition to shareholders' funds	**95.3**	63.2
Opening shareholders' funds	**1,753.1**	1,689.9
Closing shareholders' funds	**1,848.4**	1,753.1
Attributable to:		
Equity shareholders	**1,841.6**	1,746.3
Non-equity shareholders	**6.8**	6.8
	1,858.4	1,753.1

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(A) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 **£m**	2002 £m
Group operating profit	**63.0**	73.9
Depreciation	**1.2**	1.4
Amounts written off investment properties	**3.1**	1.2
Increase in provisions	**0.7**	0.3
Increase in development properties	**(10.2)**	(13.1)
Increase in debtors	**(3.0)**	(10.1)
Increase in creditors	**11.4**	22.0
Net cash inflow from operating activities	**66.2**	75.6

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(B) RECONCILIATION OF NET CASH FLOW MOVEMENT TO NET DEBT

	Notes	2003 £m	2002 £m
Increase/(decrease) in cash in the year		**8.1**	(21.9)
Cash outflow/(inflow) from short term liquid investments		**49.0**	(55.0)
Cash (inflow)/outflow from placement of short term deposits		**(0.2)**	24.8
Cash outflow/(inflow) from decrease/(increase) in debt		**57.3**	(27.6)
Exchange differences		**7.2**	11.6
Decrease/(increase) in net debt in the year	*32c*	**121.4**	(68.1)
Net debt at 1 January	*32c*	**(605.0)**	(536.9)
Net debt at 31 December	*32c*	**(483.6)**	(605.0)

(C) ANALYSIS OF NET DEBT

	1 January 2003 £m	Cashflow £m	Exchange movement £m	31 December 2003 £m
Cash at bank and in hand	**31.6**	**8.1**	**3.2**	**42.9**
Short term deposits	**82.3**	**(0.2)**	**–**	**82.1**
Short term liquid investments	**30.0**	**49.0**	**–**	**79.0**
	143.9	**56.9**	**3.2**	**204.0**
Borrowings due within one year	**(76.9)**	**51.4**	**(3.9)**	**(29.4)**
Borrowings due after more than one year	**(672.0)**	**5.9**	**7.9**	**(658.2)**
Total borrowings	**(748.9)**	**57.3**	**4.0**	**(687.6)**
Net borrowings	**(605.0)**	**114.2**	**7.2**	**(483.6)**

33. RELATED PARTY TRANSACTIONS

Grosvenor Group Limited is wholly owned by trusts and members of the Grosvenor Family, headed by the 6th Duke of Westminster. Group companies paid £1.4m (2002 – £1.0m) in arm's length rentals to Grosvenor Trusts and received £0.4m (2002 – £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 £4.6m (2002 – £5.0m).

In 2003, the Group arranged insurance cover on normal commercial terms through a related company. Aggregate premiums paid in the year were £4.5m (2002 – £4.4m).

A Group company paid interest of £0.2m in 2002 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 28 the Company has provided guarantees up to a maximum of £22m (2002: £25m) to the Deva Group Limited, which is owned by the Grosvenor Trusts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

US DOLLARS

	2003 US$m	2002 US$m
Turnover: group and share of joint ventures	**482.0**	492.3
Less: share of joint ventures' turnover	**(84.1)**	(87.9)
Group turnover	**397.9**	404.4
Net rental income	**166.0**	162.5
Profit on development properties	**10.7**	3.9
Total gross profit	**176.7**	166.4
Exceptional charges	**(10.0)**	(1.8)
Administrative expenses – other	**(63.2)**	(53.4)
Total administrative expenses	**(73.2)**	(55.2)
Group operating profit	**103.5**	111.2
Share of operating profit of joint ventures	**36.6**	26.6
Total operating profit	**140.1**	137.8
Profit on sale of investment properties	**66.2**	38.8
Profit on sale of trade investments	**6.0**	–
Profit before interest	**212.3**	176.6
Dividend income	**3.8**	2.7
Net interest	**(64.9)**	(61.8)
Amounts written off investments	**(0.6)**	(26.0)
Profit on ordinary activities before taxation	**150.6**	91.5
Taxation on profit on ordinary activities	**(51.6)**	(24.5)
Profit on ordinary activities after taxation	**99.0**	67.0
Minority interests	**(7.2)**	(1.4)
	91.8	65.6
Dividends on equity and non-equity shares	**(27.8)**	(8.7)
Retained profit for the year	**64.0**	56.9

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

CONSOLIDATED BALANCE SHEET

31 December 2003

US DOLLARS

			2003 US$m	2002 US$m
Fixed assets				
Tangible assets	– Investment properties		**3,670.6**	3,347.2
	– Other tangible assets		**42.8**	45.2
Investments	– Trade investments		**153.2**	149.7
	– Joint ventures	– Share of gross assets	**1,119.2**	791.4
		– Share of gross liabilities	**(721.1)**	(454.3)
			398.1	337.1
			4,264.7	3,879.2
Current assets				
Development properties			**169.0**	131.4
Debtors			**244.0**	185.1
Cash and short term deposits			**365.2**	231.7
			778.2	548.2
Creditors: amounts falling due within one year				
Borrowings			**(52.6)**	(123.8)
Other creditors			**(229.0)**	(220.4)
			(281.6)	(344.2)
Net current assets			**496.6**	204.0
Total assets less current liabilities			**4,761.3**	4,083.2
Creditors: amounts falling due after more than one year				
Borrowings			**(1,178.2)**	(1,081.8)
Other creditors			**(9.0)**	(19.0)
			(1,187.2)	(1,100.8)
Provisions for liabilities and charges			**(61.6)**	(53.0)
			3,512.5	2,929.4
Capital and reserves				
Called up share capital			**108.8**	97.9
Share premium			**50.7**	45.6
Merger capital reserve			**259.2**	233.1
Profit and loss account			**885.4**	610.3
Revaluation reserve			**1,779.9**	1,640.6
Other reserves			**224.8**	194.8
Shareholders' funds – including non-equity interests			**3,308.8**	2,822.3
Minority interests			**203.7**	107.1
			3,512.5	2,929.4

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

EUROS

	2003 €m	2002 €m
Turnover: group and share of joint ventures	**425.5**	521.1
Less: share of joint ventures' turnover	**(74.2)**	(93.0)
Group turnover	**351.3**	428.1
Net rental income	**146.6**	172.1
Profit on development properties	**9.4**	4.1
Total gross profit	**156.0**	176.2
Exceptional charges	**(8.9)**	(1.9)
Administrative expenses – other	**(55.8)**	(56.6)
Total administrative expenses	**(64.7)**	(58.5)
Group operating profit	**91.3**	117.7
Share of operating profit of joint ventures	**32.4**	28.2
Total operating profit	**123.7**	145.9
Profit on sale of investment properties	**58.3**	41.1
Profit on sale of trade investments	**5.4**	–
Profit before interest	**187.4**	187.0
Dividend income	**3.3**	2.9
Net interest	**(57.2)**	(65.5)
Amounts written off investments	**(0.6)**	(27.6)
Profit on ordinary activities before taxation	**132.9**	96.8
Taxation on profit on ordinary activities	**(45.5)**	(26.0)
Profit on ordinary activities after taxation	**87.4**	70.8
Minority interests	**(6.4)**	(1.4)
	81.0	69.4
Dividends on equity and non-equity shares	**(24.4)**	(9.2)
Retained profit for the year	**56.6**	60.2

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

CONSOLIDATED BALANCE SHEET

31 December 2003

EUROS

				2003 €m	2002 €m
Fixed assets					
Tangible assets	– Investment properties			**2,910.1**	3,189.8
	– Other tangible assets			**33.9**	43.1
Investments	– Trade investments			**121.5**	142.7
	– Joint ventures	– Share of gross assets		**887.3**	754.3
		– Share of gross liabilities		**(571.7)**	(433.0)
				315.6	321.3
				3,381.1	3,696.9
Current assets					
Development properties				**134.0**	125.2
Debtors				**193.4**	176.5
Cash and short term deposits				**289.5**	220.7
				616.9	522.4
Creditors: amounts falling due within one year					
Borrowings				**(41.7)**	(118.0)
Other creditors				**(181.5)**	(210.0)
				(223.2)	(328.0)
Net current assets				**393.7**	194.4
Total assets less current liabilities				**3,774.8**	3,891.3
Creditors: amounts falling due after more than one year					
Borrowings				**(934.1)**	(1,031.0)
Other creditors				**(7.1)**	(18.1)
				(941.2)	(1,049.1)
Provisions for liabilities and charges				**(48.8)**	(50.5)
				2,784.8	2,791.7
Capital and reserves					
Called up share capital				**86.3**	93.3
Share premium				**40.2**	43.4
Merger capital reserve				**205.5**	222.2
Profit and loss account				**701.9**	581.6
Revaluation reserve				**1,411.1**	1,563.6
Other reserves				**178.3**	185.6
Shareholders' funds – including non-equity interests				**2,623.3**	2,689.7
Minority interests				**161.5**	102.0
				2,784.8	2,791.7

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

FIVE YEAR SUMMARY

	1999 £m	2000 £m	2001 £m	2002 £m	**2003 £m**
Assets employed					
Investment properties	1,774.2	1,876.9	2,007.1	2,079.1	**2,050.5**
Investments	198.4	215.0	265.7	302.4	**308.0**
	1,972.6	2,091.9	2,272.8	2,381.5	**2,358.5**
Other tangible fixed assets	26.3	32.5	28.3	28.1	**23.9**
Development properties	59.3	89.3	69.5	81.6	**94.4**
Other net current assets/(liabilities)	(19.0)	17.2	169.4	110.2	**207.4**
Provisions for liabilities and charges	(30.2)	(30.2)	(33.7)	(32.9)	**(34.4)**
	2,009.0	2,200.7	2,506.3	2,568.5	**2,649.8**
Financed by					
Share capital including share premium	59.8	59.8	66.8	89.1	**89.1**
Reserves	1,228.1	1,466.4	1,623.1	1,664.0	**1,759.3**
Loans	659.5	592.2	735.1	748.9	**687.6**
Minority interest	61.6	82.3	81.3	66.5	**113.8**
	2,009.0	2,200.7	2,506.3	2,568.5	**2,649.8**
Group turnover					
Property investment	75.9	139.3	158.6	133.6	**154.8**
Property trading	58.8	109.1	97.8	135.1	**87.5**
Demerged activities	9.7	–	–	–	**–**
	144.4	248.4	256.4	268.7	**242.3**
Profit on ordinary activities before taxation					
Property investment	36.1	66.8	71.6	62.4	**54.7**
Property trading	5.9	12.2	10.1	11.5	**8.3**
Demerged activities	(1.5)	–	–	–	**–**
Group operating profit	40.5	79.0	81.7	73.9	**63.0**
Share of operating profit of associates and joint ventures	26.9	11.0	12.0	17.7	**22.3**
Total operating profit	67.4	90.0	93.7	91.6	**85.3**
Profit on sale of investment properties	10.5	21.4	28.0	25.8	**40.3**
Profit on sale of trade investment	–	30.2	–	–	**3.7**
Amounts written off investments	–	–	–	(17.3)	**(0.4)**
Net interest	(30.7)	(46.1)	(41.4)	(41.1)	**(39.5)**
Investment income	1.6	2.0	1.5	1.8	**2.3**
Profit before taxation	48.8	97.5	81.8	60.8	**91.7**

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

PROPERTY PORTFOLIO

SUMMARY

	Direct properties Office/Commercial £m	Retail £m	Residential £m	Held in joint ventures £m	Trade investments £m	Committed developments £m	**Total £m**
Britain and Ireland							
West End	559	194	452	–	–	10	**1,215**
City	53	–	–	–	–	31	**84**
Outside London	36	253	–	–	–	162	**451**
	648	447	452	–	–	203	**1,750**
Americas							
U.S.A.	150	102	–	–	–	15	**267**
Canada	79	37	–	–	–	56	**172**
	229	139	–	–	–	71	**439**
Continental Europe							
GEPP	17	–	–	–	–	–	**17**
Sonae	–	–	–	368	–	275	**643**
Lar Grosvenor	–	–	–	57	–	197	**254**
SFL	–	–	–	–	46	–	**46**
	17	–	–	425	46	472	**960**
Australia Asia Pacific							
Australia	93	4	–	–	–	13	**110**
Hong Kong	7	–	8	–	33	11	**59**
Japan	–	–	6	–	–	–	**6**
Singapore	–	–	–	–	7	–	**7**
	100	4	14	–	40	24	**182**
Total	**994**	**590**	**466**	**425**	**86**	**770**	**3,331**

BRITAIN AND IRELAND

Investment properties

Property	**Description**	**Location**	**Ownership**	**Area sq.m.**	**Area sq.ft**
125 Wood Street	Office	London WE	Fund	4,236	45,593
Adams Row	9 mews houses and garaging 1 office	London WE	Wholly owned	1,770	19,052
Aldford Street	1 apartment building, 1 house and 1 office	London WE	Wholly owned	1,942	20,902
Ann's Close -Kinnerton Str	6 houses	London WE	Wholly owned	655	7,050
Coopers Square	Covered shopping centre with 70 retail units	Burton on Trent	Fund	35,754	384,865
Prince Bishops	Shopping centre with 54 retail units	Durham	Fund	14,500	156,082
Freshney Place	Single level covered shopping centre with 100 retail units	Grimsby	Fund	46,452	500,022
Dolphin Centre	Shopping centre with 125 retail units	Poole	Fund	46,149	496,760
Avery Row	2 retail units	London WE	Wholly owned	564	6,067
Balderton Street	3 cellular offices and 4 apartment buildings	London WE	Wholly owned	10,255	110,390
Balfour Mews	3 houses	London WE	Wholly owned	956	10,295
Balfour Place	2 houses, 2 apartment buildings, 1 cellular office and 1 retail unit	London WE	Wholly owned	5,916	63,680
Festival Place	New covered two level shopping centre with 165 retail units	Basingstoke	Fund	92,903	1,000,032
Belgrave Place	1 house	London WE	Wholly owned	92	987
Belgrave Square	1 house	London WE	Wholly owned	874	9,406
Berkeley Square	3 cellular offices, 2 open plan offices and 1 restaurant/leisure unit	London WE	Wholly owned	11,691	125,848
Binney Street	2 houses and 2 apartment buildings	London WE	Wholly owned	2,133	22,962

PROPERTY PORTFOLIO

BRITAIN AND IRELAND (continued)

Investment properties (continued)

Property	Description	Location	Ownership	Area sq.m.	Area sq.ft
Blackburne's Mews	2 houses and 1 apartment building	London WE	Wholly owned	1,140	12,266
Boscobel Place	8 houses	London WE	Wholly owned	1,465	15,764
Bourdon Place	1 flat with garaging and 2 cellular offices	London WE	Wholly owned	946	10,185
Bourdon Street	Mews houses and garaging, 1 house and 2 open plan offices	London WE	Wholly owned	6,876	74,010
Bowland Yard Kinnerton	1 house	London WE	Wholly owned	862	9,278
Broadbent Street	1 apartment building	London WE	Wholly owned	639	6,880
Brook Street	24 cellular and open plan offices, 4 houses and 2 retail units	London WE	Wholly owned	23,727	255,405
Brooks Mews	3 cellular offices, 1 open plan office, 1 house and 1 retail unit	London WE	Wholly owned	2,923	31,459
Brown Hart Gardens	1 apartment building	London WE	Wholly owned	2,667	28,713
Buckingham Palace Road	12 cellular offices, 4 flats, 1 house and 1 retail unit	London WE	Wholly owned	10,442	112,400
Capener's Close	3 houses	London WE	Wholly owned	695	7,484
Carlos Place	7 cellular offices	London WE	Wholly owned	3,316	35,697
Chester Close	1 cellular office	London WE	Wholly owned	271	2,922
Culross Street	12 houses and 1 apartment and garaging	London WE	Wholly owned	4,230	45,536
Davies Mews	1 cellular office, 1 house and 1 retail unit	London WE	Wholly owned	2,353	25,324
Davies Street	11 open plan and cellular offices, 7 retail units and 3 apartment buildings	London WE	Wholly owned	28,455	306,297
Duke Street	16 retail units, 2 cellular offices and 1 apartment building	London WE	Wholly owned	8,676	93,390
Dukes Yard	1 mews house and garaging	London WE	Wholly owned	401	4,319
Dunraven Street	3 cellular offices and 6 apartment buildings	London WE	Wholly owned	5,177	55,723
Eaton Mews	49 apartment buildings and houses	London WE	Wholly owned	7,503	80,760
Eaton Row	1 house	London WE	Wholly owned	87	938
Eaton Square	54 residential houses and apartments in historic grade 2* listed buildings	London WE	Wholly owned	71,812	773,001
Eaton Terrace Mews	3 houses	London WE	Wholly owned	378	4,064
Ebury Street	1 cellular office	London WE	Wholly owned	4,755	51,183
Eccleston Mews	4 houses and 3 apartment buildings	London WE	Wholly owned	689	7,413
Eccleston Place	1 open plan and 1 cellular office	London WE	Wholly owned	123	1,323
Eccleston Street	1 apartment building	London WE	Wholly owned	2,139	23,029
Elizabeth Street	2 houses	London WE	Wholly owned	1,280	13,777
Frederic Mews & Kinnerton Place	3 mews houses and 4 cellular offices	London WE	Wholly owned	597	6,423
Gilbert Street	7 apartment buildings, 1 house and 1 cellular office	London WE	Wholly owned	5,269	56,713
Grand Arcade	Shopping centre	Cambridge	Fund	13,564	146,006
Green Street	26 apartment buildings, 8 houses and 4 cellular offices	London WE	Wholly owned	24,318	261,761
Grosvenor Crescent	7 cellular offices	London WE	Wholly owned	11,288	121,508
Grosvenor Gardens	13 cellular and open plan offices and 1 house	London WE	Wholly owned	21,128	227,426
Grosvenor Hill	1 house and 3 cellular offices	London WE	Wholly owned	3,731	40,161
40 Grosvenor Place	7 floor open plan office building	London WE	Fund	22,494	242,133
Grosvenor Square	7 cellular offices, 9 apartment buildings and 2 retail units	London WE	Wholly owned	113,579	1,222,599
Grosvenor Street	44 cellular and open plan offices and 2 apartment buildings	London WE	Wholly owned	57,394	617,802
Hill Street	1 cellular office	London WE	Wholly owned	4,745	51,074
Hobart Place	8 cellular offices	London WE	Wholly owned	3,434	36,965
Holyrood Park House	3 floor open plan office	Edinburgh	Wholly owned	4,354	46,868
Kinnerton Place	7 houses, 6 apartments, 2 cellular offices and 1 retail unit	London WE	Wholly owned	1,005	10,817
Kinnerton Street	25 houses, 7 apartment buildings, 4 cellular offices and 8 retail units	London WE	Wholly owned	5,164	55,585
Kinnerton Yard	1 apartment building	London WE	Wholly owned	753	8,107
Almack House, King Street	7 floor 1990's office building	London WE	Fund	9,313	100,251
Lees Place	5 houses and 1 apartment building	London WE	Wholly owned	4,333	46,646
Liffey Valley Shopping Centre	Regional shopping centre with 94 retail units and cinema	Dublin, Republic of Ireland	Partnership	36,325	391,012

PROPERTY PORTFOLIO

BRITAIN AND IRELAND (continued)

Investment properties (continued)

Property	Description	Location	Ownership	Area sq.m.	Area sq.ft
Lumley Street	1 apartment building	London WE	Wholly owned	1,872	20,152
Lyall Street	1 house	London WE	Wholly owned	486	5,228
Minera Mews	1 house	London WE	Wholly owned	123	1,320
25 Moorgate	7 floor open plan office building with retail space	London City	Partnership	8,010	86,222
Mount Row	4 houses, 5 apartment buildings and 2 cellular offices	London WE	Wholly owned	15,896	171,109
Mount Street	23 retail units, 3 houses, 1 apartment building and 9 cellular offices	London WE	Wholly owned	45,056	484,990
North Audley Street	13 retail units, 5 cellular offices and 1 house	London WE	Wholly owned	22,968	247,232
North Row	1 open plan office with 2 apartment buildings and 5 retail units	London WE	Wholly owned	6,005	64,643
111 Old Broad Street	8 floor open plan office building	London City	Fund	11,419	122,917
Oxford Street	19 retail units and 2 open plan offices	London WE	Wholly owned	70,517	759,058
Park Lane	8 cellular offices, 7 apartment buildings and 1 retail unit	London WE	Wholly owned	15,481	166,647
Park Street	13 apartment buildings, 11 houses and 26 cellular and open plan offices	London WE	Wholly owned	43,047	463,371
Providence Court	Cellular office building	London WE	Wholly owned	656	7,060
Red Place	1 open plan office	London WE	Wholly owned	1,272	13,691
Reeves Mews	1 house and 3 apartment buildings	London WE	Wholly owned	2,763	29,744
Rex Place	2 houses and 1 apartment building	London WE	Wholly owned	668	7,191
Shepherds Close	3 houses	London WE	Wholly owned	1,036	11,154
Shepherds Place	3 houses and 1 cellular office	London WE	Wholly owned	1,920	20,671
South Audley Street	5 cellular offices, 13 retail units, 6 houses and 1 apartment building	London WE	Wholly owned	25,216	271,433
South Eaton Place	1 house	London WE	Wholly owned	104	1,119
South Street	12 houses and 2 apartment buildings	London WE	Wholly owned	14,771	159,003
St Anselm's Place	2 houses and 1 apartment building	London WE	Wholly owned	578	6,221
Studio Place	2 houses and 3 cellular offices	London WE	Wholly owned	1,738	18,712
Technopole	Open plan office building	Edinburgh	Wholly owned	882	9,494
Three Kings Yard	5 flats and 1 cellular office	London WE	Wholly owned	564	6,068
Upper Belgrave Street	1 house	London WE	Wholly owned	1,372	14,774
Upper Brook Street	13 houses, 10 apartment buildings, 16 cellular offices and 1 retail unit	London WE	Wholly owned	34,510	371,476
Upper Grosvenor Street	6 houses, 4 apartment buildings and 17 cellular offices	London WE	Wholly owned	27,765	298,867
Weighhouse Street	2 apartment buildings and 5 retail units	London WE	Wholly owned	4,221	45,432
Woods Mews	5 houses, 5 apartment buildings and 1 cellular office	London WE	Wholly owned	3,112	33,497

Principal developments

Property	Description	Location	Ownership	Area sq.m.	Area sq.ft
41 Lothbury	8 floor open plan office building	London City	Partnership	15,253	164,187
Belgrave House	6 floor open plan office building	London WE	Partnership	25,516	274,661
Liffey Valley Office Campus	Office park	Dublin, Rep of Ireland	Partnership	17,193	185,070
Paradise Street	MIxed use city centre development	Liverpool	Partnership	191,000	2,055,974
Grand Arcade	Mixed use city centre development	Cambridge	Partnership	13,564	146,006
South Gyle	Office park	Edinburgh	Wholly owned	9,936	106,954

PROPERTY PORTFOLIO
AMERICAS

Investment properties

Property	Description	Location	Ownership	Area sq.m.	Area sq.ft
10400 Ridgeview Court	2 floor research and development building	Cupertino, U.S.A.	Wholly owned	10,745	115,663
1500 K Street NW	10 floor office building	Washington DC, U.S.A.	Fund	22,580	243,060
1701 Pennsylvania Avenue	12 floor office building with ground floor retail and parking	Washington DC, U.S.A.	Partnership	17,366	186,927
1777 F Street	8 floor office building	Washington DC, U.S.A.	Wholly owned	5,317	57,237
180 Post Street	4 floor building with ground floor retail	San Francisco, U.S.A.	Partnership	2,728	29,370
2 North Lake	11 floor office building with parking	Pasadena, U.S.A.	Partnership	20,494	220,599
251 Post Street	6 floor building with ground floor retail	San Francisco, U.S.A.	Partnership	3,364	36,208
600 Clipper Drive	3 floor office building	Belmont, U.S.A.	Partnership	14,368	154,661
701 North Michigan Avenue	2 floor retail building	Chicago, U.S.A.	Fund	2,127	22,900
830 North Michigan Avenue	6 floor retail building	Chicago, U.S.A.	Fund	11,582	124,675
Annacis Business Park	Distribution and industrial park	Vancouver, Canada	Wholly owned	90,254	971,521
Beaumont Business Center	10 building office park	Tampa, U.S.A.	Partnership	23,529	253,277
Best Buy Metro Center	Regional shopping centre	Springfield VA, U.S.A.	Partnership	9,777	105,237
Bow Parkade & Heagle Building	1000 parking spaces on 6.5 levels with ground floor retail	Calgary, Canada	Wholly owned	2,912	31,341
Broadmead Shopping Centre	Community shopping centre	Saanich, B.C., Canada	Partnership	11,786	126,866
Fort James Distribution Facility	Distribution centre	Alberta, Canada	Partnership	23,146	249,151
Garden City Shopping Centre	Regional shopping centre with 3 department stores and 88 retail units	Winnipeg, Canada	Wholly owned	35,211	379,022
Geo-X Systems	2 floor office building	Alberta, Canada	Partnership	3,384	36,428
Results Way Corporate Park	10 office buildings on 20 acres of land	Cupertino, U.S.A.	Partnership	34,832	374,938
South Edmonton Common	Regional 'power' centre	Alberta, Canada	Partnership	7,783	83,777
South Point Exchange	Community shopping centre	Surrey, Canada	Partnership	19,964	214,903
The Grosvenor Building	22 floor office building with retail space and parking	Vancouver, Canada	Wholly owned	18,922	203,682
Town East Mall	Regional shopping centre with 4 department stores and 185 retail units	Mesquite, U.S.A.	Partnership	115,515	1,243,438
USCO Distribution Facility	Distribution centre	Alberta, Canada	Partnership	28,068	302,135
Valley River Center	Regional shopping centre with 4 department stores and 124 retail units	Oregon, U.S.A.	Partnership	104,037	1,119,885
Warner Corporate Center	12 floor office building	Los Angeles, U.S.A.	Partnership	23,569	253,698
WesTech Business Park	8 office buildings and 57 acres of land for development	Maryland, U.S.A.	Partnership	44,045	474,114

Principal developments

Property	Description	Location	Ownership	Area sq.m.	Area sq.ft
2300 Cambie Street	Commercial and residential development	Vancouver, Canada	Partnership	26,012	280,000
Langley interchange	Commercial and industrial development	Langley, B.C., Canada	Wholly owned	191,823	2,064,833
Lower lonsdale	Commercial and residential development	Vancouver, Canada	Partnership	29,412	316,600
South Edmonton Common	Commercial development	Alberta, Canada	Partnership	452,605	4,871,959
West Rosemary	Residential development	Surrey B.C., Canada	Partnership	70,052	754,058
East Clayton	Residential development	Surrey B.C., Canada	Partnership	28 acres	
bwtech@UMBC	Multi-phased research and technology park	Baltimore, U.S.A.	Wholly owned	5,574	60,000
308 Rodeo Drive North	3 floor retail building	Beverly Hills, U.S.A.	Partnership	1,068	11,492
WesTech, Crestridge	Research and development buildings	Maryland, U.S.A.	Partnership	3,251	35,000

PROPERTY PORTFOLIO
CONTINENTAL EUROPE

Investment properties

Property	Description	Location	Ownership	Area sq.m.	Area sq.ft
Directly owned investment properties					
47 - 61 Via Poma	Office building	Milan, Italy	Wholly owned	13,544	145,791
Investment properties held by Joint Ventures					
AlgarveShopping	Two storey shopping centre with 133 retail units	Guia, Portugal	Fund	42,352	455,888
ArrábidaShopping	Three storey shopping centre with 180 retail units	Vila Nova de Gaia, Portugal	Fund	56,346	606,523
CascaiShopping	Three storey shopping centre with 169 retail units	Cascais, Portugal	Fund	72,230	777,500
Coimbra Retail Park	Retail park with 69 retail units	Coimbra, Portugal	Wholly owned	12,800	137,783
CoimbraShopping	Two storey shopping centre with 69 retail units	Coimbra, Portugal	Fund	26,462	284,844
Centro Colombo	Three storey shopping centre with 427 retail units	Lisbon, Portugal	Fund	119,869	1,290,301
Estaçao Viana Shopping	Three storey shopping centre with 114 retail units	Viana do Castelo, Portugal	Wholly owned	18,605	200,269
FrancaShopping	Shopping centre with 85 retail units	Franca, Brazil	Wholly owned	17,992	193,671
GaiaShopping	Shopping centre with 167 retail units	Vila Nova de Gaia, Portugal	Fund	56,443	607,567
GuimarãeShopping	Two storey shopping centre with 92 retail units	Guimarães, Portugal	Fund	24,875	267,761
La Farga	Four storey shopping and leisure centre with 128 retail units	Barcelona, Spain	Fund	18,564	199,828
Kareaga Max Centre	Two storey shopping centre and three storey leisure centre	Bilbao, Spain	Fund	37,145	399,839
Grancasa	Three storey shopping centre	Zaragoza, Spain	Fund	39,996	430,527
MadeiraShopping	Shopping centre with 112 retail units	Funchal, Portugal	Fund	26,583	286,146
MaiaShopping	Two storey shopping centre with 112 retail units	Maia, Portugal	Fund	30,840	331,970
NorteShopping	Two storey shopping centre with 289 retail units	Porto, Portugal	Fund	72,249	777,707
Parque Atlântico	Shopping and leisure centre	Ponta Delgado, Portugal	Fund	16,571	178,375
Parque Dom Pedro	Shopping centre with 390 retail units	Sau Paulo, Brazil	Wholly owned	105,000	1,130,248
Parque Principado	Shopping centre with 159 retail units	Oviedo, Spain	Fund	70,000	753,498
Plaza Mayor	Shopping and leisure centre with 99 retail units	Malaga, Spain	Fund	28,900	311,087
Sintra Retail Park	Shopping centre with 16 retail units	Sintra, Portugal	Fund	17,317	186,405
Sonae Enplanta	Minority shareholdings in five Brazilian shopping centres	Brazil	Partnership	114,685	1,234,500
Valle Real	Two storey shopping centre with 102 retail units	Santander, Spain	Fund	46,877	504,596
Vasco da Gama	Four storey shopping centre with 164 shops	Lisbon, Portugal	Fund	47,611	512,497
ViaCatarinaShopping	Four storey shopping centre with 100 retail units	Porto, Portugal	Fund	11,611	124,984
L'Aljub	Shopping centre with 120 retail units	Elche, Spain	Wholly owned	45,000	484,392
Madrid Sur	Shopping centre with 78 retail units	Madrid, Spain	Partnership	23,742	255,565
Urbil	Shopping centre with 68 retail units	San Sebastien, Spain	Fund	30,000	322,928

Principal developments held by joint ventures

Property	Description	Location	Ownership	Area sq.m.	Area sq.ft
3DO, Dortmund	Shopping centre development	Dortmund, Germany	Wholly owned	58,360	628,202
Aegean Park	Shopping centre and leisure development	Athens, Greece	Partnership	45,590	490,743
Alexander Platz	City centre retail development	Berlin, Germany	Wholly owned	53,305	573,789
Avenida M40	Three storey shopping centre and leisure development	Madrid, Spain	Partnership	31,156	335,371
Boavista Shopping	Three storey regional shopping centre	Sao Paulo, Brazil	Wholly owned	14,103	151,808
Brescia	Retail and leisure development	Brescia, Italy	Partnership	28,880	310,872
Covilhã Shopping	Shopping centre development	Covilhã, Portugal	Wholly owned	16,859	181,475
Dos Mares	Two storey shopping centre and leisure development	Murcia, Spain	Partnership	15,533	167,201
LoureShopping	Shopping centre development	Loures, Portugal	Wholly owned	23,352	251,367
Luz del Tajo	Shopping centre development	Toledo, Spain	Partnership	24,386	262,497
Penha Expansion	Expansion of existing shopping centre	Sao Paulo, Brazil	Partnership	29,235	314,693
Plaza Eboli	Shopping centre and leisure development	Pinto, Spain	Partnership	21,379	230,129
Plaza Mayor Expansion	Expansion of existing shopping centre	Malaga, Spain	Fund	16,830	181,163
Pylea	Shopping centre development	Thessaloniki, Greece	Partnership	48,870	526,050

PROPERTY PORTFOLIO
CONTINENTAL EUROPE (continued)

Principal developments held by joint ventures (continued)

Property	Description	Location	Ownership	Area sq.m.	Area sq.ft
Seixal	Shopping centre development	Seixal, Portugal	Wholly owned	18,199	195,899
Setubal Retail Park	Shopping centre development	Seixal, Portugal	Partnership	15,000	161,464
Zubiarte	Five storey shopping centre and leisure development	Bilbao, Spain	Partnership	21,619	232,713
Carabanchel	Shopping centre development	Madrid, Spain	Wholly owned	90,467	973,811
Cornellà	Shopping centre development	Barcelona, Spain	Wholly owned	54,500	586,652
Carcagente	Shopping centre development	Valencia, Spain	Partnership	33,068	355,953
Orense	Shopping centre development	Orense, Spain	Partnership	52,500	565,124
Mieres	Shopping centre development	Mieres, Spain	Partnership	20,610	221,851
Omega	Office development	Madrid, Spain	Partnership	47,654	512,960
Alcala	Industrial development	Alcala-de-Henares, Spain	Wholly owned	19,448	209,343
Coslada	Industrial development	Coslada, Spain	Wholly owned	11,800	127,018

AUSTRALIA ASIA PACIFIC

Investment properties

Property	Description	Location	Ownership	Area sq.m.	Area sq.ft
114 Flinders Street	Car park with 864 spaces	Melbourne, Australia	Wholly owned	1,609	17,320
151 Glendenning Road	2 warehouses	Sydney, Australia	Wholly owned	11,690	125,834
201 Charlotte Street	Office building	Brisbane, Australia	Wholly owned	13,399	144,230
57-101 Balham Road	7 building industrial complex	Brisbane, Australia	Wholly owned	24,546	264,220
61 Plumpton Road	Industrial distribution building	Sydney, Australia	Wholly owned	8,560	92,142
Abbot Road, Seven Hills	Retail	Sydney, Australia	Wholly owned	7,494	80,667
Cinema Centre Car Park	Car park on 10 levels with 906 spaces	Sydney, Australia	Wholly owned	26,803	288,515
2828 - 2840 Ipswich Road	Industrial warehouse	Brisbane, Australia	Wholly owned	13,914	149,774
22 - 34 Rosebery Avenue	Industrial warehouse	Sydney, Australia	Wholly owned	5,655	60,872
Sir Joseph Banks Corporate Park	Hi Tech business park	Sydney, Australia	Partnership	21,874	235,457
35D Tregunter Tower	Residential flat	Hong Kong	Fund	279	3,001
17B Dynasty Court	Residential flat	Hong Kong	Fund	210	2,256
Horizon Lodge	2 houses and 5 flats	Hong Kong	Fund	1,608	17,310
46C Tavistock Street	3 bedroom apartment	Hong Kong	Fund	161	1,730
15C Fairlane Tower	2 bedroom apartment	Hong Kong	Fund	104	1,118
6-16 Peel Rise	6 houses	Hong Kong	Fund	1,863	20,052
Rosecliff	3 houses	Hong Kong	Fund	1,109	11,940
39 Deep Water Bay Road	Semi-detached house	Hong Kong	Fund	376	4,047
15/F Lippo Centre I	Office on 15th floor of Lippo Tower	Hong Kong	Partnership	1,240	13,344
33/F Lippo Centre II	Office on 33rd floor of Lippo Tower	Hong Kong	Wholly owned	810	8,722
Mayfair Court Nishiazabu	9 unit residential building	Japan	Fund	1,256	13,520
Chester House Sarugakucho	Apartment	Japan	Fund	734	7,901
Chester Court Sengoku	2 bedroom apartment	Japan	Fund	1,469	15,813

Principal developments

Property	Description	Location	Ownership	Area sq.m.	Area sq.ft
Building B/C Sir Joseph Banks Corporate Park	Hi Tech business park	Sydney, Australia	Partnership	10,145	109,203
Banyo	Residential and industrial development (* land area)	Brisbane, Australia	Wholly owned	137,314*	1,478,084*
Grosvenor Place	21 Luxury apartment development	Repulse Bay, Hong Kong	Partnership	5,574	60,000

PHOTOGRAPHIC CAPTIONS

Pages 2 & 3 photos left to right

Page 2 Grosvenor people, clockwise from top left: people in all photographs listed left to right.

- Rory Penn and Jody Pamplin, UK graduate trainees.
- Andrew Bibby, President and Michael Beattie, Vice President, Grosvenor Canada, Vancouver.
- David Olson, Senior Vice President and Head of Asset Management Grosvenor U.S.A., Mark Preston, President Grosvenor U.S.A. and Alan Chamorro, Vice President Grosvenor U.S.A., San Francisco.
- Haydn Bailey, Acquisition and Development Manager, Queensland and Graham Livingstone, Queensland State Manager, Brisbane.

Page 3 clockwise from top left: people in all photographs listed left to right.

- Guy Blackburn, UK graduate trainee, London.
- James Mount and Hayden Cooper, UK graduate trainees, London.
- Linda Pike, Group Fund Management Surveyor and Mark O'Rorke, Group Graduate Analyst, London.
- Lee Singleton, Construction Manager and Graham Parry, Research Analyst, Sydney.
- Stephen Barter, Group Special Projects Director, London.
- Chi Lo, Head of Research; James Buckley, Senior Investment Manager and Lily Ling, Accountant, Hong Kong.
- Michele Simon, UK Grosvenor Service Centre Director.
- Sandi Tsai-Rieb, Finance Assistant, Timothy Young, Property Analyst and Linda Bouakaz, Receptionist, Paris.

Britain and Ireland

page 23 top to bottom

- Paradise Street Development Area, Liverpool. A 191,000 m^2 (2,059,000 sq ft) regeneration project (from a model by Cesar Pelli).
- Chantrey House, London SW1, a 2,680 m^2 (28,900 sq ft) development of 27 rental apartments and 9 affordable housing units.
- Charles Darwin House, Edinburgh Technopole. A joint venture with the University of Edinburgh.
- 10 Grosvenor Street, London W1. (5,300 m^2) 57,000 sq ft of offices. A joint venture with Hammerson plc.
- 25 Moorgate, London EC2. 6,290 m^2 (74,000 sq ft) of offices with 734 m^2 (8,000 sq ft) of retail space.

Americas

page 33 top to bottom

- Best Buy Metro Center, Springfield, Virginia. A 105,000 sq ft (9,750 m^2) class A retail center.
- Artist's impression of 308 North Rodeo drive, Beverley Hills, California. A redevelopment to create 11,492 sq ft (1,067 m^2) of prime retail space.
- 1777 F Street, Washington D.C. A 59,000 sq ft (5,500 m^2) office building in the central business district.
- TIME, North Vancouver, British Columbia, 265 residential apartments.
- South Point Exchange Shopping Centre, Surrey, British Columbia. A 207,000 sq ft (19,200 m^2) shopping centre.

Continental Europe

page 43 top to bottom

- Serrano 49, Madrid, Spain. An office building with ground floor retail. 3,882 m^2 (42,000 sq ft) of net lettable space. Sold in 2003 (Lar Grosvenor).
- 260 Diputacíon, Barcelona, Spain. 3,706 m^2 (39,892 sq ft) office building sold in 2003.
- LAljub, Elche, Spain a 45,000 m^2 (484,000 sq ft) shopping centre (Lar Grosvenor).
- Serrano 55, Madrid, Spain. A 5,800 m^2 (62,400 sq ft) office building sold in 2003 (Lar Grosvenor).
- Plaza Mayor, Malaga, Spain. A 28,900 m^2 (311,000 sq ft) shopping and leisure centre with 99 units. (Sonae Imobiliária).

Australia Asia Pacific

page 53 top to bottom

- Forme Tsunashima, Cress Towers, Yokohama, Japan. Two units within the 204 residential units in two18 storey towers are owned by a Grosvenor managed fund.
- Chester House, Sengoku, Tokyo, Japan. 18 residential units owned by a Grosvenor managed fund.
- 152 Wharf Street, Brisbane, Australia. A 4,613 m^2 (49,600 sq ft) office building sold in 2003.
- Sir Joseph Banks Corporate Park, Sydney, Australia. A Hi Tech business park.
- 201 Charlotte Street, Brisbane, Australia. A 13,400 m^2 (144,000 sq ft) office building.

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