ANNUAL REPORT & ACCOUNTS

2004

GROSVENOR

Cover: Belgrave House, Victoria, London.
A joint venture development with
JE Roberts Partners, completed in 2004.

GROSVENOR AND EDUCATION
Each year the Grosvenor annual report and accounts contains a special feature. This year the topic is education and business partnership on pages 16 to 21.

Grosvenor

is an international property development and investment group.

It has regional operating companies covering Australia Asia Pacific, the Americas, Britain and Ireland and Continental Europe and an international fund management business which operates across all these markets. The Group is united by a common business approach, culture and shareholder.

Review

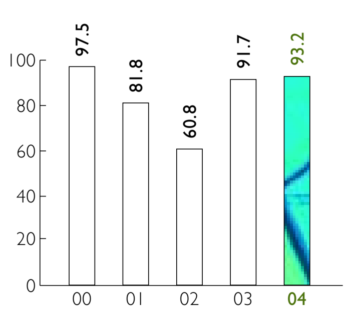
Accounts

Highlights for 2004

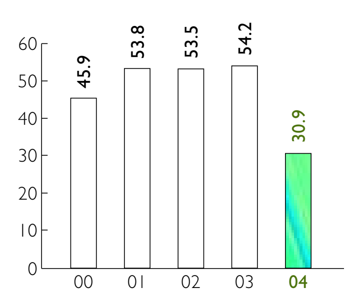
Results

	2004 £m	2003 £m
Property assets (page 71)	3,203	2,735
Shareholders' funds	2,169	1,848
Gross rental income	135.5	144.4
Revenue profit (page 11)	30.9	54.2
Profit before tax	93.2	91.7

Profit before tax (£m)



Revenue Profit (£m)

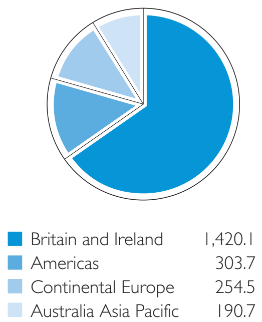


Returns

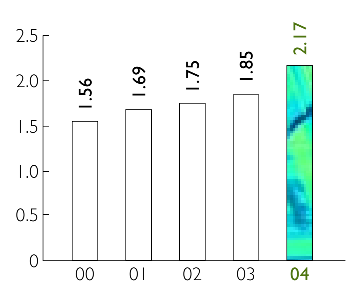
	10 Year Average	2004 %	2003 %
Weighted average cost of capital	**10.8**	8.2	8.5
Total return on property assets	**12.2**	13.8	7.5

In ***2004*** *shareholders' funds increased by* **17.4%**

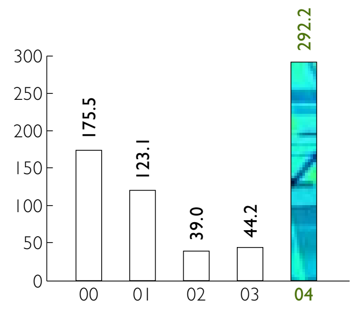
Shareholders' Funds (£m) by region



Shareholders' Funds (£bn)



Revaluation Movement (£m)

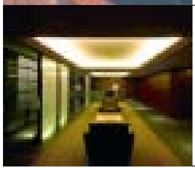


Portfolio Analysis

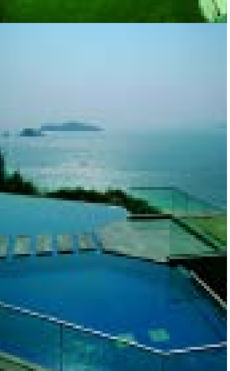
Grosvenor has interests in properties with a total value of £10.6bn *(US$20.3bn, €14.9bn)*

Assets under management increased from £6.1bn in 2003 to £7.7bn.
Our proprietary assets increased from £3.3bn in 2003 to £4.0bn.

	£4.0bn	*Grosvenor's wholly owned assets and share of assets in partnerships and joint ventures, including the cost of the committed development programme* *(page 90)*
	£3.7bn	*Third party assets managed by Grosvenor*
	£7.7bn	**Total assets under management**

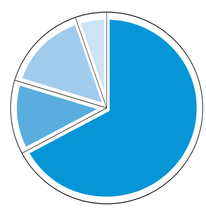


The total value of properties in which Grosvenor has an interest, either directly or through partnerships and joint ventures, including the shares of all third party investors is £10.6bn



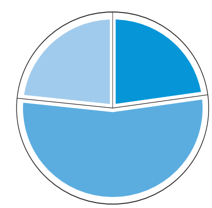
Assets Under Management £7.7bn

By Region (£m)



Britain and Ireland	5,164
Americas	939
Continental Europe	1,165
Australia Asia Pacific	384

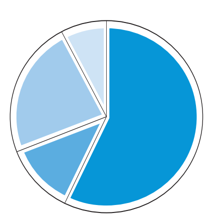
By Sector (£m)



Commercial	1,744
Retail	4,140
Residential	1,768

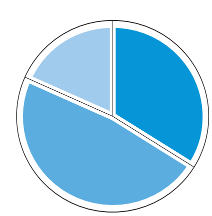
Proprietary £4.0bn

By Region (£m)



Britain and Ireland	2,280
Americas	479
Continental Europe	916
Australia Asia Pacific	300

By Sector (£m)



Commercial	1,354
Retail	1,895
Residential	726

Chairman's Review

It is not easy to sum up a year in a few words but in introducing our 2004 Annual Report (which we have produced for our many and varied partners who work with us including occupiers, co-investors, co-developers, financiers and advisers), I want to tell you that, in unusual market conditions, we had a record breaking year with good total returns but also a disappointing one when measured by profitability.

I could summarise 2004 in one word – 'Liverpool'! While Liverpool happens to be the soccer team which my son supports, what it means to us is the Paradise Project; this 17 hectare (42 acre) city centre regeneration is the largest development project we have undertaken and we know that we have accepted not just a property challenge but a social and political one also as we play our part in the continuing rejuvenation of Liverpool. I want to thank all of those individuals and companies who have worked so hard to bring the project to its start on site. I believe that all those in the huge team that is involved locally and nationally have adopted the important maxim that successful developments must be initiated, inspired and delivered locally. Due to the nature and scale of this project, we are all pioneering to some extent but by drawing together local people and the experience of outsiders we believe we are on course to produce a special result. Nevertheless, 'Liverpool' would be an inadequate summary of the year as I could equally well state 'Hong Kong' and 'Washington D.C.' and 'Paris' and 'Brisbane' because in each of these cities we have fulfilled something special. Each of our Operating Companies has a 'largest' or 'first' to report.

In spite of many successes, we are reporting flat profit before tax and lower 'revenue' profit (our definition of recurring profit). This is not satisfactory and although we can explain the reasons in terms of building for the future, we believe we must do better. We are deliberately operating with a higher cost base but we know the route to best performance is in sustaining higher net income. Ironically, in 2004, we also achieved our highest total return for four years as the extraordinary demand for property investments across the world led to significant increases in the valuation of our portfolio.

The worldwide flood of interest and initiatives on corporate governance has continued but it seems that the tide may now be turning. As the costs involved start to be revealed, it is apparent that they may outweigh the real benefits while the inhibiting nature of many of the measures being introduced will inevitably lead to a 'brain drain' from public company Boards. As a private company we are able to take a balanced view of all of this. We could have chosen to ignore most of the new initiatives and regulations that have come into place but we continue to set great store by the rigour of professional management and the imperatives which inevitably flow from high transparency. However, there are some instances where we believe it would be counter-productive to follow the UK's 'Combined Code' and when this is the case we have made our reason clear.

This year marks the 5th anniversary of the establishment of our devolved operating company structure. We decided then that the most effective way to manage our broadly diversified business was to allow property strategy, acquisitions, disposals and associated financing requirements to be determined and managed locally. The increasing need for deep understanding of local markets in order to generate good returns vindicates our decision to pursue this approach.

The world economy has performed well over the last 12 months but with very different regional patterns. My fellow Directors are confident of further good growth in 2005 but we spend considerable time reviewing the many reasons to be watchful about the coming 18 months – in particular currency values, US and European budget deficits and the still growing demand for property investments. In this and every aspect of their roles, the Group Directors have been an enlightened and enlightening Board to work with and I am most grateful to them and to all of our other outside Directors, listed on page 44.

We continue to increase our involvement with the education sector. We believe this is a responsible thing for us to do whether it is in direct financial support of a University, helping with teaching and research or using our skills to help with a property issue. Universities have a growing importance in the life of cities because they contribute to the shaping of metropolitan culture, character and physical development. We are building relationships with several large metropolitan Universities on an international basis and we will continue to pursue commercial, academic, as well as, philanthropic activities with these institutions.

The Duke of Westminster KG OBE TD DL
Chairman
17 March 2005

"Each of our Operating Companies has a 'largest' or 'first' to report this year."

Chief Executive's Statement

In 2004, our Profit before tax was £93.2m, compared to £91.7m in 2003, and our total return was 13.8%, a substantial improvement on 2003. As always, the overall result masks different performances from our operating companies around the world; pride of place in 2004 goes to the Asia Pacific business which achieved a total return of 33%.

2004 was a year when the full width and scope of the Group was prominently on display. We now have exciting development activity underway in each of our regions. The total cost of the programme is approximately £2.3bn and includes high to low end homes, university science parks, industrial buildings, new office premises, shopping centres and smaller shops in cities as diverse as Seattle, Calgary, Baltimore, London, Edinburgh, Madrid and Tokyo.

We are most active in retail development, often as part of larger, mixed use projects. We continue to see good opportunity in providing the best possible interface between retailers and consumers but we have no illusions about the changes that will be imposed in technology driven societies. The breakthrough of internet retailing is now better appreciated but it is still in its infancy; as time goes by, more and more emphasis will be placed on shopping centres as places to socialise and to view things to buy. 'Showrooms' may eventually be more important than space for stock or selling and consumer restlessness will demand rapid changes in merchandising.

We have progressed with our efforts to increase our exposure to residential markets right across the Group. In spite of the well publicised recent growth in residential property values, we still believe that the residential sector has the most robust long-term demand characteristics compared to other property sectors.

In the UK, the London Estate continues to underpin activity. We were somewhat held up in our office letting programme, but we made good progress in the short-let residential market and continue to focus on improving our products and services. Outside London, apart from the Paradise Project, Liverpool, we started construction on Grand Arcade, Cambridge. We welcome the UK Government's commitment to the introduction of a UK Real Estate Investment Trust (REIT). Subject to there being no overall impact on the Exchequer, this is likely to occur in 2006. The latest Government consultation demonstrates a largely market-led approach and we believe this is particularly relevant in allowing both private and listed REITs.

We know property markets are always cyclical but it was reassuring that finally, there were significant improvements in our Asia Pacific markets of Hong Kong and Tokyo. We sold Grosvenor Place, Repulse Bay (Hong Kong) into this improving market and at the end of 2004 we opened an office in Shanghai together with our associate company and partner, Asia Standard International. As the remarkable Australian economy continued its strong growth, we invested heavily there, buying two large office investments in Brisbane and Sydney and adding new development projects.

The Continental European business was established as a fully devolved operating company in 2004. We have sold our original continental European investment, a 7% stake in Société Foncière Lyonnaise; this served us well while we built up our own expertise, giving us immediate and diversified exposure to the growth phases in the Paris office and residential markets, as well as good insight into high class business management in France. We were one of the most active retail investors on the continent in 2004, buying individual investments and portfolios ahead of considerable competition.

In North America, we have completed a two year restructuring of our portfolio and strategy, selling regional shopping centres and purchasing smaller scale retail property. As in Continental Europe, we were able to invest capital in competitive markets by finding deals not openly available in the market place.

At the beginning of this year Grosvenor Fund Management took its place in the Group as a distinct business, consolidating more than 25 years' experience of managing funds through our Operating Companies. Grosvenor Fund Management starts life with staff in almost all of our twelve offices around the world, a research team similarly located in each main economic region and £1.4bn assets under management.

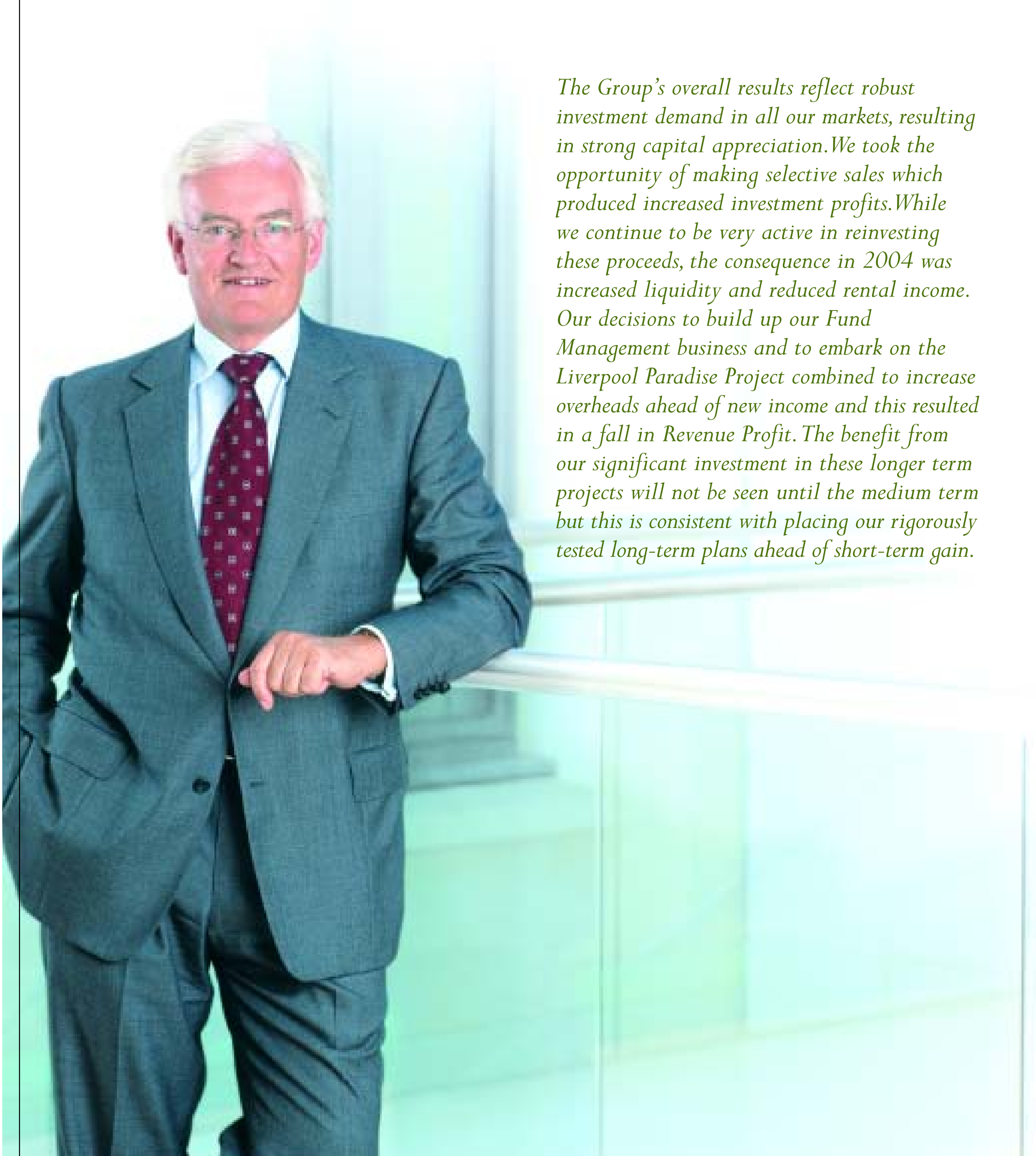
We continue to seek improvements to the scope and style of our service to the occupiers of our buildings across all sectors and all geographical regions. We believe we have made progress but there is always more to be done and we are planning further new initiatives across the Group in 2005.

The report carries plenty of detail and I believe it provides a good assessment of our progress in 2004 and our prospects for the years ahead. We try to use a non-sensational style in everything we do but the spirit and ambition in the Group grows stronger each year. We seek to balance our financial interests with our responsibility to provide buildings for others to occupy and enjoy over many years. A real estate industry has a real role to play in the well-being of its national economy and this is something we remain conscious of wherever we are doing business.

Jeremy Newsum
Group Chief Executive
17 March 2005

"We continue to seek improvements to the scope and style of our service to the occupiers of our buildings across all sectors and all geographical regions."

Finance Director's Report



The Group's overall results reflect robust investment demand in all our markets, resulting in strong capital appreciation. We took the opportunity of making selective sales which produced increased investment profits. While we continue to be very active in reinvesting these proceeds, the consequence in 2004 was increased liquidity and reduced rental income. Our decisions to build up our Fund Management business and to embark on the Liverpool Paradise Project combined to increase overheads ahead of new income and this resulted in a fall in Revenue Profit. The benefit from our significant investment in these longer term projects will not be seen until the medium term but this is consistent with placing our rigorously tested long-term plans ahead of short-term gain.

TOTAL RETURN Our total return for 2004 on a pre-tax basis was 13.8%, compared with 7.5% in 2003.

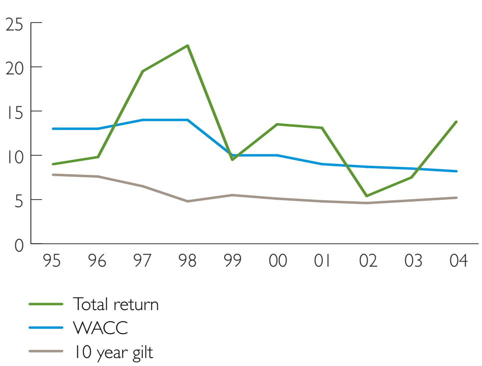
We use total return on property assets as a key measure of our performance. We calculate this also taking account of share price movements on listed investments and funds awaiting reinvestment.

We saw a general fall in yields in 2004, leading to a significant valuation increase. This contributed 10% out of the 13.8% total return, which was further enhanced by the profits generated from disposals.

The Group's income return of 2.8% not only reflects these factors but also the historic ground rented nature of our London residential holdings.

Total return in 2004 exceeded our pre-tax weighted average cost of capital (WACC) of 8.2% by 560 basis points; over the past 10 years our average return has been 12.2% compared with an average WACC of 10.8%.

10 year returns (%)



EARNINGS Profit before tax for 2004 was £93.2m, an increase of £1.5m on 2003. Revenue profit, which excludes disposal profits and exceptional items, was £30.9m, a reduction of £23.3m compared with 2003.

	2004 £m	2003 £m
Net rental income and fees	**88.2**	101.1
Development profit	**14.4**	6.5
Administrative expenses	**(49.7)**	(38.5)
	52.9	69.1
Joint ventures and trade investments	**22.8**	24.6
Interest	**(44.8)**	(39.5)
Revenue profit	**30.9**	54.2
Investment property sales	**32.1**	40.3
Trade investment sales	**20.9**	3.7
	83.9	98.2
Exceptional items	**9.3**	(6.5)
Profit before tax	**93.2**	91.7
Tax	**(17.2)**	(31.4)
Profit after tax	**76.0**	60.3

NET RENTAL INCOME AND FEES Net rental income and fees reduced by £12.9m, as shown by the table on page 12. Changes in exchange rates, particularly the weakening US Dollar, accounted for £2.4m of this movement. Although acquisitions exceeded disposals in 2004, the majority of major acquisitions occurred in the latter part of the year, with the result that net rents reduced by a further £2.4m.

Direct costs charged against rental income included the costs of a refurbishment programme of our residential portfolio in London which increased by £3.6m over 2003. They also included the costs of those employees directly involved with running the investment portfolio and generating fees; these costs also increased by £3.6m.

Finance Director's Report

Net rental income and fees

	2004 £m	2003 £m
Properties held throughout 2003 and 2004	**96.2**	99.3
Acquisitions	**5.8**	–
Developments	**0.8**	1.0
Disposals	**3.0**	11.1
Refurbishment costs	**(8.1)**	(4.4)
Internal management costs	**(9.5)**	(5.9)
	88.2	101.1

Development profit increased by £7.9m to £14.4m, reflecting the successful completion of a number of developments in 2004. In North America, we sold the majority of the 296 units in a residential development in North Vancouver and we also subdivided a plot of development land, selling three out of five parcels and realising a profit of £3.2m; the remaining parcels should be sold in 2005. In Hong Kong, we completed and sold Grosvenor Place, our first major development project in the region which we developed with our partner Asia Standard. In the UK, we completed two developments in Edinburgh, we recognised further profits on the Basingstoke Festival Place development which was completed and opened in 2002, and we finalised the funding arrangements for the Liverpool Paradise Project.

Administrative expenses increased by £11.2m to £49.7m. Total staff numbers increased by 28 to 401. This reflects the significant investment we are making to support our expansion plans for the Fund Management business and the additional resources required to manage the Liverpool Paradise Project; there will be a delay before the benefit of this investment comes through as increased profits. The other main reason for the increase in administrative expenses is the impact of the total return performance on bonus payments.

An element of the bonus awards is based upon out-performance against WACC at both local and Group level. For the previous two years the Group's total return fell below WACC, which was reflected in the bonus awards for those years. The Group's total return for 2004 exceeded WACC by 68% and each regional business exceeded its own WACC.

Net interest costs can be broken down into three elements. The Group applied some of its property sales proceeds to reducing debt which largely accounted for a fall in gross interest payable from £50.8m to £49.3m; gross interest including the Group's share of joint ventures fell from £62.9m to £61.7m. Interest incurred on development expenditure is transferred from the profit and loss account to the cost of the development; this reduced from £8.5m to £5.8m as a result of the completion of a number of significant developments. Interest receivable, including joint ventures, of £11.1m was £3.8m lower than in 2003.

We generated profits of £53.0m on disposals during 2004, an increase of £9.0m over 2003. £32.1m of this arose on investment property sales and the balance of £20.9m was due to the sale of our 7.1% shareholding in Société Foncière Lyonnaise SA.

Exceptional items increased profits by £9.3m in 2004, compared with a charge of £6.5m in 2003. Firstly, in 2003 we made provisions of £3.1m against the value of a number of office developments but in 2004, the improvement in office values enabled us to recover £2.2m of this amount. Secondly, we had previously made provisions against the carrying value of certain Asian investments, including a charge of £0.4m in 2003; the recovery of Asian markets during 2004, particularly in Hong Kong, meant that we were able to release £7.1m of these provisions.

SHAREHOLDERS' FUNDS Shareholders' funds (excluding minority interests) increased by £320.7m during 2004. This was equivalent to a pre-tax equity return of 20%. The main factor behind this rise was the increase in value of the investment property portfolio; the revaluation uplift contributed £292.2m (including joint ventures). After a dividend to shareholders of £8.3m, retained earnings after all tax charges increased shareholders' funds by £42.9m. Movements in exchange rates caused a reduction in shareholders' funds of £14.4m. 38% of the Group's net assets are exposed to currencies other than Sterling. It is the Group's policy not to hedge in view of the long-term commitment to those regions. In 2004, the following currencies weakened: US dollar (-7.3%), Australian Dollar (-4.0%), Hong Kong Dollar (-7.5%) and Japanese Yen (-3.2%). The Euro strengthened slightly (+0.7%).

THE PROPERTY PORTFOLIO Total property assets increased by £468.9m to £3.2bn.

	£m
At 1 January 2004	2,734.5
Acquisitions	236.8
Development expenditure	98.4
Disposals	(245.7)
Valuation increase	282.9
Joint venture net additions	122.8
Exchange movements	(26.3)
At 31 December 2004	3,203.4

We had an extremely active year acquiring new assets; during 2004 we bought properties with a total value in excess of £591m, of which £484m was on behalf of funds and partnerships and £107m was for our wholly owned portfolio.

Firstly, the acquisitions for our funds and partnerships: in North America, we acquired £224m of office and retail properties, including a portfolio of 15 retail properties in Washington D.C. for £131m (US$237m); in Europe, we launched a new retail fund, Grosvenor Retail European Properties, and acquired 17 properties in France with a value of £100m (€145m); in Asia, we acquired 7 residential properties for funds based in Hong Kong and Tokyo, with a total value of £38m; in the UK, we added the £122m Forge Shopping Centre in Glasgow to the Grosvenor Shopping Centre Fund. Grosvenor's share of these acquisitions amounted to £115m.

For our wholly owned portfolio we acquired property with a value of £107m, including £31m of residential property in Seattle and two office buildings in Australia (Sydney and Brisbane) for a total of £76m.

Total investment properties directly owned by the Group were valued at £2.4bn at 31 December 2004, our share of investment properties in joint ventures amounted to £528m and the cost of our trade investments was £44m. Our development programme has a total cost of £966m, which includes the mixed used urban schemes in the UK and the Group's share of the shopping centre developments carried out in our joint ventures in Continental Europe. Taking these together gives a total proprietary portfolio of £4.0bn, which is analysed in more detail on page 90.

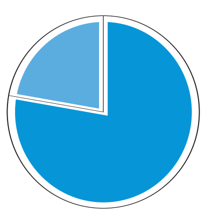
On behalf of our partners and investors we manage investment properties with a value of £2.3bn and developments with a total cost of £1.4bn. Total assets under management are £7.7bn.

Further details of the property portfolio, including analysis by sector and geographical region, is given on pages 4 and 5, and each Operating Company review includes detailed analysis of the portfolio in each region.

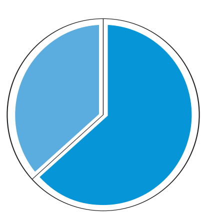
Finance Director's Report

FINANCING AND TREASURY Our long-term relationships with leading financial institutions across the regions are a key feature of our provision of finance which includes secured mortgages and debenture loans, public and private debt issues and bank borrowings. Exposure to interest rate movements is controlled through the use of interest rate derivatives to achieve the required interest rate profile; it is the Group's policy to maintain a minimum of 60% of borrowings at fixed rates. At 31 December 2004, 78.0% of borrowings were at fixed rates (2003: 75.9%).

Fixed and floating debt



Secured and unsecured debt



Total debt drawn at 31 December 2004 was £801.5m and we had available additional undrawn facilities of £425.2m. Average debt drawn during 2004 was £722m (2003: £741m) with an average interest charge of 6.6%, an increase of 30 basis points over 2003, reflecting the slightly higher interest rate environment across the Group's regions.

Total net debt as a proportion of property assets at 31 December 2004 was 20.2%, and including our share of debt in joint ventures this increases to 24.0%. Net debt as a proportion of shareholders' funds (gearing) was 24.1% (2003: 26.2%) and including debt in joint ventures it was 35.5% (2003: 35.6%).

The low level of gearing reflected significant realisation of non core assets and repayment of debt, while cash awaiting investment in property totalled £279.8m compared with £204.0m at the end of 2003. Another contributor to lower gearing is the rise in value of our ground rented residential stock, now valued in excess of £440m. These assets are an important part of the portfolio but they produce negligible income and provide no support for interest cover which averaged 1.2 during the year against 1.6 in 2003.

Cash generated from operations before debt service was £49.6m (2003: £68.6m) and cash required to service debt was £39.7m (2003: £39.0m); we also paid £15.8m of dividends to minority shareholders, giving a net outflow of £5.9m (2003: £29.6m inflow). The cash outflow from acquisitions and other capital expenditure of £274.1m exceeded the proceeds of £270.1m from disposals by £4.0m. After paying tax of £25.6m and dividends of £16.7m the cash outflow before financing was £52.2m.

TAXATION The Group taxation charge in the profit and loss account was £17.2m (2003: £31.4m) which is equivalent to an effective Group tax rate of 18.4% (2003: 34.2%). The Group's tax charge in any year is a direct reflection of the mix of profits across the business regions. In 2004, it was also affected by a number of exceptional profits which reduced the effective rate by 10.6%. The most significant of these was the sale of Société Foncière Lyonnaise which was held through our 67% owned co-investment vehicle, Grosvenor First

European Property Investments S.A.; the proceeds of this sale are earmarked for reinvestment in Continental Europe. A number of timing differences further reduced the effective rate by 4.8%. Adjusting for these items the underlying effective tax rate would have been 33.9%. The total corporation tax borne by the Group in 2004, including tax charged directly to reserves, amounted to £28.5m (2003: £31.8m).

SYSTEMS It is important to note the new work we are undertaking to upgrade all of our technological systems. When completed, we will have fully integrated property and financial databases and systems around the Group. This may be a hidden part of our investment programme but it will bring important opportunities to develop better communication with occupiers and investors including more real time access to information and services. We will also have much improved information sharing within the Group.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") In line with quoted companies in the European Union Grosvenor will be adopting IFRS with effect from 1 January 2005. This will not change the underlying performance and cash flows of the business, but it will have a significant impact on the way in which the results are presented and it will reduce reported net assets. The changes that will be most significant for Grosvenor are as follows:

- revaluation movements on the Group's investment properties will be included in the income statement rather than the statement of recognised gains and losses; reported profit will change accordingly;
- full provision will be made for the contingent tax liability that may arise on the disposal of the Group's properties, reducing net assets accordingly;
- certain leases, particularly those in the UK that are potentially subject to enfranchisement claims, will be classified as finance leases rather than operating leases, resulting in a reclassification of certain property assets to finance lease debtors and a reduction in net assets;
- headleases will be capitalised as finance leases resulting in a financial liability and a corresponding asset being recognised in the balance sheet;
- the profits arising on the granting of certain long leasehold interests will be spread over the lives of the leases, reducing reported profits and net assets;
- the Group's interests in certain joint venture partnerships that are proportionally consolidated in the UK GAAP financial statements will be included in a single line "equity" amount in the IFRS financial statements; this has no impact on net assets or profit but it will result in a significant reclassification of the way in which the Group's share of those investments is reported.

We are in the process of finalising our analysis of the full implications of adopting IFRS and the Group's financial statements will be prepared under IFRS for the first time for the year ending 31 December 2005.

In next year's report we will analyse the changes carefully to enable good comparisons with the previous years' results.

Jonathan Hagger
Group Finance Director
17 March 2005

Grosvenor and

Education

Stephen Barter
Group Projects Director
Co-ordinates the Group's worldwide strategy for universities, multinational companies and mixed use urban development

Our Approach...

"Demand for university education is all around us; at undergraduate, graduate and executive levels.

The need for greater skills is worldwide, within developed and developing economies as well as emerging markets. The involvement of business is in increasing demand and brings with it questions of delivery, increasing funding and partnership."

Universities have come to accept – if not relish – competition. Attracting talented students of all ages requires competitive facilities to match competitive faculties. As few colleges enjoy endowment riches or Government benevolence so partnership with the business world has become increasingly important.

At Grosvenor, we recognised some time ago that our own corporate structure and long-term investment philosophy, alongside a commitment to developing our staff, made us potentially a good partner for the university sector. It soon became clear that, worldwide, universities share similar challenges and that – like Grosvenor – they are international in outlook.

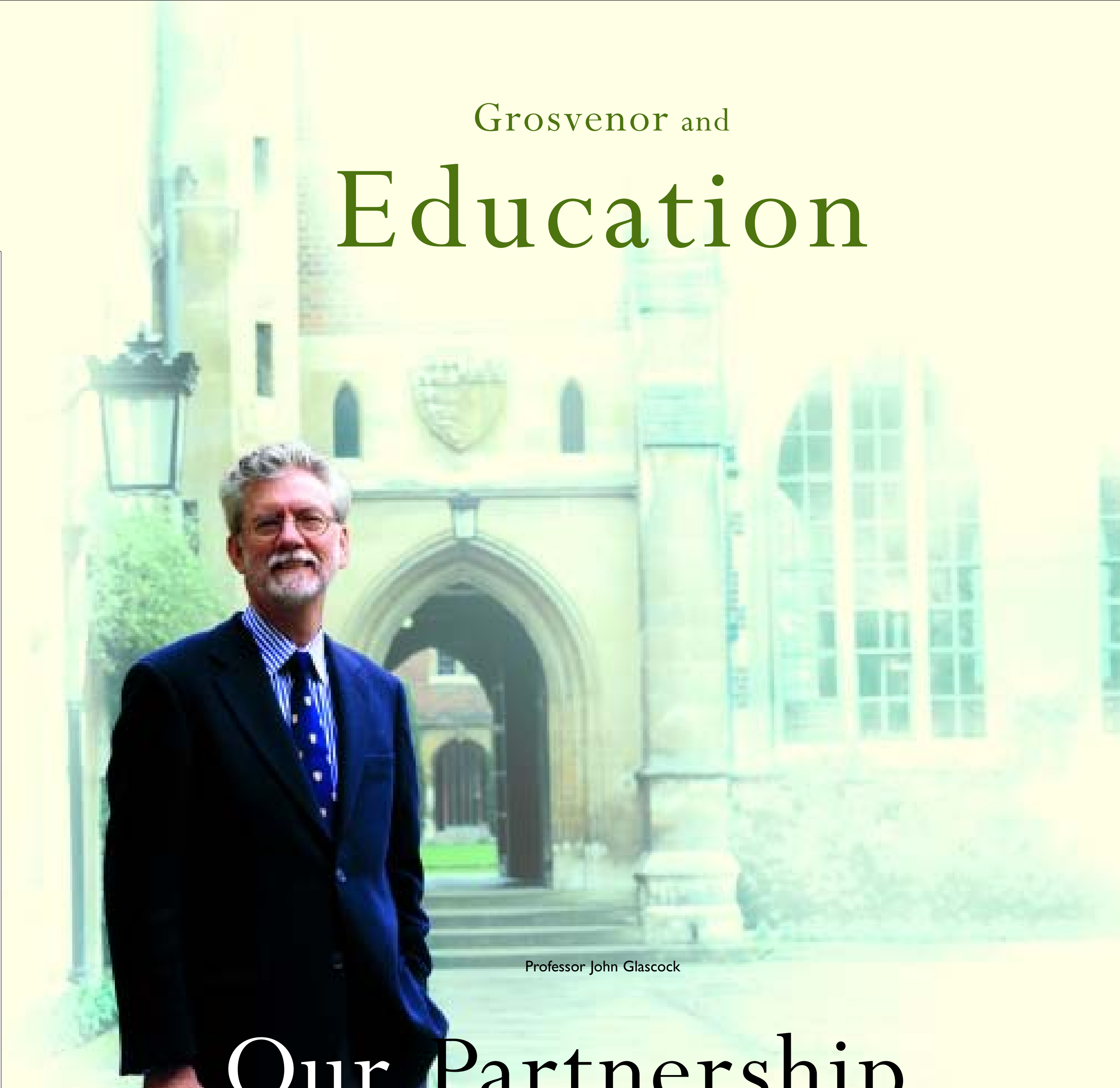
So we have set about creating an international network of university partnerships. Centred on our long-term investment locations, we have begun to identify universities where we believe both organisations could benefit from a relationship. We can offer our property skills and resources; we can also contribute the business practitioner's perspective and experience in support of teaching and research in real estate. At the same time, we benefit from access to highly talented people who challenge and inform our own thinking.

Our local businesses take the lead with their partner universities. They may sit on a faculty board, provide work placements, present case studies, or help to find solutions to accommodation problems. Often the community surrounding the university will also benefit as successful universities increasingly promote mixed use developments which can help to regenerate the adjoining neighbourhood.

Together with our academic partners, we are developing a practical and rewarding programme, investing in both physical and human capital. We see an evolving international network that will encompass university faculties, their students and alumni, and Grosvenor.

There is one other dimension to our involvement with academic institutions around the world; a number of them are providing business education programmes for our staff. Our objectives are twofold; to address the specific development needs of individuals and to raise the overall level of business skills within the Group.

Grosvenor and Education



Professor John Glascock

Our Partnership...

Historically, business and academia were wary – even suspicious – of each other. There was little experience of co-operation and the financial incentive, beyond the more traditional alumni and 'feel good' donations, was not an imperative.

However, by the end of the last century, it had become clear that the landscape had changed. Many of the younger and more vocational colleges were already working to a different model. The growth of higher education across the world meant that most universities, of necessity, had to become more self-sufficient in meeting their growing capital requirements; very few had substantial endowments and state support was rationed. At the same time,

the increasingly competitive and cost-conscious business world was becoming more interested in universities both as a source of high quality human capital, and as a partner for training and research. In the UK, the recent Lambert Review* confirmed this trend.

Today, university business partnerships range from substantial benefactors, such as the Gates Foundation's worldwide scheme of scholarships for graduate studies at Cambridge, to spin-off enterprise ventures, to individual business people speaking to small classes across the world. The underlying gains for both parties are better-educated students and a better-educated public. In practice, the business world gains from direct access to intellectual energy, developing talent and the student and faculty perspective on its challenges. The university gains from having better teaching materials and the students benefit from the involvement of business leaders and future employers.

* The UK Government commissioned Richard Lambert, the former editor of the Financial Times, to undertake an independent review of business-university collaboration. His final report was published in December 2003.

...continued

Universities have become adept – and highly competitive – at structuring their partnerships to deliver tangible benefits to both parties. The arrangement works best when the partners recognise that they are creating a joint venture in which the education of students and the university's research base are the first priorities.

In most cases, however, the business partner will not obtain specific solutions to its immediate business needs. Specific business solutions are best served by a specific university-business contract for services, in which the incentives, the price and the expected outcomes are made clear. This type of research commission is becoming increasingly common – and welcome.

At Cambridge, the endowment of my own professorship was driven by Grosvenor's strong desire to further the development of real estate learning at the highest level. Real estate is gaining increased recognition, both as a business resource and as a medium for structured finance and capital markets products. Grosvenor has enhanced its initial financial generosity with significant 'in kind' support. This has taken many forms: senior management leadership of an impressive advisory group which gives guidance and offers a sounding board for ideas and relationships; mentoring of students; availability of case studies; and practitioner seminars, matched by a strong brand reputation which can open doors for the University nationally and internationally. The teaching and research programme, however, remains the University's prerogative. We must, therefore, consistently both nurture talent and deliver research of the highest standard in order to sustain our position in the market.

So it is a true partnership – success only comes if we both work to our strengths, with an eye to the competition and the demands of the market. This is hardly surprising, but it reinforces my view that, in the future, the enlightened universities will be those that can forge productive relationships with enlightened business.

Professor John Glascock
Grosvenor Professor of Real Estate Finance and Fellow of Pembroke College, University of Cambridge

Grosvenor and

Education

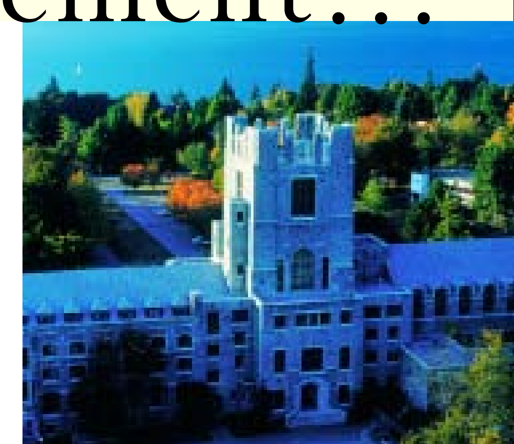
The following examples illustrate the breadth of approach to the university relationships Grosvenor is developing. The network is not intended to be finite; it will continue to evolve as far as our blend of capital investment, real estate expertise and in-kind support can make a worthwhile contribution to the future development of a university and its community.

from left to right

Mark Norbury
Development Director of INSEAD

Neil Jones
Chief Executive, Continental Europe

Our Involvement...



University of British Columbia (UBC), Vancouver, Canada
Grosvenor has been an investor in the City of Vancouver for over 50 years. We are currently providing expertise to support the future growth of UBC's facilities within the Province. Among other forms of long-term support, we provide a representative on the Advisory Board of UBC's Sauder School of Business.

UBC

INSEAD, Paris and IESE, Madrid and Barcelona

In France, Grosvenor is supporting INSEAD in the development of real estate teaching within its MBA programmes. This will be led by John Glascock, Grosvenor Professor of Real Estate Finance at the University of Cambridge, and sponsored by Cushman & Wakefield. We will also provide a representative on the Advisory Board of the programme which is being launched in 2005.

In partnership with Grupo Lar, we are is supporting IESE Business School in Spain in the creation of an International Centre for Real Estate at the School's campuses in Madrid and Barcelona. Grupo Lar/Grosvenor will provide a representative on the Centre's Advisory Board.

Edinburgh Technopole

Shanghai

Having recently opened an office in Shanghai, we are building relationships with leading universities in this fast-growing city, and elsewhere in China. China is likely to become a long-term investment location for Grosvenor, and its universities are playing a significant role in the country's economic development and its international reach.

Shanghai

Imperial College and University of the Arts, London

Grosvenor people also support a number of universities in a personal capacity. At Imperial College, Jeremy Newsum chairs the Rector's Property Advisory Committee and is a member of the Council. At the University of the Arts London, Stephen Barter chairs the Finance Committee and is a member of the Court of Governors.

University of Edinburgh – Technopole

Grosvenor is developing a science park in partnership with the University of Edinburgh. We provide the property development and management expertise, while the University leads on marketing to companies with which its internationally recognised research teams can collaborate. Edinburgh Technopole will provide around 500,000 sq. ft. (46,400 m^2) of office and laboratory space in a 120 acre (48.5 hectare) parkland setting, for both small emerging and larger established companies.

Britain and Ireland...

"Partnership is vital to our business, which continues to grow in scale and complexity. Building strong relationships with investors, local authorities and professional teams will be a continuing endeavour for 2005."

from left to right

Stephen Musgrave
Chief Executive

Rod Kent
Chairman

"Demand for investment property resulted in falling yields and created a good opportunity to make selective sales. Overall, the business delivered a good performance."

operating review

Demand for good quality investment property resulted in significant gains in value on the back of strongly improving yields. We took the opportunity to make selective sales in a strong market and overall, the business delivered a good performance.

A highpoint was the finalising of finance arrangements for the Paradise Project in Liverpool, Europe's largest urban regeneration scheme. This involved the application of the core in-house skills of development, investment, finance and fund management. This project, along with other mixed use schemes in Edinburgh, Bath, Dublin, Cambridge and Preston, underlines our belief in the value of development and long-term management of large urban land holdings.

The London portfolio was again pivotal in our overall performance. Several increases in interest rates restrained occupier demand across the office market and slowed the general housing market. However, the London Estate residential portfolio held up well with sales and leasing levels exceeding targets. Good progress was made in the short-let residential market, where we set up an in-house direct letting capability for customers who see a benefit in dealing directly with us. Meeting the needs and aspirations of our customers by improving the quality of our service is a constant and important endeavour.

Despite early signs of improvement, demand from occupiers for central London offices remained weak throughout the year. A key focus for 2005 will be the letting of our remaining vacant space.

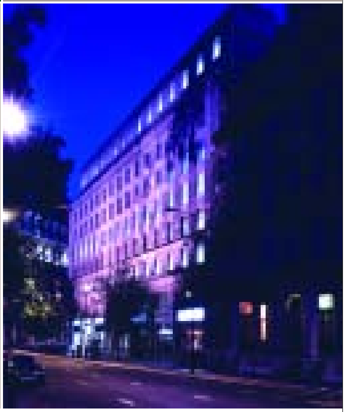
Building strong and lasting partnerships remains imperative for us. The ever increasing scale and complexity of our projects makes the investors, local authorities, professionals and occupiers with whom we work, of vital importance to our business.

We benefited from our continuing investment in the recruitment, training and retention of staff. In support of our long-term strategy of building strong investment and development teams, we brought in additional skills in those areas and maintained the emphasis on recruiting the best graduates and nurturing talent across the organisation.

"The start of construction work in Liverpool is a landmark for the project team, the City Council and all who have worked alongside us."

"This development will play a major part in our ambition to make Liverpool a premier European city."

Mike Storey,
Leader of Liverpool City Council



Top: Demolition underway at the Paradise Project, Liverpool
Bottom: Refurbished flexible leased office accommodation at 52 Grosvenor Gardens, London SW1

NON-EXECUTIVE DIRECTOR'S COMMENT

Looking ahead to the coming year there are, as usual, areas of uncertainty where the team will need to remain alert. *My top three concerns are market yields, interest rates and lease reform.*

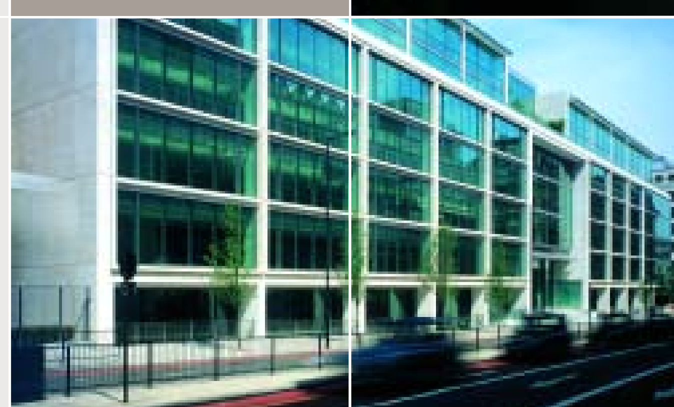
Demand for investment property has seen yields fall to levels not experienced for some time. If yields are sustainable at these levels – and I believe that for the time being they are – it is good news for asset valuations and capital growth across the portfolio. However, we must use research, combined with instinct, to anticipate any change in direction.

I am certain that interest rate policy will start to have an impact on the housing market but as long as employment holds up, I do not see a significant loss of confidence feeding through to a market crash, as some have warned. Grosvenor will need to watch closely for signs of serious cooling, particularly outside London, where its development pipeline includes a significant residential element.

On balance, I doubt that the Government will move to make upward only rent reviews illegal. I believe it will continue to monitor the property industry and take soundings. Grosvenor must maintain its strong support for flexible leasing policies and continue to offer innovative choices to show that self regulation is a better way than legislative reform.

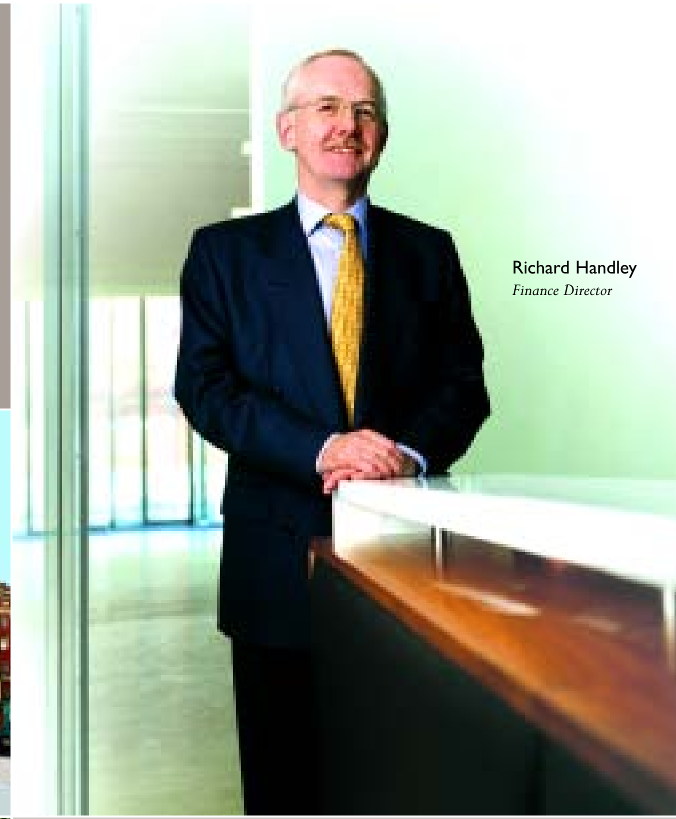
Professor Andrew Baum
17 March 2005

The Paradise Project development covers a city centre area equivalent to 22 soccer pitches

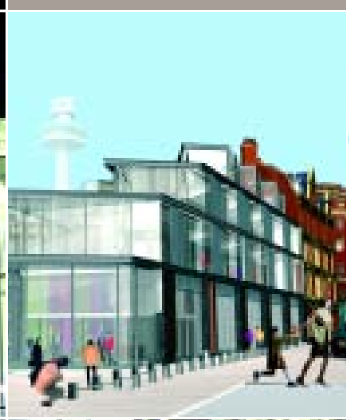


Clockwise from top left:
Short let residential apartment at Chantrey House, Belgravia; Festival Place, Basingstoke; College Lane Corner, part of the Paradise Project in Liverpool; Belgrave House, Buckingham Palace Road, London SW1.

Almost
3.25 million sq. ft.
(300,000 m²) of
retail development
in the UK & Ireland



Richard Handley
Finance Director



"The management of risk
and further rebalancing of the
portfolio will continue to
be our immediate focus."

*"The London portfolio delivered a strong performance.
Values were up across all sectors. Despite higher interest
rates, residential sales and leasing levels exceeded targets."*

Britain and Ireland...

PORTFOLIO OVERVIEW

The London Estate portfolio delivered a strong performance with capital raising activity, rent reviews, lettings and lease renewals totalling almost 900 transactions. Values were up across all sectors. We introduced a new leasing offer to meet demand for flexible, high quality West End office space.

The start of work on site in Liverpool during November marked a significant landmark for the Paradise Project, concluding a year of intensive activity. Development capital of £655m was successfully raised through debt and equity finance, involving four banks and an investor consortium of eight, including Grosvenor. Agreements were concluded with John Lewis, Debenhams and international car park operator, Q-Parks. Successful negotiation of construction and development agreements with, respectively, Laing O'Rourke and Liverpool City Council, were the final hurdles cleared before we began to take possession of the 42 acre (17 hectare) site.

The retail market enjoyed good investor and occupier interest. Liffey Valley, Dublin, made notable progress by being granted Town Centre planning status. This will enable significant retail, residential and civic amenity expansion in the years ahead. In Basingstoke, Festival Place continued to achieve recognition as a leading UK retail destination. Construction work began on Grand Arcade, the 450,000 sq. ft. (42,000 m^2) retail development scheme in Cambridge city centre.

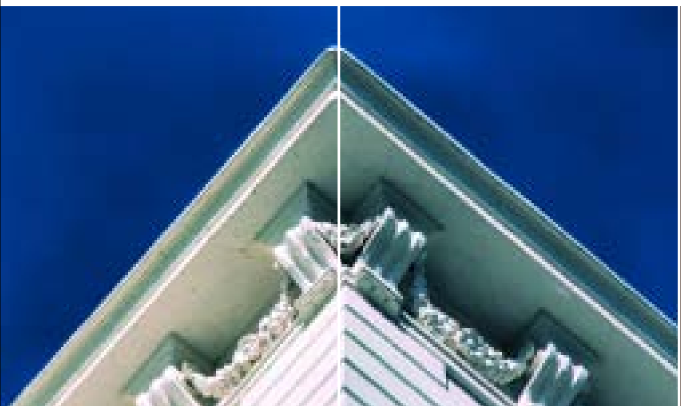
Despite the weak office letting market, some successes were achieved. In the City of London, 25 Moorgate was let and terms were agreed for its sale to the G-Metro fund following strong bidding from a number of consortia. Viewpoint in Mayfair was fully let, and partial lettings were achieved on the recently completed properties at Belgrave House in Victoria and 10 Grosvenor Street in Mayfair. Good interest is now being shown in 41 Lothbury, EC2, following practical completion during the last quarter.

In Scotland, we successfully negotiated the purchase of Fountain North, Edinburgh, from Scottish & Newcastle. This 8 acre (3.3 hectare) urban mixed use scheme will be developed in partnership with AMA, a leading local residential developer and the Royal Bank of Scotland. In Glasgow, the sale of One Pacific Quay to Balmoral Limited and forward funding of the SMG building by AXA, demonstrate that Pacific Quay is gaining momentum as a major area for growth.

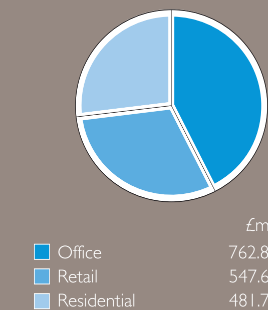
	Number	Value £'m	Passing rent £'m	ERV £'m	Running yield %
Office	295	762.8	34.2	44.3	4.5%
Retail	137	547.6	30.1	37.7	5.5%
Residential*	400	481.7	8.9	n/a	1.8%
Total	**832**	**1,792.1**	**73.2**		**4.1%**

Average lease length in Great Britain and Ireland is 24.3 years

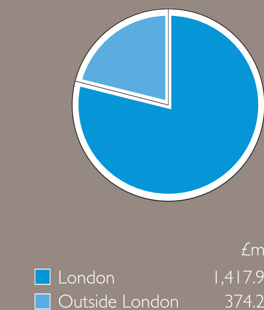
*the majority of the residential portfolio in Britain and Ireland is ground rented and because of this it has a low average yield. The average yield on the rack rented residential portfolio is 5.1%.



By Sector

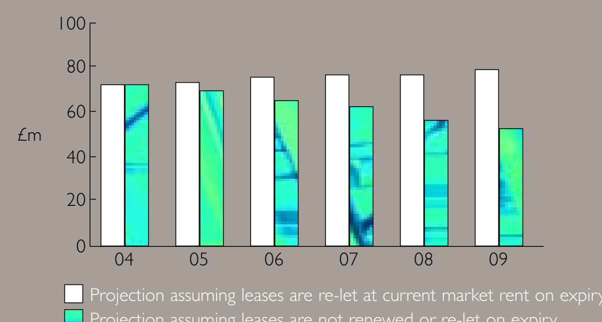


By Region

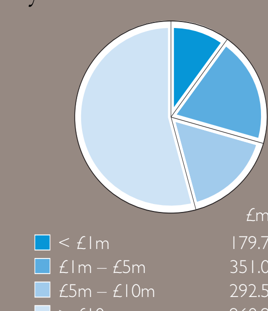


Nearly 900 sales, rent reviews, lettings and lease renewal transactions completed across the London Estate

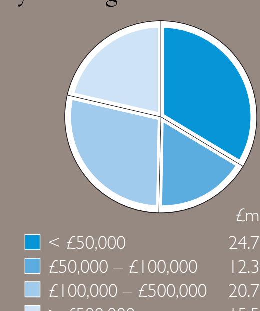
Income Projection



By Value



By Passing Rent



From the top: period features in Belgravia; Edinburgh Technopole; the roof terrace at Belgrave House, London SW1.

Americas...

"New investments in 2005 will be balanced between standing investments and the value-add and development side of the business."

from left to right

Carmine Guerro
Chairman

Bill Abelmann
Chief Executive and President

operating review

"2004 was the Americas' most successful year ever for new acquisitions as we continued building a foundation of properties in our key markets.

This gives us a base to grow our more entrepreneurial development activities and achieve superior returns."

2004 was a significant year for the company. We acquired more than US$400 million of new property and sold more than US$175 million of properties that either no longer fit our strategy or where we had achieved our investment objectives. We now have a strong investment presence in both Vancouver, B.C. and Washington, D.C., and over the next two years we will seek to develop a similarly-sized presence in the San Francisco Bay Area. These three primary markets will be complemented by our activities in Calgary, Edmonton, Los Angeles, Chicago and Seattle.

Scarcity of available investment properties endured as many real estate owners chose to hold their properties until they could acquire others. To capitalize on the strong capital markets, we seized the opportunity to sell our non-strategic assets. Further, recognizing that at some point in the medium-term interest rates and capital flows may no longer be as favorable, we sought acquisitions where there continued to be opportunity to create value.

We continue to increase our focus on building up a viable and sustainable development and value-add business to complement our existing standing investments. To that end, we encourage our team of acquisition, development and asset management specialists to work together to achieve common ownership objectives. Our in-house investment research and marketing capabilities continue to benefit our business and we believe our willingness to establish strong relationships with our partners, tenants, service providers, and the municipalities in which we operate, provides us an advantage in the marketplace.

New investments in 2005 will be balanced between standing investments and the value-add and development side of the business. The opportunities to acquire assets in such a competitive marketplace are not expected to be easy but our team is well experienced and our performance record is itself an advantage.

...continued

Capital markets continued to show strength as 2004 progressed,

fueled by increasing allocations to real estate by institutions and private buyers, as well as continuing low interest rates.

Vancouver, Seattle, San Francisco, Los Angeles, Calgary, Edmonton, Chicago, Washington, D.C.

Top: South Point Exchange shopping centre, Surrey, B.C., Canada
Bottom left: The RISE, Vancouver, B.C.
Bottom right: Chelsea at Juanita Village, Kirkland, WA, U.S.A.

Americas…

PORTFOLIO OVERVIEW

We have substantially reduced the risk in our portfolio over the last three years through strategic acquisitions and sales. This provides a solid foundation from which we can seek out more entrepreneurial returns through value-add and development opportunities in our key markets.

The Americas' portfolio consists of more than 6 million sq. ft. (557,000 m^2) of space, including retail, industrial, and office properties, and 1,648 residential units. Our average occupancy for 2004 was approximately 90%.

During the year we acquired a 250,000 sq. ft. (23,000 m^2) two-building office complex in Alexandria, Virginia near the new U.S. Patent & Trade Office campus; a 250,000 sq. ft. (23,000 m^2) community shopping center, anchored by Whole Foods and Borders Books, in Wheaton, Illinois, a prime Chicago suburb; and a 15-building, 462,000 sq. ft. (42,900 m^2) retail-focused portfolio in metropolitan Washington, D.C.. The opportunity to acquire such a portfolio is rare and we expect to benefit from the inherent value-add opportunities in the various properties. At year-end we were also successful in completing the rezoning of a 44,000 sq. ft. (4,087 m^2) retail development site adjacent to WesTech Business Park in North Silver Spring, an outlying suburb of Washington, D.C..

In March, we sold our interest in Town East Mall, a super-regional shopping center in Dallas, and Warner Corporate Center, an office building in Los Angeles. Both properties were 95% leased at the time of sale and achieved successful returns. In September, we sold our last remaining enclosed retail center in Canada, located in Winnipeg.

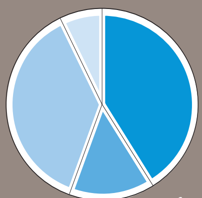
Our major retail/residential mixed use development in Vancouver, B.C., received all of its planning approvals, allowing construction to proceed in early 2005; the project is more than 50% pre-leased. Our land subdivision project in Langley, a suburb of Vancouver, was successfully completed and we sold several parcels, recouping the majority of our development costs. Two parcels are being retained for future development. At year-end, we were successful in acquiring an additional development site in Surrey, a suburb of Vancouver.

Equally active in 2004 was our residential development program in Vancouver and Seattle. Throughout the year we continued to build upon our already successful mezzanine financing program to local developers both for condominium conversions and for-sale housing. In two separate transactions we acquired 286 apartment units in Kirkland, Washington, a suburb of Seattle, and completed a 296-unit twin tower condominium project in North Vancouver. In addition, we secured a new site for a condominium development in North Vancouver. In 2005, we will be expanding our residential program to California.

	Number	Value £'m	Passing rent £'m	ERV £'m	Running yield %
Office	13	173.1	15.0	14.0	8.7%
Industrial	3	61.0	2.6	3.7	4.3%
Retail	28	156.9	8.8	9.8	5.6%
Residential	2	29.3	1.5	2.2	5.1%
Total	**46**	**420.3**	**27.9**	**29.7**	**6.6%**

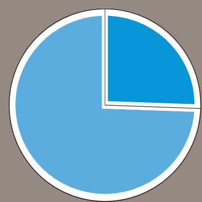
Average lease length in the Americas is 6.6 years

By Sector



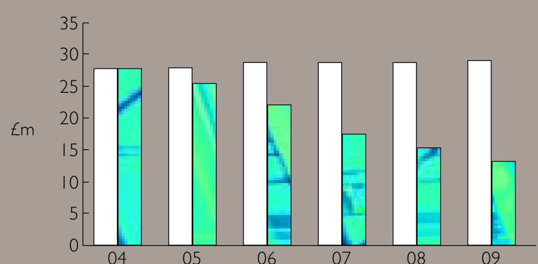
	£m
Office	173.1
Industrial	61.0
Retail	156.9
Residential	29.3

By Region



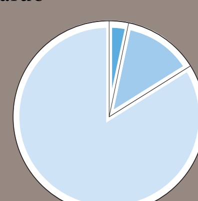
	£m
Canada	108.3
U.S.A.	312.0

Income Projection



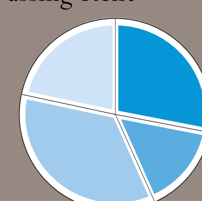
Projection assuming leases are re-let at current market rent on expiry
Projection assuming leases are not renewed or re-let on expiry

By Value



	£m
£1m – £5m	14.3
£5m – £10m	54.4
> £10m	351.6

By Passing Rent



	£m
< £50,000	7.9
£50,000 – £100,000	4.2
£100,000 – £500,000	9.8
> £500,000	6.0

NON-EXECUTIVE DIRECTOR'S COMMENT

2004 was an exciting year for the Americas' team. *Focused leadership, clear strategic goals and strong execution of both selected asset sales and acquisitions were supported by improving real estate markets in both Canada and the United States.*

Grosvenor has earned its reputation as a real player that can deliver in the office, retail and multifamily markets. With this strong base, I am sure 2005 will bring exciting results.

Lizanne Galbreath
Non-Executive Director
17 March 2005

Continental Europe...

"Our operations in Continental Europe are at a level of maturity and professional competence that has enabled us, in a very busy year, to capitalise on substantial opportunities in our chosen markets.

We are very pleased by the level of commitment and team spirit shown by everyone during an exceptionally demanding time."

from left to right

Neil Jones
Chief Executive

Tony Wyand
Chairman

"2004 saw the acceleration of our acquisition programme in directly managed retail property and the sale of our remaining non-strategic investments."

operating review

Our focus in 2004 remained on retail property, of which the majority is in France and Iberia.

Total return on property assets amounted to 8.5% during the year; bringing the average 3-year return to 10.3% and 5-year return to 14.6%.

Total sales in France, Spain and Italy amounted to €121m. This included the sale of our 7.1% stake in French quoted property company Société Foncière Lyonnaise at €38 per share, a premium of 12% to net asset value and 27% over the 2003 average share price.

In June, we invested in Grosvenor Retail European Properties (GREP), a new fund focused on urban retail and retail warehousing in France and Spain. The vehicle has an investment capacity of €430m and, by year-end, was already 50% invested in completed or committed transactions. It is managed by Grosvenor Fund Management.

In Paris, we strengthened our skills base with key appointments including a financial controller, a dedicated research analyst, a marketing and communications manager and an office investment manager.

In 2005, we will continue to invest primarily in retail property in our favoured markets of France and Spain, with some selective forays into other sectors and geographic locations, where we see value in the medium term. Total investment for the year is planned to be in the region of €400m on behalf of ourselves and the vehicles we manage.

We will look to grow our sustainable earnings or 'revenue profit' through new investment in operating properties and fees from asset management services. This will be supplemented by earnings from development and trading.

NON-EXECUTIVE DIRECTOR'S COMMENT

Grosvenor is well placed to seize opportunities in the most vibrant Continental markets *with its offices in Luxembourg, Paris and with Lar Grosvenor in Madrid.*

The clear strategic focus on the retail sector, including high street and warehouses, in these core markets has already been very successful. The team's research led approach indicates that opportunities in the office markets may also emerge this year.

Philippe Citerne
Non-Executive Director
17 March 2005

€400m investment programme in 2005

Top: Place Gambetta, Bordeaux
Bottom left: Zubiarte shopping centre, Bilbao (Sonae Sierra)
Bottom right: Serrano 49, Madrid (Lar Grosvenor)

Continental Europe...

PORTFOLIO OVERVIEW

Total assets under management grew to 1,642m.

On behalf of Grosvenor Retail European Properties, we invested €145m and committed to a further €57m of investment, including our second foray into the Belgian market. The portfolio now comprises 42,248 m^2 (455,000 sq. ft.) in 23 properties located principally in the very best retail locations of Paris, Bordeaux, Toulouse and Cannes.

Our 50/50 Spanish joint-venture, Lar Grosvenor, reinforced its reputation as a multi-sector development and management business, with a very active year. Assets under management in Spain grew to more than €1,100m including its committed development programme.

The light industrial development and trading activities acquired four more projects; the pre-sales programme advanced rapidly and ahead of budget.

The shopping centre development programme evolved positively and now comprises 6 schemes at various stages of planning and construction throughout Spain, amounting to 289,000 m^2 (3.1 million sq. ft.)*. Partners, including GE Capital, Ivanhoe Cambridge and Nesco, joined us for specific projects. The now mature Urbil shopping centre in San Sebastien was sold and an additional 25% of the Parque Principado centre, where potential exists for value enhancement, was acquired.

European shopping centre specialist, Sonae Sierra, in which we hold a 33% shareholding, once again performed well, illustrating the benefits of being a highly focused, specialist business. Through effective asset management, development and market orientation, Sonae Sierra posted healthy results including a return on equity of 14.7% resulting in an end of year NAV of €1,079m.

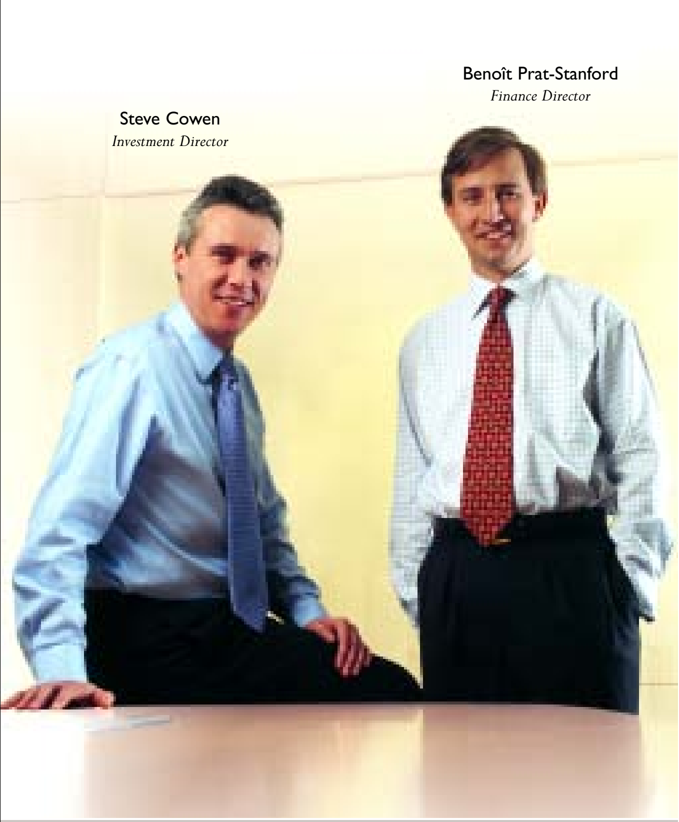
Six new centres were inaugurated during the year amounting to more than 176,000 m^2 (1.9 million sq. ft.). The development pipeline grew to 535,675 m^2 (5.8 million sq. ft.) in 14 projects in Spain, Portugal, Italy, Greece, Germany and Brazil.

Today, Sonae Sierra owns or co-owns 35 shopping centres and galleries. The business manages a total of 1.3 million m^2 (13.9m sq. ft.) of operating shopping and leisure space, amounting to more than 6,000 contracts with retailers. It is the most successful European specialist in this sector in terms of prizes given by the industry for its innovative approach to development, management and marketing.

*All shopping centre areas refer to gross lettable area.

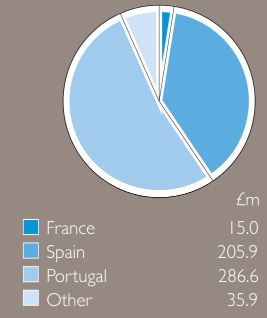
	Number	Value **£'m**	Passing rent **£'m**	ERV **£'m**	Running yield **%**
Direct properties					
Retail	17	15.0	0.8	1.2	5.6%
Joint venture properties					
Retail	31	528.4	36.3	37.0	6.9%
	48	**543.4**	**37.1**	**38.2**	**6.8%**

Average lease length in Europe is 4.5 years

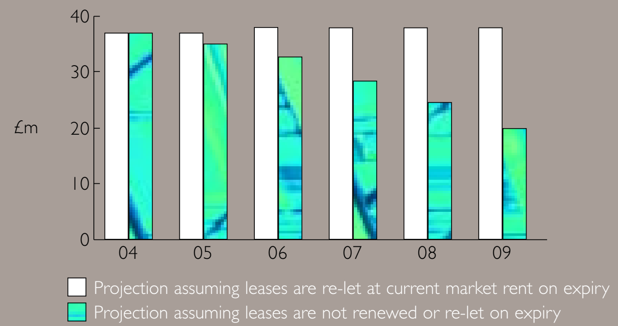


100% of the proprietary investment portfolio is currently in the retail sector

By Region



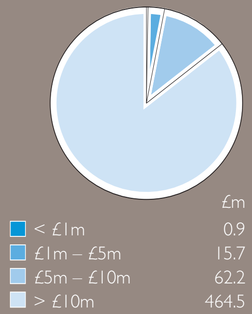
Income Projection



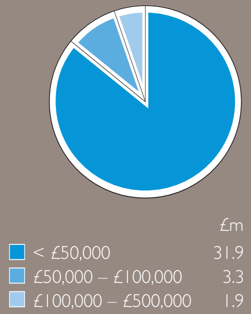
Our strategy revolves around the management of retail property

in our chosen markets of France, Spain and Italy, with a more opportunistic approach to other sectors and locations.

By Value



By Passing Rent



Australia Asia Pacific...

"In 2004, our business was supported by strong economic conditions across the Asia Pacific and Australian markets. China's economy continued to expand its influence both within the region and on the international stage."

from left to right

Rob Kerr
Managing Director, Australia

Nick Loup
Managing Director, Asia Pacific

operating review

"Our operations in Australia and Asia Pacific give us a strategic regional presence with offices in Sydney, Brisbane, Tokyo, Hong Kong and now Shanghai."

...continued

Our assets under management in the Australia Asia Pacific region grew to £384m (US$738m), an increase of 66%. We are an active investor and developer in the office, industrial and residential markets and a number of significant milestones were achieved in each of these sectors in 2004.

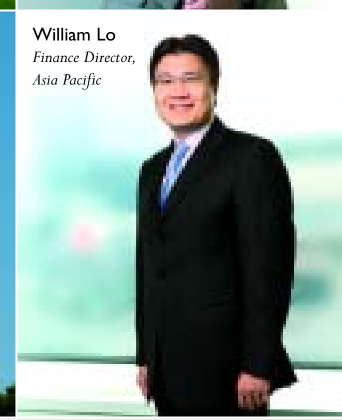
As the office market in Australia began to show signs of recovery after two years of negative growth, we purchased two buildings, one in Brisbane, the other in Sydney. The buildings are in the centre of the two cities' financial districts.

At Sir Joseph Banks Corporate Park, near Sydney, we completed the final phase of the project with a building of 10,600 m^2 (114,000 sq. ft.) of office and warehouse accommodation which was pre-let to major pharmaceutical group, Abbott Australasia.

In Hong Kong, our Grade A office investments showed a 57% year on year growth in capital value in 2004. We also are invested indirectly in the Grade B office sector through our interest in Asia Standard International. Both sectors are expected to perform well in 2005 against tightening supply and increasing demand.

In the Hong Kong residential sector, we completed a development of 21 luxury apartments, Grosvenor Place, in a joint venture with Asia Standard International. The entire building was sold to a single investor at a new landmark price in the market of US$120m. We joined forces with Asia Standard again to acquire a residential site in Castle Peak Road, New Territories to develop approximately 13,000 m^2 (140,000 sq. ft.) of luxury waterfront apartments. In Australia, we completed the purchase of a development site in the tourist destination of Nelson Bay, north of Sydney. Named LURE Serviced Apartments, the site has development approval for 58 contemporary designed units. We expect to complete the apartments in the spring of 2006. There is also a residential element in our mixed use site at Banyo in Brisbane where we received consent to develop 101 residential and 19 industrial lots. We will create the infrastructure and be in a position to sell development lots by mid 2005.

Ian Clark
Finance Director, Australia



William Lo
Finance Director, Asia Pacific

Top: Sir Joseph Banks Corporate Park, Sydney
Bottom: Grosvenor Place, Repulse Bay, Hong Kong

In Japan, we are investors in a US$200m residential fund, which specialises in re-positioning residential property in Tokyo. The fund, managed by Grosvenor Fund Management, is performing well and is expected to lead us into residential development in Japan in 2005.

Reflecting the growth of our business in the region and our optimism towards mainland China, our co-operation with Asia Standard took another step forward in November when together we opened a representative office in Shanghai. This is an important first move to becoming involved in this exciting but challenging market.

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.

We also have an equity investment with a 15% shareholding in Asia Standard International. At the end of the year, the company, quoted on the Hong Kong Stock Exchange, announced a profit of £11m (US$20m) in their interim results with a residential development pipeline of over 93,000 m² (1 million sq. ft.). We believe that the company is well placed to capitalise on the recovery in the Hong Kong residential property market.

Specific activity in our portfolio during 2004 included:

Acquisition of two office buildings: the Bank of Queensland Centre, Brisbane – a newly completed 'A' grade building and 20 Hunter Street, Sydney. This was purchased with a 50% vacancy but also with a nine month rental support from the vendor. The building will be refurbished and re-let during 2005. These buildings provide recurring income in the short-term and we intend to introduce co-investors to both.

The completion of the final phase at Sir Joseph Banks Corporate Park, Sydney, which is a joint venture with the Buccleuch Group, took the total of office and industrial space created at the park is 27,000 m² (290,000 sq. ft.) with an end value of AUD$65m (£26.3m).

Industrial asset management: one of our industrial buildings at Rocklea in Brisbane was repositioned after a major tenant vacated the building late in 2003. Following a refurbishment and major re-letting program, we improved the property's lease expiry profile and rental levels considerably. We sold the property in late 2004 which resulted in an unleveraged IRR of over 15% since acquisition in 1999.

Development sales: Grosvenor Place, Repulse Bay, Hong Kong, a 5,500 m² (60,000 sq. ft.) residential joint venture with Asia Standard International, was sold in April, two months after the launch, resulting in a net profit after tax of £7.3m (US$13.4m). It was designed by UK architect Paul Davis and was the first Asia Project to win the MIPIM residential award.

	Number	Value £'m	Passing rent £'m	ERV £'m	Running yield %
Direct properties					
Office	5	106.4	7.9	9.1	7.4%
Industrial	11	33.9	2.8	2.8	8.3%
Car parks	2	39.0	1.4	1.4	3.7%
Retail	17	4.0	0.3	0.3	6.6%
Residential	–	26.2	1.2	1.3	4.5%
	35	209.5	13.6	14.9	6.5%
Trade investments (cost)	3	44.0			
Total	**38**	**253.5**			

Average lease length in Australia Asia Pacific is 6.9 years

Apartments at Nihonbashi, Tokyo

NON-EXECUTIVE DIRECTOR'S COMMENT

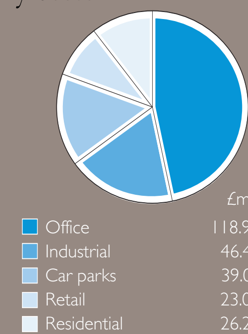
Assets under management in Australia increased by 70% in 2004

with the purchase of a second office building in Brisbane and an office building in Sydney. An industrial complex in Brisbane was sold at significantly above book value.

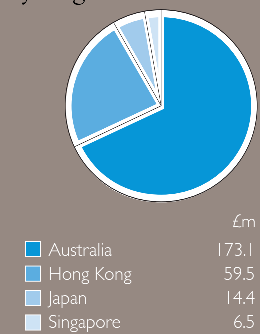
There continues to be strong demand for quality Australian property assets from both Australian and off-shore based institutions. Retail and industrial markets are performing strongly and there is evidence of an improving office market. In contrast, the housing market has moderated in anticipation of interest rate rises. The teams in Sydney and Brisbane are well positioned to take advantage of these circumstances.

John Coates
17 March 2005

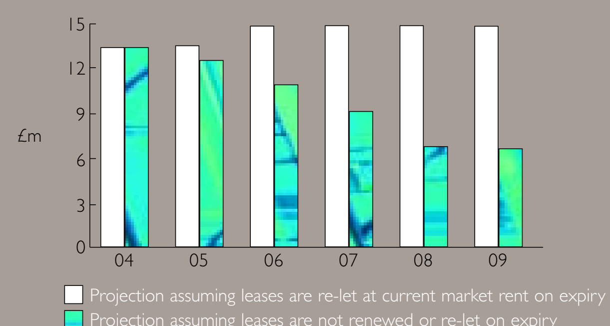
By Sector



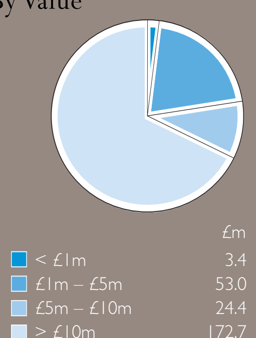
By Region



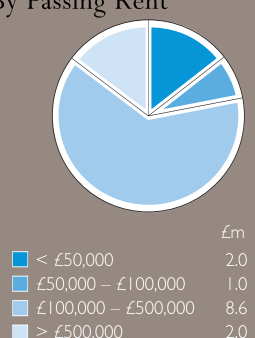
Income Projection



By Value



By Passing Rent



NON-EXECUTIVE DIRECTOR'S COMMENT

In 2004, everyone in Asia *was focused*

on the continuing strong growth in China and the policies being implemented with a view to moderating it.

In the event, the feared 'hard landing' did not materialise and the Chinese economy grew by 9.7%.

Hong Kong, benefiting from China's success, emerged from its long period of deflation and showed robust growth of 7.7% and the property market – with some ups and downs – continued on its recovery path. One of Hong Kong's benchmark transactions for the year was the sale of Grosvenor Place, our joint venture development in Repulse Bay, with Asia Standard. This also confirmed Grosvenor as an established presence in the high-end residential market in the region.

Tim Freshwater
17 March 2005

Fund Management...

"Active in each of our four geographical operating regions, our business is based on nearly thirty years' experience of property fund management."

Stuart Beevor
Managing Director
Grosvenor Fund Management

operating review

"On 1 January 2005 we established Grosvenor Fund Management, as a single international fund management business."

Our Approach to fund management is to combine the benefits of local property knowledge with an international perspective on economies, property markets and cycles.

> "Our clients are becoming increasingly interested in cross border investment to benefit from diversification and access to broader markets.
>
> *And so, our strategy in creating Grosvenor Fund Management, is to offer a unified approach to fund management around the world to meet the investment needs of our individual clients."*

GROSVENOR FUND MANAGEMENT presents an exciting opportunity to grow our business by working with existing and new clients. The services we provide are focused on clients who invest in indirect pooled vehicles and who seek exposure to a broader range of assets in both domestic and international markets.

We co-invest in all the funds we establish, being careful to align our interests with those of our investors. Our overriding objective is to deliver attractive investment performance and client service, demonstrating transparent management, and addressing important investor issues. These include liquidity, appropriate and timely placing of funds and astute judgment of our active markets.
We believe that this approach will provide a strong platform from which to achieve our ambitious growth targets. Above all, we seek to foster a strong sense of partnership with all our investors.

Fund Management...

During 2004, the synchronisation of strong property investment markets drove prices higher virtually everywhere, and this trend is continuing into 2005. However, the performance of occupier markets was, and still is, relatively unimpressive. Retail rental growth is slowing and office markets are only gradually showing signs of an upturn.

Property investment is only one asset available to investors and uncertain equity markets and falling bond yields have created a positive environment for property yields. In our view, most of the yield reduction has now been seen, with future movements likely to be influenced by broad economic conditions and individual property specifics. The most likely scenario is that rents will rise slowly, yields will remain stable and investor interest will remain strong.

ACTIVITY WITHIN GROSVENOR FUND MANAGEMENT

There were four main strands to our work in 2004: establishing Grosvenor Fund Management; raising equity capital; investing capital; and actively managing existing assets and funds.

In Continental Europe, €215m of equity was successfully raised from eight investors to launch Grosvenor Retail European Properties. The strategy is to acquire French and other continental European town centre retail and retail warehouse properties. Debt equivalent to 50% gross asset value is permitted. Since its launch in June 2004, over half the total capital has been invested or committed including a high quality retail portfolio located in Paris, Bordeaux and Toulouse with tenants including Zara, The Disney Store, Etam and Gap.

GCAP, a fund investing in Tokyo residential properties was created in January 2004 and 70% of the US$200m available capital has now been committed. The strategy is to acquire properties that are either in the course of development or that require refurbishment to deliver value-added returns.

Raising equity for the Liverpool development was one of many highlights within the UK. A fund was established to finance the development with £255m committed by eight investors including Grosvenor. The fund will own the development when it is completed in 2008.

The ability to invest capital successfully is critical, but we also recognise the wisdom of making prudent sales. In the U.S.A., WestShore Plaza Shopping Center was sold for US$120m and the American Freeholds fund was re-structured. Highlighting another critical issue for unquoted funds, liquidity was achieved for one investor through this re-structuring.

To cap a busy year, IGIPT, an international vehicle for Australian superannuation funds, was created with the Industry Superannuation Property Trust (ISPT). It closed on 17 December raising AUD$336m of equity from eight investors. This fund will rely on the skills of our team around the world to create and manage a diversified international portfolio.

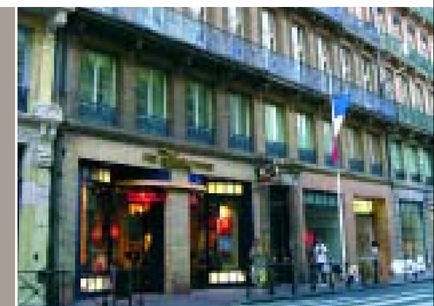
In 2005, we plan to build on recent activity by raising and investing capital where we see value. The current investment market necessitates a selective approach and we look forward to working with our clients and achieving our mutual objectives.

"Grosvenor was selected… because of its long successful history of co-investing with local partners and its experienced teams in each of the major international markets."

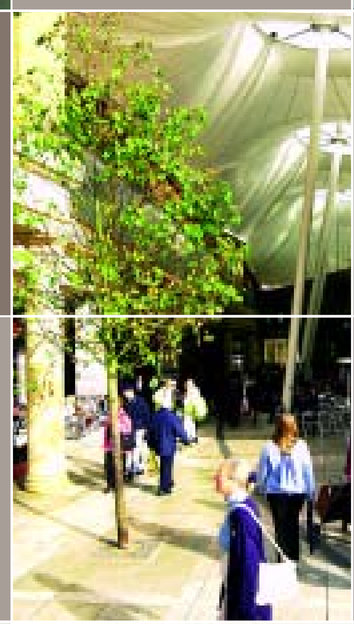
Daryl Browning,
Interim Chief Executive of ISPT

James Raynor
Continental Europe

33 investors in 10 funds



Mervyn Howard
Britain and Ireland

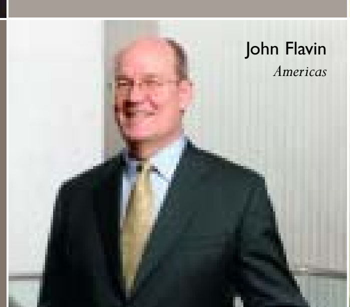


£1.4bn Funds under Management

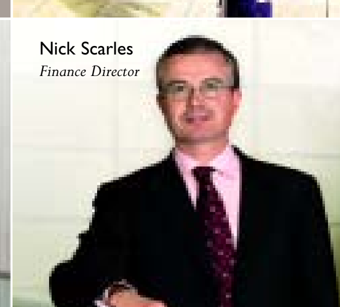
Brett Dillon
Australia

"I am really impressed at how efficient Grosvenor has been in finding quality properties for the fund."

Niels Hesseldahl, K P A/S, one of Denmark's largest pension funds and an investor in Grosvenor Retail European Properties.



John Flavin
Americas



Nick Scarles
Finance Director

John So
Asia Pacific

Top: GREP investment, Toulouse
Centre: Festival Place, Basingstoke

For a list of all our funds see page 95

Non-Executive Directors

Operating company
Non-Executive Directors

Top row, left to right

George Gaffney
Americas

Guillermo Wakonnig
Continental Europe

Lizanne Galbreath
Americas

Philippe Citerne
Continental Europe

Grosvenor Group

The Duke of Westminster KG OBE TD DL *(Chairman)* is Chairman of the Grosvenor Trusts and holds the position of Major-General (2 star) in the Reserve Forces. He was appointed in March 2004 to the key role of Assistant Chief of Defence Staff (Reserves and Cadets) based at the Ministry of Defence. He is a member of the Prince's Council of the Duchy of Cornwall and is involved with many leading charity organisations. Age 53.

John Sclater CVO *(Deputy Chairman)* is a Trustee of the Grosvenor Trusts. He is Chairman of Graphite Enterprise Trust plc, Finsbury Life Sciences Investment Trust plc and Argent Group Europe Limited. He is a director of James Cropper plc, Millennium & Copthorne Hotels plc and other companies. Age 64.

Robin Broadhurst CBE FRICS is a Trustee of the Grosvenor Trusts and a Non-Executive Director of the British Library, Grainger Trust plc, Sableknight Ltd and MPG Properties Ltd. He is also consultant to Sir Robert McAlpine, a senior adviser to Credit Suisse First Boston and a member of the Prince's Council of the Duchy of Cornwall. He retired from Jones Lang LaSalle as European Chairman in 2003. He is a Governor of Rugby School and a trustee of several charities. Age 58.

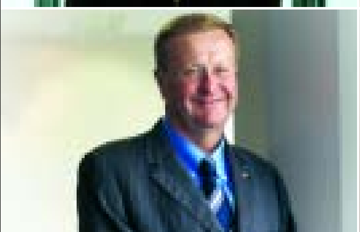
Lord George of St Tudy GBE was Governor of the Bank of England from 1993 until his retirement in 2003. He is a Non-Executive Director of N M Rothschild, where he chairs the European Advisory Council, and Rothschilds Continuation Holdings. He is also on the board of Nestlé SA. Age 66.

Rod Kent is Chairman of Grosvenor 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 Chairman of Bradford and Bingley plc and a Non-Executive Director of Whitbread plc. Age 57.

Alasdair Morrison is Chairman and Chief Executive Officer 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 Committee and Vice Chairman of the Harvard Business School Association of Hong Kong. He was previously Managing Director of the Jardine Matheson Group from 1994 to 2000. Age 56.

Tony Wyand is Chairman of Grosvenor Continental Europe. He retired from the Board of Aviva plc, where he was Group Executive Director, in 2003. In this role he was responsible at Board level for all of the Group's business in Europe (including the Netherlands and France, where he was Chairman of Aviva France). He is a Non-Executive Director of Société Générale and UniCredito Italiano and a member of the Lehman Brothers European Advisory Board. Age 61.






Bottom row, left to right

Andrew Baum
Britain and Ireland

Richard Clare
Britain and Ireland

John Coates
Australia

Tim Freshwater
Asia Pacific

Americas

Carmine Guerro is Chairman of Grosvenor Americas and a member of the board of the PMI Group, Inc. He retired from PricewaterhouseCoopers in 2001 having held a variety of positions with the firm including Vice Chairman of Client Service, Managing Partner of the Western Region and member of the Executive Committee. His past board affiliations have included President of the International Diplomacy Council of the Bay Area (San Francisco), and Chairman of the U.C. Berkeley Business School Professional Accounting Program. Age 63.

George Gaffney is a former Executive Vice-President and General Manager of the Royal Bank of Canada, Ontario where he was responsible for the overall management of the Bank's consumer and business operations in the Province; he retired in December 2000. He is a Governor of the Vancouver Board of Trade and a Director of Rick Hansen Enterprises, B.C. Age 62.

Lizanne Galbreath was Chairman and CEO of The Galbreath Company, an international full service real estate company, prior to its merger with LaSalle Partners and Jones Lang Wootton. She is a past Chairman of the Real Estate Advisory Board of Wharton Business School where she is currently on the Executive Committee. She is a member of the Governance Committee and Board of Trustees of the Urban Land Institute and the President's Leadership council of Dartmouth College. Age 47.

Australia Asia Pacific

Tim Freshwater is Vice Chairman of Goldman Sachs Asia. Before joining Goldman Sachs in 2001, he was Chairman of Jardine Fleming. He is a solicitor in the UK and Hong Kong and he spent 29 years with Slaughter and May, including seven years in Hong Kong and five years as head of the firm's corporate practice. He is an ex-President of the Hong Kong Law Society and is currently a Director of Hongkong Exchanges & Clearing Limited. Age 60.

John Coates AO is a partner of Kemp Strang Lawyers, Deputy Chairman of David Jones Limited and a member of the Grant Samuel Advisory Board. He is President of the Australian Olympic Committee and a member of the International Olympic Committee. Age 54.

Britain and Ireland

Andrew Baum PhD FRICS is a Principal of Oxford Property Consultants and Professor of Land Management at the University of Reading. He is a member of the Supervisory Board of the Schroder Exempt Property Unit Trust. Age 51.

Richard Clare MRICS is Executive Chairman of EC Harris. He is a member of the Real Estate Advisory Committee for the Rector of Imperial College, a member of the Property Advisory Panel for the Chairman of University College London Hospitals and a Governor of the Anglo-American Real Property Institute. Age 51.

Continental Europe

Philippe Citerne is Chief Executive Officer of Société Générale. He is a Board member of UniCredito Italiano and a member of the Supervisory Board of the tourism group Accor. Age 56.

Guillermo Wakonigg is a founding partner of Socios Financieros, the Spanish based investment bank. Prior to becoming a Non-Executive Director in 2004 he was a consultant to Grosvenor's Continental European business from 1996. Age 48.

Senior Staff – board members, office and business unit heads

Grosvenor Group

Jeremy Newsum FRICS *(Group Chief Executive)* is Executive Trustee of the Grosvenor Trusts. He is a Director of TR Property Investment Trust plc, a Main Board adviser to Bidwells and a Member of the Court and Council of Imperial College. He is Chairman of the Advisory Board to the Land Economy Department at the University of Cambridge. Age 49.

Jonathan Hagger FCA FCT *(Group Finance Director)* is Chief Financial Officer of the Grosvenor Trusts. He is Chairman of English Sinfonia and a director of the American European Community Association. Age 56.

Australia Asia Pacific

Robert Kerr is Managing Director, Australia. He joined Grosvenor in 1994 following nine years with CB Richard Ellis. He is a member of the Australian Institute of Company Directors. Age 43.

Nicholas Loup is Managing Director, Asia. He is a Director of Asia Standard International and general committee member of the Hong Kong British Chamber of Commerce. He initially worked for Grosvenor in London and rejoined in 1994 to establish the operation in Asia Pacific, following directorships with Colliers Jardine Hong Kong and Trafalgar House Property (UK). Age 44.

Ian Clark FICAA, FICS is Finance Director, Australia. He joined Grosvenor in 1985 after ten years' experience in the accounting profession including five years with PricewaterhouseCoopers. Age 52.

William Lo FCCA CFA is Finance Director, Asia. He joined Grosvenor in 2002 following six years with Coopers and Lybrand and eleven years with AIA Capital Corporation, both in Hong Kong. Age 44.

Koshiro Hiroi is Senior Representative in Japan. Before he joined Grosvenor in 2001, to lead the operations in Tokyo, he worked for US private fund Lone Star and Tokyo Tatemono, a major Japanese developer. Age 35.

Graham Livingstone MRICS is Queensland State Manager, based in Brisbane, Australia. He joined Grosvenor in 1996. He is an active member of the Royal Institution of Chartered Surveyors and Property Council of Australia. Age 42.

Americas

William (Bill) Abelmann is Chief Executive and President, Americas. He is a member of a number of real estate organisations including the Urban Land Institute, International Council of Shopping Centers and the National Association of Real Estate Investment Managers. Age 54.

David Taylor CA is Finance Director, Americas. He joined Grosvenor in 1986 and became Chief Financial Officer in 1988. He is due to retire in 2005. Age 54.

Rekha Patel CPA is Finance Director designate, Americas. She joined Grosvenor in 2003 following thirteen years with GIC Real Estate Inc. Age 40.

Andrew Bibby is President, Canada, based in Vancouver. He joined Grosvenor in 1984 and is a Member of the Faculty Advisory Board, Sauder Business School, University of British Columbia. Age 47.

Andrew Galbraith MRICS is Senior Vice President, U.S.A., based in Washington, D.C.. He joined Grosvenor in 1990 and was seconded to Washington D.C. in 1993; he is a member of the Urban Land Institute and the International Council of Shopping Centers. Age 36.

Mark Preston MRICS is President, U.S.A. He joined Grosvenor in the UK in 1989. In 1995 he was seconded to Hong Kong, he then returned to lead Grosvenor's fund management operations in 1997 before moving to San Francisco in 2002. Age 37.

Daniel Walsh is President, Residential North America, based in Vancouver. He joined Grosvenor in 1979 and is a Director of the Urban Development Institute. Age 53.

Britain and Ireland

Stephen Musgrave MRICS is Chief Executive, Britain and Ireland. He is a Trustee and Director of The Prince's Regeneration Trusts. He is a Non-Executive Director of Hypo Real Estate Bank International and Royal & Sun Alliance London Regional Board and a Director of the Reading Real Estate Foundation. He is a member of the Client Committee of the Royal Academy of Arts and a Freeman of the City of London. Age 51.

Richard Handley FCA is Finance Director, Britain and Ireland. He joined Grosvenor in 1991 and became Commercial Director of Grosvenor's European and asset management businesses in 1997. He was previously Group Chief Accountant for TSB Group plc. He is an independent director of Crowebridge Housing. Age 50.

John Irvine FRICS is responsible for operations in Scotland and Ireland and is based in Edinburgh. He is a voluntary Board member of housing association Home in Scotland, and chairs the British Council of Offices Awards Panel in Scotland. He is a member of the Advisory Board of Architecture and Design Scotland. Age 48.

Jeremy Titchen MRICS is Commercial Director, Britain and Ireland. He joined Grosvenor in 1987. Age 41.

Peter Vernon MRICS is Investment Director, Britain and Ireland. He joined Grosvenor in March 2005 from IBM Business Consulting Services (previously PWC Consulting), where he was a partner and leader of the real estate, facilities and capital projects team. Age 45.

Continental Europe

Neil Jones MRICS is Chief Executive, Continental Europe. He is a Non-Executive Director of Lar Grosvenor and Sonae Sierra. Before joining Grosvenor he was a partner with Healey & Baker, specialising in investment. He was based in London until 1990, Brussels until 1994 and Hong Kong until 1997. Age 39.

Benoît Prat-Stanford is Finance Director, Continental Europe. He joined Grosvenor in 2000 following 8 years with US company United Technologies Corporation. He has also worked for Arthur Andersen. He has lived and worked in Paris, Boston, Rome, Brussels and London. Age 39.

Steve Cowen MRICS is Investment Director, Continental Europe. He joined Grosvenor in June 2002. His career history includes CORIO and Cushman & Wakefield Healey & Baker. He has lived and worked in Paris since 1989. Age 39.

Fund Management

Stuart Beevor FRICS is Managing Director, Fund Management. He is a Non-Executive Director of The UNITE Group Plc and a Trustee of the Investment Property Forum Educational Trust. Age 48.

Nicholas Scarles FCA, CPA, Attorney at Law, is Finance Director, Grosvenor Fund Management. He joined Grosvenor in 2004. He was previously at Centrica, following its demerger from British Gas, where he was Chief Financial Officer for Centrica's North American operations. Age 42.

Brett Dillon is Fund Manager, Australia. He joined Grosvenor in 2001 after working for Urbis Consulting. He is a member of the Australian Property Institute. Age 36.

John Flavin is Fund Management Director, Americas. He joined Grosvenor in 1991 to head the Washington D.C. office. He is a past president of the Harvard Club of Washington and is a volunteer for Habitat for Humanity in San Francisco. Age 54.

Mervyn Howard is Fund Management Director, Britain and Ireland. He joined Grosvenor in 2001 following senior management roles at GE Capital's real estate business and TrizecHahn Europe. Age 45.

James Raynor is Fund Management Director, Continental Europe. He joined Grosvenor in 2004 from Royal Bank of Scotland in Paris where he was Senior Director of European Real Estate. Age 31.

John So CFA is Fund Management Director, Asia. He joined Grosvenor in 2000 from Jardine Fleming Securities (HK), where he was a Director and led the Regional Real Estate Research team. He is a member of the Urban Land Institute and the American Chamber of Commerce. Age 39.

Accounts

Corporate Governance

THE COMBINED CODE

Grosvenor's business approach is based on openness 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 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 issued by the UK Financial Reporting Council in July 2003 and has determined which of those provisions are appropriate in the context of Grosvenor's ownership structure.

BOARD OF DIRECTORS

The Board comprises six full time executive directors and seven non-executive directors, amongst whom four are also Trustees of the Grosvenor Trusts (see page 53). 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 thirteen 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 pages 44 and 46 demonstrate a range of experience and professional background 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 55 and a statement of going concern is given on page 53.

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 undertakes a regular evaluation of its own performance.

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. Trustees of the Grosvenor Trusts 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, Americas and Continental Europe 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 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 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 2004 at its meeting in March 2005 by considering reports from management and the Audit Committee and taking account of events since December 2004.

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.

Remuneration Report

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.

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 and local Weighted Average Cost of Capital. The incentive arrangements are designed to reward outstanding performance at the team and individual level. For senior staff at least 50% of the incentive element of the award is deferred for a minimum period of two years after the award is made. For executive directors two thirds of the bonus awarded is deferred for up to five years. The deferred elements attract 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 Pension Plan (GPP, formerly Grosvenor Estates Pension Plan) and, if applicable, supplementary pension arrangements. GPP is non-contributory and provides, for those who were a member before 2004, a maximum pension of up to two-thirds of pensionable salary on retirement. The cost of the Group's contribution to GPP in respect of each director is based on the senior executive member current average contribution rate of 29.1% per year. The Plan 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. For all staff who joined the Group after 1 January 2004 GPP provides a defined benefit pension up to an upper earnings limit, and above this limit the Group will contribute between 25% and 30% of salary into employees' accounts with the Grosvenor Estate Money Purchase Scheme.

  Outside the UK pensions are provided from a number of schemes, including separate defined benefit schemes in Australia, Canada and the U.S.A. Further details of the Group's pension schemes 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 34 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
17 March 2005

Directors' Report

The directors present their annual report and the Group's audited consolidated financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group's principal activities are property investment, development 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 43.

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 57. Profit for the year after taxation was £76.0m (2003 – £60.3m). An interim dividend of £2.8m (2003 – £2.3m) was paid in October 2004 and the directors recommend payment of a final dividend of £5.5m (2003 – £14.6m), making a total for the year of £8.3m (2003 – £16.9m).

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 96 and their biographies are given on pages 44 and 46. All directors served throughout the year with the exception of those set out below.

Alasdair Morrison	(appointed 1 March 2004)
Neil Jones	(appointed 10 June 2004)
Kurt Viermetz	(resigned 10 June 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 2004	At 31 December 2004	At 1 January 2004	At 31 December 2004	At 1 January 2004	At 31 December 2004
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	3,001,024	21,500,528	24,008,192	2,687,566	3,001,024
Jeremy H M Newsum	4,248,367	4,290,433	33,986,936	34,323,463	4,248,367	4,290,433
Robin Broadhurst	3,738,905	4,052,363	29,911,240	32,418,904	3,738,905	4,052,363

The non-beneficial interests above represent the shares owned by the respective directors in their capacity as Trustees of the Grosvenor Trusts. There have been no changes in beneficial or non-beneficial interests since 31 December 2004.

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.

CHARITABLE CONTRIBUTIONS

Charitable contributions during the year amounted to £1.2m (2003 – £1.2m). £1.0m was donated to the Westminster Foundation (2003 – £1.1m) which supports a wide range of charitable causes.

Directors' Report

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 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 2004, there were 49 (2003 – 38) 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. We are satisfied the principal reason for the increase in recorded incidents is a greater awareness of health and safety reporting requirements together with a larger number of projects.

Grosvenor did not receive any enforcement action from statutory Health and Safety authorities in 2004.

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 2004 represented 16 days' purchases (2003 – 6 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

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
17 March 2005

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
PRINCIPAL VALUERS:	CBRE, Cushman & Wakefield, Royal Le Page, DTZ, Jones Lang LaSalle
SOLICITORS:	Boodle Hatfield, Slaughter and May
LEAD BANKERS:	The Royal Bank of Scotland Group plc
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 2004 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 34. 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 AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 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
17 March 2005

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Consolidated Profit and Loss Account

for the year ended 31 December 2004

	Notes	2004 £m	2003 £m
Turnover: group and share of joint ventures	3	**286.0**	293.5
Less: share of joint ventures' turnover	3	**(62.3)**	(51.2)
Group turnover	3	**223.7**	242.3
Net rental income		**88.2**	101.1
Profit on development properties		**14.4**	6.5
Total gross profit		**102.6**	107.6
Exceptional income/(charges)	4	**2.2**	(6.1)
Administrative expenses – other		**(49.7)**	(38.5)
Total administrative expenses		**(47.5)**	(44.6)
Group operating profit	5	**55.1**	63.0
Share of operating profit of joint ventures	6	**19.7**	22.3
Total operating profit		**74.8**	85.3
Profit on sale of investment properties	7	**32.1**	40.3
Profit on sale of trade investments	7	**20.9**	3.7
Profit before interest		**127.8**	129.3
Dividend income		**3.1**	2.3
Net interest	11	**(44.8)**	(39.5)
Reversal of/(charge to) amounts written off investments		**7.1**	(0.4)
Profit on ordinary activities before taxation		**93.2**	91.7
Tax on profit on ordinary activities	12	**(17.2)**	(31.4)
Profit on ordinary activities after taxation		**76.0**	60.3
Equity minority interests		**(13.5)**	(4.4)
		62.5	55.9
Dividends on equity and non-equity shares	13	**(8.3)**	(16.9)
Retained profit for the year	31	**54.2**	39.0

All activities derive from continuing operations.

Balance Sheets

31 December 2004

	Notes	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Fixed assets					
Tangible assets – Investment properties	15	**2,436.8**	2,050.5	**–**	–
– Other tangible assets	16	**28.9**	23.9	**–**	–
Investments – Subsidiary undertakings	17	**–**	–	**1,360.4**	1,358.4
– Trade investments	18	**44.2**	85.6	**–**	–
– Joint ventures – Share of gross assets		**717.1**	627.5	**–**	–
– Share of gross liabilities		**(469.1)**	(405.1)	**–**	–
	19	**248.0**	222.4	**–**	–
		2,757.9	2,382.4	**1,360.4**	1,358.4
Current assets					
Development properties	21	**95.6**	94.4	**–**	–
Debtors	22	**150.5**	136.3	**26.0**	25.1
Cash and short-term deposits		**279.8**	204.0	**–**	–
		525.9	434.7	**26.0**	25.1
Creditors: amounts falling due within one year					
Borrowings	24	**(99.2)**	(29.4)	**–**	–
Other creditors	23	**(155.9)**	(127.9)	**(7.5)**	(4.6)
		(255.1)	(157.3)	**(7.5)**	(4.6)
Net current assets		**270.8**	277.4	**18.5**	20.5
Total assets less current liabilities		**3,028.7**	2,659.8	**1,378.9**	1,378.9
Creditors: amounts falling due after more than one year					
Borrowings	24	**(702.3)**	(658.2)	**–**	–
Other creditors	23	**(5.1)**	(5.0)	**–**	–
		(707.4)	(663.2)	**–**	–
Provisions for liabilities and charges	27	**(37.3)**	(34.4)	**–**	–
		2,284.0	1,962.2	**1,378.9**	1,378.9
Capital and reserves					
Called up share capital	30	**60.8**	60.8	**60.8**	60.8
Share premium	31	**28.3**	28.3	**28.3**	28.3
Merger capital reserve	31	**144.8**	144.8	**1,268.7**	1,268.7
Profit and loss account	31	**584.2**	494.6	**21.1**	21.1
Revaluation reserve	31	**1,235.6**	994.3	**–**	–
Other reserves	31	**115.4**	125.6	**–**	–
Shareholders' funds – including non-equity interests	32	**2,169.1**	1,848.4	**1,378.9**	1,378.9
Equity minority interest		**114.9**	113.8	**–**	–
		2,284.0	1,962.2	**1,378.9**	1,378.9

Approved by the Board on 17 March 2005 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 2004

	Notes	2004 £m	2003 £m
Profit for the financial year before dividends		**62.5**	55.9
Unrealised surplus on revaluation of properties	*31*	**292.2**	44.2
Tax charged to reserves on realisation of revaluation surpluses	*31*	**(11.3)**	(0.3)
Currency translation differences on foreign currency net investments	*31*	**(14.4)**	12.4
Total recognised gains and losses relating to the year		**329.0**	112.2

Note of Historical Cost Profits and Losses

for the year ended 31 December 2004

	2004 £m	2003 £m
Profit on ordinary activities before taxation	**93.2**	91.7
Realisation of property revaluation gains of previous years	**36.5**	71.0
Historical cost profit on ordinary activities before taxation	**129.7**	162.7
Historical cost retained profit for the year – after taxation, minority interests and dividends	**79.4**	109.7

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 2004

	Notes	2004 £m	2003 £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	*33a*	**47.6**	66.2
Dividends from joint ventures and associates		**2.0**	2.4
Returns on investments and servicing of finance			
Interest received		**7.0**	7.6
Interest paid		**(49.1)**	(48.2)
Investment income		**3.1**	2.3
Preference dividends paid		**(0.7)**	(0.7)
Dividends paid to minorities		**(15.8)**	–
		(55.5)	(39.0)
Taxation			
Corporation tax paid		**(25.6)**	(17.6)
Capital expenditure and financial investment			
Purchase of, and improvements to properties		**(272.2)**	(153.3)
Sale of freehold and leasehold properties		**154.8**	133.7
Lease premiums received		**49.4**	49.9
Purchase of other fixed assets		**(1.9)**	(0.6)
Sale of other fixed assets		**0.1**	0.2
		(69.8)	29.9
Acquisitions and disposals			
Sale of trade investments		**65.8**	9.5
Equity dividends paid		**(16.7)**	(5.4)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		**(52.2)**	46.0
Management of liquid resources			
Purchase of short-term liquid investments		**(52.3)**	(49.0)
Placement of short-term deposits		**(31.8)**	0.2
		(84.1)	(48.8)
Financing			
Issue of shares in subsidiaries		**–**	33.4
Repayment of capital from joint ventures		**–**	34.8
Loans drawndown		**205.2**	55.3
Loans repaid		**(74.1)**	(112.6)
		131.1	10.9
(DECREASE)/INCREASE IN CASH IN THE YEAR	*33b*	**(5.2)**	8.1

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 preceding year.

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, income from property development activities and fund management fees.

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.

INVESTMENT PROPERTIES

Investment properties, including those in joint ventures, are valued annually at 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.

Notes to the Financial Statements

1. ACCOUNTING POLICIES (CONTINUED)

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.

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	
	2004	2003	**2004**	2003
Euro	**1.47**	1.45	**1.41**	1.42
US dollar	**1.83**	1.64	**1.92**	1.79
Canadian dollar	**2.37**	2.31	**2.32**	2.31
Australian dollar	**2.48**	2.53	**2.47**	2.38
Hong Kong dollar	**14.25**	12.79	**14.94**	13.90
Singapore dollar	**3.09**	2.86	**3.15**	3.04
Japanese Yen	**196.88**	190.51	**197.96**	191.85

3. SEGMENTAL ANALYSIS

	Turnover		Profit before taxation		Net assets	
	2004 £m	2003 £m	**2004 £m**	2003 £m	**2004 £m**	2003 £m
Continuing operations:						
Property investment	**145.7**	154.8	**100.2**	93.5	**2,485.4**	2,130.1
Property development	**78.0**	87.5	**15.7**	8.3	**72.3**	93.3
Group	**223.7**	242.3	**115.9**	101.8	**2,557.7**	2,223.4
Share of joint ventures	**62.3**	51.2	**22.1**	29.4	**248.0**	222.4
Group and share of joint ventures	**286.0**	293.5	**138.0**	131.2	**2,805.7**	2,445.8
Net interest/debt	**–**	–	**(44.8)**	(39.5)	**(521.7)**	(483.6)
	286.0	293.5	**93.2**	91.7	**2,284.0**	1,962.2

Profit on property investment includes £29.7m on sale of investment properties (2003 – £33.2m). It also includes £6.0m of fees for fund management activities.

The business can be analysed geographically as follows:

	Turnover		Profit before taxation		Net assets	
	2004 £m	2003 £m	**2004 £m**	2003 £m	**2004 £m**	2003 £m
Britain and Ireland	**118.2**	163.1	**41.8**	65.6	**1,862.1**	1,605.5
Continental Europe	**2.0**	3.1	**22.1**	5.3	**(20.5)**	60.7
Canada	**39.9**	25.8	**11.7**	8.6	**116.8**	135.1
United States of America	**30.5**	39.2	**16.4**	18.5	**320.9**	250.3
Australia Asia Pacific	**33.1**	11.1	**23.9**	3.8	**278.4**	171.8
Group	**223.7**	242.3	**115.9**	101.8	**2,557.7**	2,223.4
Share of joint ventures – Continental Europe	**62.3**	51.2	**22.1**	29.4	**248.0**	222.4
Group and share of joint ventures	**286.0**	293.5	**138.0**	131.2	**2,805.7**	2,445.8
Net interest/debt	**–**	–	**(44.8)**	(39.5)	**(521.7)**	(483.6)
	286.0	293.5	**93.2**	91.7	**2,284.0**	1,962.2

Turnover by geographical destination was the same as turnover by origin. Continental Europe net assets include £30.4m owed to joint ventures.

Notes to the Financial Statements

4. EXCEPTIONAL INCOME AND CHARGES

	2004 £m	2003 £m
Amounts written off investment properties	**(0.3)**	(3.1)
Reversal of amounts previously written off investment properties	**2.5**	–
Amounts provided in respect of guarantees (see note 29)	**–**	(3.0)
	2.2	(6.1)

5. GROUP OPERATING PROFIT

	2004 £m	2003 £m
Group operating profit is stated after charging:		
Depreciation of tangible fixed assets	**1.2**	1.4
Operating lease rentals:		
Land and buildings	**3.0**	3.0
Auditors' remuneration:		
Deloitte – audit	**0.6**	0.6
– other	**0.2**	0.4

All of the Group's operating companies were audited by Deloitte. Other services provided by the auditors in 2004 include £0.1m relating to International Financial Reporting Standards assistance and £0.1m relating to Remuneration Committee advice. In 2003 other services provided by the auditors included £0.2m relating to a financial model audit. Amounts paid to other accountancy firms in 2004 totalled £1.0m (2003 – £1.6m).

6. SHARE OF OPERATING PROFIT OF JOINT VENTURES

	2004 £m	2003 £m
Joint ventures' operating profit	**19.7**	15.5
Realisation of negative goodwill	**–**	6.8
	19.7	22.3

The negative goodwill in 2003 relates to release of deferred gains deducted from the carrying value of joint venture net assets.

Notes to the Financial Statements

7. PROFIT ON SALE OF INVESTMENT PROPERTIES AND TRADE INVESTMENTS

	2004 £m	2003 £m
Investment properties		
Group undertakings	**29.7**	33.2
Share of joint ventures' profits	**2.4**	7.1
	32.1	40.3
Trade investments (see note 18)	**20.9**	3.7
	53.0	44.0

8. EMPLOYEE INFORMATION

	2004 £m	2003 £m
Staff costs:		
Wages and salaries	**33.8**	23.6
Social security costs	**2.7**	1.9
Pension costs:		
Defined benefit schemes	**6.6**	5.3
Defined contribution schemes	**0.4**	0.4
	43.5	31.2

	Number	Number
Average number of employees by business:		
Property investment	**155**	143
Property development	**69**	55
Management and administration	**141**	133
Shopping centre and property management	**36**	42
	401	373
Average number of employees by geographic region:		
Britain and Ireland	**288**	271
Continental Europe	**18**	14
Canada	**21**	23
United States of America	**42**	38
Australia Asia Pacific	**32**	27
	401	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 Pension Plan (the "Plan", formerly the Grosvenor Estates Pension Scheme), a defined benefit pension scheme, and the Grosvenor Estate Money Purchase Scheme (GEMPS), a defined contribution scheme. Both schemes are administered by independent trustees. The Plan is open to all staff and provides a defined benefit pension up to an upper earnings limit. Above this limit the Group contributes between 25% and 30% of that tranche of salary into GEMPS. Some members of the Plan accrue benefits on historical scales which pension full salary (subject to the earnings cap).

Independent qualified actuaries complete valuations of the Plan 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. It was assumed that the Plan would invest in gilts in respect of pensioners' liabilities, and hold equities in respect of active and deferred members.

At 31 December 2002, the market value of the Plan 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 paid since 2002 and a recovery in the market, the market value of the Plan assets had increased by £28.2m to £77.7m at 31 December 2004.

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 rates are 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 £17.8m at 31 December 2004 and the most recent actuarial valuation showed that assets covered 113% of the accrued benefits (as at 1 January 2004 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 £6.6m (2003 – £5.3m). This includes a variation cost of £1.5m 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 2004, the prepayment for pension liabilities was £3.7m (2003 – £3.5m) and the provision for pension liabilities was £3.7m (2003 – £2.9m) which related wholly to the unfunded pension scheme.

The Group's contributions to the defined contribution scheme were £0.4m (2003 – £0.4m).

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 the Plan 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 Plan as a whole have been updated to 31 December 2004 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

	2004 Britain* £m	2004 Canada and U.S.A. £m	2003 Britain* £m	2003 Canada and U.S.A. £m	2002 Britain* £m	2002 Canada and U.S.A. £m
Pension scheme deficit before tax	**(6.7)**	**(7.6)**	(7.8)	(4.8)	(14.9)	(3.8)

ASSETS IN THE SCHEMES AND THE EXPECTED RATES OF RETURN

BRITAIN*

	2004 Value £m	2004 Long-term rate of return expected	2003 Value £m	2003 Long-term rate of return expected	2002 Value £m	2002 Long-term rate of return expected
Equities	**70.2**	**7.5%**	60.3	7.7%	44.9	7.4%
Gilts	**7.5**	**4.6%**	6.3	4.8%	4.7	4.4%
Other	**1.3**	**5.2%**	0.2	5.4%	0.1	5.1%
	79.0		66.8		49.7	
Present value of scheme liabilities	**(85.7)**		(74.6)		(64.6)	
Deficit in the scheme	**(6.7)**		(7.8)		(14.9)	
Related deferred tax asset at 30%	**2.0**		2.3		4.5	
Deficit in the scheme	**(4.7)**		(5.5)		(10.4)	

* 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.

CANADA AND U.S.A.

	2004 Value £m	2004 Long-term rate of return expected	2003 Value £m	2003 Long-term rate of return expected	2002 Value £m	2002 Long-term rate of return expected
Equities	**9.8**	**8.7%**	9.9	8.7%	7.8	8.8%
Bonds	**4.7**	**5.1%**	4.5	5.4%	4.5	5.1%
Other	**3.3**	**1.0%**	3.3	1.5%	3.3	2.5%
	17.8		17.7		15.6	
Present value of scheme liabilities	**(25.4)**		(22.5)		(19.4)	
Deficit in the schemes	**(7.6)**		(4.8)		(3.8)	
Related deferred tax asset at 30%	**2.3**		1.4		1.1	
Deficit in the scheme	**(5.3)**		(3.4)		(2.7)	

9. PENSION SCHEMES (CONTINUED)

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

	2004		2003		2002	
	Britain	**Canada and U.S.A.**	Britain	Canada and U.S.A.	Britain	Canada and U.S.A.
Rate of increase in salaries	**3.9-6.9%**	**4.5%**	6.2%	4.5%	5.9%	4.5%
Rate of increase in pensions in payment	**2.9%**	**2.7%**	2.7%	2.8%	2.4%	2.8%
Discount rate	**5.3%**	**5.9%**	5.4%	6.3%	5.6%	6.8%
Inflation	**2.9%**	**3.0%**	2.7%	3.0%	2.4%	3.0%

The provision for the Group's unfunded defined benefit scheme under the assumptions required by FRS 17 would be £4.3m (2003 – £3.3m).

Since the UK scheme is a multi-employer scheme (see page 66) 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.

	2004 £m	2003 £m
Analysis of the movement in the Canada and U.S.A. scheme deficit during the year		
Deficit at the beginning of the year	**(4.8)**	(3.8)
Movement in the year:		
current service cost	**(0.8)**	(0.7)
contributions	**0.3**	0.8
other net finance costs	**(0.3)**	(0.3)
actuarial loss	**(2.5)**	(1.3)
exchange gain	**0.5**	0.5
Deficit at the end of the year	**(7.6)**	(4.8)

	2004 £m	2003 £m
Analysis of amount which would be charged to operating profit		
Current service cost	**(0.8)**	(0.7)
Total operating charge	**(0.8)**	(0.7)

	2004 £m	2003 £m
Analysis of amount which would be debited to other finance costs		
Expected return on pension scheme assets	**1.1**	1.0
Interest on pension scheme liabilities	**(1.4)**	(1.3)
Net charge	**(0.3)**	(0.3)

9. PENSION SCHEMES (CONTINUED)

CANADA AND U.S.A. (CONTINUED)

	2004 £m	2003 £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
Experience gains and losses arising on the schemes' liabilities	**(0.9)**	(0.4)
Changes in assumptions underlying the present value of the scheme liabilities	**(1.6)**	(1.7)
Actuarial loss recognised in statement of total recognised gains and losses	**(2.5)**	(1.3)

	2004 £m	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	**(0.9)**	(0.4)	0.3
percentage of the present value of the scheme liabilities	**(4%)**	(2%)	1%
Total amount recognised in the statement of total recognised gains and losses			
amount – loss	**(2.5)**	(1.3)	(3.3)
percentage of the present value of the scheme liabilities	**(10%)**	(6%)	(17%)

10. DIRECTORS' REMUNERATION DETAILS

	2004 Total £000	2003 Total £000
Aggregate remuneration:		
Emoluments	**1,794**	1,552
Performance-related bonus	**846**	268
Long-term incentive plans	**1,368**	344
	4,008	2,164

The total cost of the long-term incentive plans above represents amounts which have been deferred in accordance with plan rules, as explained on page 51, together with the increase in value in 2004 of amounts deferred from prior periods.

The amounts above include for the highest paid director emoluments of £400,000 (2003 – £348,000), performance related bonus of £177,000 (2003 – £57,000) and long-term incentive plans of £396,000 (2003 – £115,000).

Retirement benefits are accruing to six directors under defined benefit schemes sponsored by Group companies. The annual accrued pension for the highest paid director under the defined benefit pension scheme was £155,000 (2003 – £127,000).

11. NET INTEREST

	2004 Group £m	2004 Share of joint ventures £m	2004 Total £m	2003 Group £m	2003 Share of joint ventures £m	2003 Total £m
Interest payable:						
Bank loans and overdrafts	**24.1**	**12.4**	**36.5**	27.1	12.1	39.2
Other loans	**25.2**	**–**	**25.2**	23.7	–	23.7
Capitalised interest	**(5.8)**	**–**	**(5.8)**	(8.5)	–	(8.5)
Net interest payable	**43.5**	**12.4**	**55.9**	42.3	12.1	54.4
Interest receivable	**(8.4)**	**(2.7)**	**(11.1)**	(10.5)	(4.4)	(14.9)
	35.1	**9.7**	**44.8**	31.8	7.7	39.5

The average rate of interest capitalised was 6.4% (2003 – 6.9%).

Cost of sales includes £2.2m of capitalised interest (2003 – £1.2m) relating to the carrying value of development properties sold in 2004.

12. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £m	2003 £m
Current year		
UK corporation tax at 30% (2003 – 30%)	**1.6**	12.1
Adjustment in respect of prior years	**(3.3)**	(1.1)
Overseas tax	**14.0**	12.4
Group current tax charge (see below)	**12.3**	23.4
Deferred tax	**1.4**	0.5
Joint Ventures:		
Overseas tax	**3.1**	5.8
Deferred tax	**0.4**	1.7
Profit and loss charge	**17.2**	31.4
Tax charged to reserves		
Tax relating to revaluation gains recognised in prior years		
UK corporation tax	**11.3**	0.4
Total tax charges recognised in the statement of total recognised gains and losses	**28.5**	31.8

	2004 £m	2003 £m
Tax reconciliation		
Profit on ordinary activities before taxation	**93.2**	91.7
Less: share of profit of joint ventures and associates	**(12.3)**	(21.7)
Group profit on ordinary activities before taxation	**80.9**	70.0
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2003 – 30%)	**24.3**	21.0
Effects of:		
Expenses not deductible for tax purposes	**0.5**	2.6
Higher tax rates on overseas earnings	**1.3**	1.8
Adjustments in respect of prior years	**(3.3)**	(1.1)
Other items attracting no tax relief or liability	**(10.0)**	(0.4)
Other timing differences	**(0.5)**	(0.5)
Group current tax charge	**12.3**	23.4

13. DIVIDENDS ON EQUITY AND NON EQUITY SHARES

	2004 £m	2003 £m
Equity shares		
Ordinary shares:		
Interim (paid) – 5.1p per share (2003 – 4.2p)	**0.3**	0.3
Final (proposed) – 8.7p per share (2003 – 25.4p)	**0.5**	1.5
	0.8	1.8
Non-voting ordinary shares:		
Interim (paid) – 5.1p per share (2003 – 4.2p)	**2.5**	2.0
Final (proposed) – 8.7p per share (2003 – 25.4p)	**4.3**	12.4
	6.8	14.4
Total dividends on equity shares	**7.6**	16.2
Non-equity shares		
12% Non-cumulative irredeemable preference shares:		
Final (proposed) – 12.0p per share (2003 – 12.0p)	**0.7**	0.7
	8.3	16.9

14. PROPERTY ASSETS

	2004 £m	2003 £m
Investment properties – Group	**2,436.8**	2,050.5
– Joint ventures	**528.3**	424.3
Development properties – Group	**95.6**	94.4
– Joint ventures	**98.5**	79.7
Trade investments	**44.2**	85.6
Total property assets	**3,203.4**	2,734.5

15. INVESTMENT PROPERTIES

	Freehold £m	Long leasehold £m	Total £m
Valuation and net book value			
At 1 January 2004	1,554.7	495.8	**2,050.5**
Additions	257.9	19.1	**277.0**
Disposals	(109.6)	(33.7)	**(143.3)**
Net surplus transferred to revaluation reserve	188.9	84.7	**273.6**
Net movement in provision for permanent diminution	–	2.2	**2.2**
Exchange differences	(22.2)	(1.0)	**(23.2)**
At 31 December 2004	1,869.7	567.1	**2,436.8**

Included in investment properties are properties in the course of construction of £23.0m (2003 – £100.1m).

15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties were valued at 31 December 2004 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 £173.1m interest in freehold properties held by Grosvenor Australia, the £22.0m interest in long leasehold properties held by Grosvenor Asia, and the Group's £121.1m interest in freehold properties and £23.8m 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 £312.0m interest in freehold properties in the US held by Grosvenor Americas was valued by Cushman & Wakefield, Chartered Surveyors;

(iii) the Group's £108.3m interest in freehold properties in Canada held by Grosvenor Americas was valued by Royal Le Page Advisors, Chartered Surveyors;

(iv) the Group's £15.0m interest in freehold properties held by Grosvenor Retail European Properties SA was valued by Jones Lang LaSalle, Chartered Surveyors;

(v) the Group's £14.4m interest in freehold properties held by Grosvenor Asia was valued by Assets Research and Development, Chartered Surveyors;

(vi) the Group's £40.6m interest in freehold properties and £24.8m interest in long leasehold properties held by the GMetro Fund were valued by ATIS Real Weatheralls Limited, Chartered Surveyors; and

(vii) the Group's £92.6m 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 £1,088.4m (2003 – £924.6m). 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 £283.3m (2003 – £224.6m).
The carrying value of investment properties includes capitalised interest of £26.9m (2003 – £22.2m).

16. OTHER TANGIBLE ASSETS

	Land and buildings £m	Leasehold improvements £m	Fixtures, fittings and motor vehicles £m	Total £m
Cost or Valuation:				
At 1 January 2004	18.8	4.6	6.3	**29.7**
Additions	–	–	1.9	**1.9**
Disposals	–	(0.1)	(0.3)	**(0.4)**
Surplus transferred to revaluation reserve	4.4	–	–	**4.4**
At 31 December 2004	23.2	4.5	7.9	**35.6**
Depreciation:				
At 1 January 2004	–	(2.2)	(3.6)	**(5.8)**
Charge for year	–	(0.6)	(0.6)	**(1.2)**
Disposals	–	0.1	0.2	**0.3**
At 31 December 2004	–	(2.7)	(4.0)	**(6.7)**
Net book value:				
At 31 December 2004	23.2	1.8	3.9	**28.9**
At 31 December 2003	18.8	2.4	2.7	**23.9**

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 2004 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 (2003 – £12.7m). The carrying value of freehold land and buildings includes capitalised interest of £0.1m (2003 – £0.1m).

17. SUBSIDIARY UNDERTAKINGS

Company

	Shares at cost £m
At 1 January 2004	**1,358.4**
Additions	**2.0**
At 31 December 2004	**1,360.4**

The principal subsidiary undertakings at 31 December 2004 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 Australia Investments 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.

18. TRADE INVESTMENTS

	Listed £m	Unlisted £m	**Total £m**
At 1 January 2004	57.6	28.0	**85.6**
Disposals	(45.4)	–	**(45.4)**
Reversal of amounts written off	7.1	–	**7.1**
Exchange differences	(1.2)	(1.9)	**(3.1)**
At 31 December 2004	18.1	26.1	**44.2**

The market value of listed investments at 31 December 2004 was £18.1m (2002 – £73.6m).

Principal trade investments at 31 December 2004:

	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%

19. JOINT VENTURES

Group

	Shares £m	**Share of retained profits £m**	**Share of revaluation reserves £m**	**Negative goodwill £m**	**Total £m**
At 1 January 2004	74.9	23.2	129.1	(4.8)	**222.4**
Additional investment	0.2	–	–	–	**0.2**
Retained profit for the year	–	2.9	–	–	**2.9**
Revaluation surplus for the year	–	–	20.4	–	**20.4**
Exchange differences	0.5	0.8	0.9	(0.1)	**2.1**
At 31 December 2004	75.6	26.9	150.4	(4.9)	**248.0**

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

19. JOINT VENTURES (CONTINUED)

Principal joint ventures at 31 December 2004:

	Principal activities	Country of incorporation	Shares held
Lar Grosvenor BV	Property investment and development in Spain	The Netherlands	50% ordinary shares
Sonae Sierra SGPS SA (formerly 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 Sierra £m	Lar Grosvenor £m	Total £m
Turnover	57.4	4.9	**62.3**
Profit before tax	11.5	0.8	**12.3**
Tax	(2.8)	(0.7)	**(3.5)**
Profit after tax	8.7	0.1	**8.8**
Fixed assets – Investment properties	464.1	64.2	**528.3**
– Other	0.4	0.9	**1.3**
Development properties	58.7	39.8	**98.5**
Other current assets	75.5	13.5	**89.0**
Liabilities due within one year	(62.2)	(28.9)	**(91.1)**
Liabilities due after more than one year	(320.4)	(57.6)	**(378.0)**
	216.1	31.9	**248.0**
Borrowings included in liabilities (non-recourse to the Group)	(216.1)	(64.4)	**(280.5)**

20. JOINT ARRANGEMENTS

At 31 December 2004, 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%
Fountain North Limited	Property development	Scotland	33.3%
Trumpington Meadows Land Company Limited	Property development	England and Wales	50%
Grosvenor Retail European Properties SA	Property investment	Luxembourg	14.0%
Grosvenor Land Property Fund Limited	Property investment in Hong Kong	Bermuda	21.4%

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, a 31.1% interest in the GMetro Fund, a 50% interest in the Moorgate Investment Partnership, a 24.5% 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%.

21. DEVELOPMENT PROPERTIES

Capitalised interest included in development properties amounted to £3.0m (2003 – £3.9m).

22. DEBTORS

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Amounts falling due within one year:				
Trade debtors	**14.2**	42.9	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**26.0**	25.1
Other debtors	**94.3**	44.1	**–**	–
Prepayments and accrued income	**33.9**	41.2	**–**	–
	142.4	128.2	**26.0**	25.1
Amounts falling due after more than one year:				
Other debtors	**4.3**	4.6	**–**	–
Pension prepayment	**3.7**	3.5	**–**	–
Other prepayments	**0.1**	–	**–**	–
	8.1	8.1	**–**	–
	150.5	136.3	**26.0**	25.1

Other debtors in 2004 includes £62.3m in respect of reimbursement of costs relating to the Paradise Project in Liverpool. These costs were recovered in January 2005.

Trade debtors in 2003 included £29.4m due from partners in funds.

Prepayments and accrued income includes £nil (2003 – £22.3m) in respect of unconditional exchange of contracts on property disposals which had not completed at the year end.

23. OTHER CREDITORS

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Amounts falling due within one year:				
Trade creditors	**16.6**	14.2	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**2.0**	–
Amounts owed to joint ventures	**30.4**	–	**–**	–
Other creditors	**20.4**	23.0	**–**	–
Corporation tax	**10.7**	10.4	**–**	–
Other taxes and social security	**0.5**	7.6	**–**	–
Accruals and deferred income	**71.8**	58.1	**–**	–
Proposed dividends	**5.5**	14.6	**5.5**	4.6
	155.9	127.9	**7.5**	4.6

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Amounts falling due after more than one year:				
Other creditors	**5.1**	5.0	**–**	–
	5.1	5.0	**–**	–

24. BORROWINGS AND OTHER FINANCIAL LIABILITIES

	Group 2004 £m	Group 2003 £m	**Company 2004 £m**	Company 2003 £m
Borrowings – unsecured				
Bank loans and overdrafts	**225.7**	147.5	**–**	–
8.375% Loan Stock 2019	**52.5**	52.5	**–**	–
Floating Rate Guaranteed Redeemable notes due 2022	**13.7**	13.4	**–**	–
	291.9	213.4	**–**	–
Borrowings – secured on investment properties				
Bank and institutional mortgages	**256.9**	221.5	**–**	–
6.5% Debenture Stock due 2026	**202.7**	202.7	**–**	–
10.42% Mortgage Debenture 2034	**50.0**	50.0	**–**	–
	509.6	474.2	**–**	–
Total Borrowings	**801.5**	687.6	**–**	–

Total borrowings above include £226.0m (2003 – £139.9m) 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 50. 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 2004 was as follows:

	Bank loans & overdrafts £m	Other loans £m	**2004 Total £m**	2003 Total £m
From 1 to 2 years	15.5	–	**15.5**	119.1
From 2 to 5 years	357.8	–	**357.8**	211.1
After 5 years	10.1	318.9	**329.0**	328.0
Due after more than one year	383.4	318.9	**702.3**	658.2
Due within one year	99.2	–	**99.2**	29.4
	482.6	318.9	**801.5**	687.6

In addition, the Group has £6.1m (2003 – £6.1m) of sterling irredeemable preference shares in issue.

24. 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 2004 was as follows:

	2004 Weighted average interest rate %	**2004** Weighted average period Years	**2004** £m	2003 Weighted average interest rate %	2003 Weighted average period Years	2003 £m
Fixed interest borrowings						
Sterling	**7.1**	**15.5**	**454.2**	7.4	20.2	369.6
US dollars	**6.4**	**2.5**	**88.7**	7.0	2.1	99.8
Canadian dollars	**7.2**	**1.6**	**39.5**	6.9	2.0	52.2
Australian dollars	**6.8**	**4.5**	**37.6**	–	–	–
Hong Kong dollars	**2.8**	**3.1**	**5.4**	–	–	–
	7.0	**12.0**	**625.4**	7.3	14.9	521.6

	2004 Weighted average interest rate %	**2004** £m	2003 Weighted average interest rate %	2003 £m
Floating Rate borrowings				
Sterling	**5.5**	**26.9**	4.5	50.0
Euro	**2.6**	**25.7**	2.5	32.4
US dollars	**3.7**	**58.2**	2.0	28.7
Canadian dollars	**5.0**	**2.0**	5.1	11.0
Australian dollars	**6.4**	**50.1**	6.4	28.7
Hong Kong dollars	**2.7**	**4.2**	1.5	11.7
Japanese Yen	**2.3**	**9.0**	2.8	3.5
	4.5	**176.1**	3.8	166.0

The above analysis by currency and interest rate risk profile recognises the effect of currency and interest swap agreements in place at 31 December 2004. Borrowings of £262.9m (2003 – £148.2m) included in fixed interest borrowings above, were covered by interest rate swap agreements, expiring between 2004 and 2010.

BORROWING FACILITIES

Undrawn committed borrowing facilities available to the Group at 31 December 2004 were as follows:

	2004 £m	2003 £m
Expiring less than 1 year	**112.3**	146.7
Expiring from 1 to 2 years	**89.1**	90.3
Expiring from 2 to 5 years	**215.2**	163.5
Expiring after more than 5 years	**8.6**	23.6
Total	**425.2**	424.1

25. ANALYSIS OF FINANCIAL ASSETS

The Group held the following financial assets as at 31 December 2004:

	2004 £m	2003 £m
Cash and short-term deposits	**149.1**	125.0
Short-term liquid investments	**130.7**	79.0
Trade investments – listed	**18.1**	57.6
– unlisted	**26.1**	28.0
	324.0	289.6

Total financial assets above include £13.3 (2003 – £26.7m) 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 2004 were held in the following currencies:

	2004 £m	2003 £m
Sterling	**50.4**	45.2
Euro	**156.9**	136.4
US dollars	**11.0**	29.2
Canadian dollars	**43.8**	24.6
Australian dollars	**10.8**	12.1
Hong Kong dollars	**43.2**	34.0
Singapore dollars	**6.6**	7.1
Japanese Yen	**1.3**	1.0
	324.0	289.6

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

A valuation was carried out at 31 December 2004 and 31 December 2003 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:

	2004		2003	
	Book £m	**Fair £m**	Book £m	Fair £m
Borrowings – Fixed rate	**(362.5)**	**(437.5)**	(373.4)	(446.1)
– Floating	**(439.0)**	**(439.0)**	(314.2)	(314.2)
– Total	**(801.5)**	**(876.5)**	(687.6)	(760.3)
Cash and short-term deposits	**149.1**	**149.1**	125.0	125.0
Short-term liquid investments	**130.7**	**132.1**	79.0	79.0
Interest rate swaps	**–**	**(10.2)**	–	(8.8)
Foreign exchange hedges	**(0.3)**	**(0.5)**	–	–
Trade Investments – Listed	**18.1**	**18.1**	57.6	73.6
– Unlisted	**26.1**	**26.1**	28.0	28.0
Preference shares	**(6.1)**	**(8.7)**	(6.1)	(8.3)
	(483.9)	**(570.5)**	(404.1)	(471.8)

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

Fixed and floating rate borrowings in the table above are stated before taking account of the effect of interest swap agreements, and so differ from the values stated in note 24.

The valuation indicated that the fair value of net financial liabilities at 31 December 2004 exceeded book value by £86.6m. If this were taken to reserves after tax relief at 30 per cent, it would reduce the Group's net asset value by £60.6m. A significant part of excess fair value relates to long-term debt which does not mature for at least 16 years (as shown in note 24).

The fair value of interest rate swap derivatives amounts to a negative present value difference of £10.2m (2003 – £8.8m) of which £1.8m was projected at 31 December 2004 to crystallise in the year to 31 December 2005 and £8.4m in subsequent years. Net losses of £5.8m on interest rate hedges which arose in prior periods, were recognised in the current year.

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 £nil (2003 – £1.7m) 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.

27. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £m	Pension obligations £m	Total £m
At 1 January 2004	31.5	2.9	**34.4**
Profit and loss account	1.4	0.8	**2.2**
Acquisitions	0.3	–	**0.3**
Exchange movements	0.4	–	**0.4**
At 31 December 2004	33.6	3.7	**37.3**

	2004 £m	2003 £m
The analysis of the deferred taxation provision is as follows:		
Other timing differences	**33.6**	31.5
	33.6	31.5

28. COMMITMENTS

(a) PROPERTY EXPENDITURE COMMITMENTS:

	2004 £m	2003 £m
Investment properties:		
Contracted but not provided	**73.7**	15.8
Development properties:		
Contracted but not provided	**20.4**	68.9

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

	2004 Land and buildings £m	2003 Land and buildings £m
Between two and five years	**0.6**	0.2
After five years	**3.8**	3.3
	4.4	3.5

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

29. 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 (2003 – £22m).

During 2003, £3m was 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.

30. SHARE CAPITAL

	2004 Number of shares	2004 £m	2003 Number of shares	2003 £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

30. SHARE CAPITAL (CONTINUED)

	2004 Number of shares	2004 £m	2003 Number of shares	2003 £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.

31. 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 2004	28.3	144.8	494.6	994.3	125.6	**1,787.6**
Retained profit for the year	–	–	54.2	–	–	**54.2**
Surplus on revaluation of properties	–	–	–	292.2	–	**292.2**
Corporation tax	–	–	–	(11.3)	–	**(11.3)**
Transfer of realised surplus on disposal of investment properties	–	–	36.5	(36.5)	–	**–**
Exchange movements	–	–	(1.1)	(3.1)	(10.2)	**(14.4)**
At 31 December 2004	28.3	144.8	584.2	1,235.6	115.4	**2,108.3**

31. RESERVES (CONTINUED)

(b) COMPANY

	Share premium £m	Merger capital reserve £m	Profit and loss account £m	Total £m
At 1 January 2004	28.3	1,268.7	21.1	**1,318.1**
Retained profit for the year	–	–	–	**–**
At 31 December 2004	28.3	1,268.7	21.1	**1,318.1**

The Company's profit after tax was £8.3m (2003 – £16.9m) and dividends charged were £8.3m (2003 – £16.9m).

32. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £m	2003 £m
Profit for the financial year	**62.5**	55.9
Dividends	**(8.3)**	(16.9)
	54.2	39.0
Other recognised gains and losses	**266.5**	56.3
Net addition to shareholders' funds	**320.7**	95.3
Opening shareholders' funds	**1,848.4**	1,753.1
Closing shareholders' funds	**2,169.1**	1,848.4
Attributable to:		
Equity shareholders	**2,162.3**	1,841.6
Non-equity shareholders	**6.8**	6.8
	2,169.1	1,848.4

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2004 £m	2003 £m
Group operating profit	**55.1**	63.0
Depreciation	**1.2**	1.2
(Reversal of)/amounts written off investment properties	**(2.2)**	3.1
Increase in provisions	**2.2**	0.7
Increase in development properties	**(2.0)**	(10.2)
Increase in debtors	**(26.3)**	(3.0)
Increase in creditors	**19.6**	11.4
Net cash inflow from operating activities	**47.6**	66.2

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

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

	Notes	2004 £m	2003 £m
(Decrease)/increase in cash in the year		**(5.2)**	8.1
Cash outflow/(inflow) from placement of short-term deposits		**31.8**	(0.2)
Cash outflow from short-term liquid investments		**52.3**	49.0
Cash (inflow)/outflow from (increase)/decrease in debt		**(131.1)**	57.3
Exchange differences		**14.1**	7.2
(Increase)/decrease in net debt in the year	*33c*	**(38.1)**	121.4
Net debt at 1 January	*33c*	**(483.6)**	(605.0)
Net debt at 31 December	*33c*	**(521.7)**	(483.6)

(c) ANALYSIS OF NET DEBT

	1 January 2004 £m	Cashflow £m	Exchange movement £m	31 December 2004 £m
Cash at bank and in hand	**42.9**	**(5.2)**	**(0.5)**	**37.2**
Short-term deposits	**82.1**	**31.8**	**(2.0)**	**111.9**
Short-term liquid investments	**79.0**	**52.3**	**(0.6)**	**130.7**
	204.0	**78.9**	**(3.1)**	**279.8**
Borrowings due within one year	**(29.4)**	**(70.9)**	**1.1**	**(99.2)**
Borrowings due after more than one year	**(658.2)**	**(60.2)**	**16.1**	**(702.3)**
Total borrowings	**(687.6)**	**(131.1)**	**17.2**	**(801.5)**
Net borrowings	**(483.6)**	**(52.2)**	**14.1**	**(521.7)**

34. 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 £1.0m (2003 – £1.4m) in arm's length rentals to Grosvenor Trusts and received £0.4m (2003 – £0.4m) 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 £4.5m (2003 – £4.6m).

In 2004, the Group arranged insurance cover on normal commercial terms through a related company. Aggregate premiums paid in the year were £6.9m (2003 – £4.5m).

At 31 December 2004, the Group owed £30.4m to Sonae Sierra SGPS SA (formerly Sonae Imobiliária SGPS SA), a joint venture.

As explained in note 29 the Company has provided guarantees up to a maximum of £22m (2003: £22m) to the Deva Group Limited, which is owned by the Grosvenor Trusts.

Consolidated Profit and Loss Account

for the year ended 31 December 2004

US Dollars

	2004 US$m	2003 US$m
Turnover: group and share of joint ventures	**523.4**	482.0
Less: share of joint ventures' turnover	**(114.0)**	(84.1)
Group turnover	**409.4**	397.9
Net rental income	**161.3**	166.0
Profit on development properties	**26.3**	10.7
Total gross profit	**187.6**	176.7
Exceptional income/(charges)	**4.1**	(10.0)
Administrative expenses – other	**(90.9)**	(63.2)
Total administrative expenses	**(86.8)**	(73.2)
Group operating profit	**100.8**	103.5
Share of operating profit of joint ventures	**36.0**	36.6
Total operating profit	**136.8**	140.1
Profit on sale of investment properties	**58.7**	66.2
Profit on sale of trade investments	**38.3**	6.0
Profit before interest	**233.8**	212.3
Dividend income	**5.7**	3.8
Net interest	**(82.0)**	(64.9)
Reversal of/(charge to) amounts written off investments	**13.0**	(0.6)
Profit on ordinary activities before taxation	**170.5**	150.6
Taxation on profit on ordinary activities	**(31.4)**	(51.6)
Profit on ordinary activities after taxation	**139.1**	99.0
Minority interests	**(24.7)**	(7.2)
	114.4	91.8
Dividends on equity and non-equity shares	**(15.2)**	(27.8)
Retained profit for the year	**99.2**	64.0

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

Consolidated Balance Sheet

31 December 2004

US Dollars

	2004 US$m	2003 US$m
Fixed assets		
Tangible assets – Investment properties	**4,681.5**	3,670.6
– Other tangible assets	**55.5**	42.8
Investments – Trade investments	**84.9**	153.2
– Joint ventures – Share of gross assets	**1,377.7**	1,123.3
– Share of gross liabilities	**(901.2)**	(725.2)
	476.5	398.1
	5,298.4	4,264.7
Current assets		
Development properties	**183.8**	169.0
Debtors	**289.1**	244.0
Cash and short-term deposits	**537.6**	365.2
	1,010.5	778.2
Creditors: amounts falling due within one year		
Borrowings	**(190.6)**	(52.6)
Other creditors	**(299.5)**	(229.0)
	(490.1)	(281.6)
Net current assets	**520.4**	496.6
Total assets less current liabilities	**5,818.8**	4,761.3
Creditors: amounts falling due after more than one year		
Borrowings	**(1,349.2)**	(1,178.2)
Other creditors	**(9.8)**	(9.0)
	(1,359.0)	(1,187.2)
Provisions for liabilities and charges	**(71.7)**	(61.6)
	4,388.1	3,512.5
Capital and reserves		
Called up share capital	**116.9**	108.8
Share premium	**54.4**	50.7
Merger capital reserve	**278.2**	259.2
Profit and loss account	**1,122.4**	885.4
Revaluation reserve	**2,373.7**	1,779.9
Other reserves	**221.7**	224.8
Shareholders' funds – including non-equity interests	**4,167.3**	3,308.8
Minority interests	**220.8**	203.7
	4,388.1	3,512.5

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 2004

Euros

	2004 €m	2003 €m
Turnover: group and share of joint ventures	**419.7**	425.5
Less: share of joint ventures' turnover	**(91.4)**	(74.2)
Group turnover	**328.3**	351.3
Net rental income	**129.4**	146.6
Profit on development properties	**21.1**	9.4
Total gross profit	**150.5**	156.0
Exceptional income/(charges)	**3.3**	(8.9)
Administrative expenses – other	**(73.0)**	(55.8)
Total administrative expenses	**(69.7)**	(64.7)
Group operating profit	**80.8**	91.3
Share of operating profit of joint ventures	**28.9**	32.4
Total operating profit	**109.7**	123.7
Profit on sale of investment properties	**47.1**	58.3
Profit on sale of trade investments	**30.7**	5.4
Profit before interest	**187.5**	187.4
Dividend income	**4.6**	3.3
Net interest	**(65.7)**	(57.2)
Reversal of/(charge to) amounts written off investments	**10.4**	(0.6)
Profit on ordinary activities before taxation	**136.8**	132.9
Taxation on profit on ordinary activities	**(25.2)**	(45.5)
Profit on ordinary activities after taxation	**111.6**	87.4
Minority interests	**(19.8)**	(6.4)
	91.8	81.0
Dividends on equity and non-equity shares	**(12.2)**	(24.4)
Retained profit for the year	**79.6**	56.6

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

Consolidated Balance Sheet

31 December 2004

Euros

			2004 €m	2003 €m
Fixed assets				
Tangible assets	– Investment properties		**3,434.9**	2,910.1
	– Other tangible assets		**40.7**	33.9
Investments	– Trade investments		**62.3**	121.5
	– Joint ventures	– Share of gross assets	**1,010.8**	890.5
		– Share of gross liabilities	**(661.2)**	(574.9)
			349.6	315.6
			3,887.5	3,381.1
Current assets				
Development properties			**134.9**	134.0
Debtors			**212.1**	193.4
Cash and short-term deposits			**394.4**	289.5
			741.4	616.9
Creditors: amounts falling due within one year				
Borrowings			**(139.8)**	(41.7)
Other creditors			**(219.8)**	(181.5)
			(359.6)	(223.2)
Net current assets			**381.8**	393.7
Total assets less current liabilities			**4,269.3**	3,774.8
Creditors: amounts falling due after more than one year				
Borrowings			**(989.9)**	(934.1)
Other creditors			**(7.2)**	(7.1)
			(997.1)	(941.2)
Provisions for liabilities and charges			**(52.6)**	(48.8)
			3,219.6	2,784.8
Capital and reserves				
Called up share capital			**85.8**	86.3
Share premium			**39.9**	40.2
Merger capital reserve			**204.1**	205.5
Profit and loss account			**823.5**	701.9
Revaluation reserve			**1,741.6**	1,411.1
Other reserves			**162.7**	178.3
Shareholders' funds – including non-equity interests			**3,057.6**	2,623.3
Minority interests			**162.0**	161.5
			3,219.6	2,784.8

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

Five Year Summary

	2000 £m	2001 £m	2002 £m	2003 £m	**2004 £m**
Assets employed					
Investment properties	1,876.9	2,007.1	2,079.1	2,050.5	**2,436.8**
Investments	215.0	265.7	302.4	308.0	**292.2**
	2,091.9	2,272.8	2,381.5	2,358.5	**2,729.0**
Other tangible fixed assets	32.5	28.3	28.1	23.9	**28.9**
Development properties	89.3	69.5	81.6	94.4	**95.6**
Other net current assets/(liabilities)	17.2	169.4	110.2	207.4	**269.3**
Provisions for liabilities and charges	(30.2)	(33.7)	(32.9)	(34.4)	**(37.3)**
	2,200.7	2,506.3	2,568.5	2,649.8	**3,085.5**
Financed by					
Share capital including share premium	59.8	66.8	89.1	89.1	**89.1**
Reserves	1,466.4	1,623.1	1,664.0	1,759.3	**2,080.0**
Shareholders' funds – including non-equity interests	1,526.2	1,689.9	1,753.1	1,848.4	**2,169.1**
Borrowings	592.2	735.1	748.9	687.6	**801.5**
Minority interest	82.3	81.3	66.5	113.8	**114.9**
	2,200.7	2,506.3	2,568.5	2,649.8	**3,085.5**
Group turnover					
Property investment	139.3	158.6	133.6	154.8	**145.7**
Property trading	109.1	97.8	135.1	87.5	**78.0**
	248.4	256.4	268.7	242.3	**223.7**
Profit on ordinary activities before taxation					
Property investment	66.8	71.6	62.4	54.7	**39.4**
Property trading	12.2	10.1	11.5	8.3	**15.7**
Group operating profit	79.0	81.7	73.9	63.0	**55.1**
Share of operating profit of associates and joint ventures	11.0	12.0	17.7	22.3	**19.7**
Total operating profit	90.0	93.7	91.6	85.3	**74.8**
Profit on sale of investment properties	21.4	28.0	25.8	40.3	**32.1**
Profit on sale of trade investment	30.2	–	–	3.7	**20.9**
Amounts written off investments	–	–	(17.3)	(0.4)	**7.1**
Net interest	(46.1)	(41.4)	(41.1)	(39.5)	**(44.8)**
Investment income	2.0	1.5	1.8	2.3	**3.1**
Profit before taxation	97.5	81.8	60.8	91.7	**93.2**

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	670	205	482	–	–	154	**1,511**
City	61	–	–	–	–	–	**61**
Outside London	32	343	–	–	–	333	**708**
	763	548	482	–	–	487	**2,280**
Americas							
U.S.A.	151	132	29	–	–	6	**318**
Canada	83	25	–	–	–	53	**161**
	234	157	29	–	–	59	**479**
Continental Europe							
Sonae Sierra	–	–	–	464	–	141	**605**
Lar Grosvenor	–	–	–	64	–	232	**296**
GREP	–	15	–	–	–	–	**15**
	–	15	–	528	–	373	**916**
Australia Asia Pacific							
Australia	169	4	–	–	–	16	**189**
Hong Kong	10	–	12	–	37	31	**90**
Japan	–	–	14	–	–	–	**14**
Singapore	–	–	–	–	7	–	**7**
	179	4	26	–	44	47	**300**
Total	1,176	724	537	528	44	966	**3,975**

*Committed developments include projects that have been approved by the Board subject to contractual conditions yet to be fulfilled.

Property portfolio
Britain and Ireland

Property	Description	Location	Area sq.m	Area sq.ft
Principal investment properties – directly owned				
16/20 North Audley Street	6 floor refurbished and partly rebuilt office building	West End, London, U.K.	11,324	121,880
4/10 Grosvenor Crescent	Block of 6 floor period office buildings	West End, London, U.K.	3,650	39,300
4/8 Grosvenor Street & 30/32 Avery Row	6 floor office building with 5 retail units	West End, London, U.K.	2,944	31,690
413 Oxford Street	Retail unit and office building on 6 floors	West End, London, U.K.	589	6,345
439/441 Oxford Street	Retail unit and office building on 6 floors	West End, London, U.K.	1,342	14,450
443/445 Oxford Street	2 retail units and office buildings on 5 floors	West End, London, U.K.	833	8,969
449/451 Oxford Street	2 prime retail units let as one unit	West End, London, U.K.	1,033	11,123
73 Grosvenor Street	6 floor refurbished and partly rebuilt office building	West End, London, U.K.	1,312	14,120
75 Grosvenor Street	6 floor refurbished and partly rebuilt office building	West End, London, U.K.	1,499	16,131
Chantrey House	Residential apartment block	West End, London, U.K.	5,100	47,300
Eaton Square	Residential units on 6 floors in historic Grade 2* listed buildings	West End, London, U.K.	68,151	733,305
Grosvenor Hill Court	2 floor office building with 30 residential units above and car park	West End, London, U.K.	7,281	78,369
Holyrood Park	3 floor open plan office building	Edinburgh, Scotland, U.K.	4,365	46,978
Peterson House, 25 Gilbert Street	Residential apartment block	West End, London, U.K.	1,500	16,825
St Anselm House, 65 Davies Street	8 floor 1930's office building	West End, London, U.K.	7,839	84,376
Terminal House, 52 Grosvenor Gardens	7 floor office building with 9 retail outlets	West End, London, U.K.	8,245	88,753
Principal properties – held in partnerships				
10 Grosvenor Street	6 floor open plan office building	West End, London, U.K.	5,018	54,000
25 Moorgate	7 floor open plan office building	City, London, U.K.	7,714	83,000
41 Lothbury	8 floor open plan office building	City, London, U.K.	14,900	160,000
Belgrave House, Buckingham Palace Road	6 floor open plan office building	West End, London, U.K.	25,100	270,000
Liffey Valley Shopping Centre	Regional shopping centre with 94 retail units and cinema	Dublin, Republic of Ireland	36,325	390,000
Viewpoint, Mayfair	9 floor open plan refurbished office building with 3 retail outlets in Oxford Street	West End, London, U.K.	4,925	53,000
Principal development properties – directly owned				
97/99 Park Street	Residential apartment block	West End, London, U.K.	1,580	17,000
Preston	Mixed use city centre development	Preston, Lancashire, U.K.	95,708	1,030,200
South Gyle	Office Park	Edinburgh, Scotland, U.K.	9,936	106,950
Principal development properties – held in partnerships				
77 Grosvenor Street	6 floor open plan office building	West End, London, U.K.	5,260	56,600
Fountain North	Mixed use City Centre scheme	Edinburgh, Scotland, U.K.	83,180	895,400
Grand Arcade	Mixed use city centre development	Cambridge, East Anglia, U.K.	41,807	450,000
Liffey Valley Office Campus	Office Park	Dublin, Republic of Ireland	17,193	185,000
Paradise Street	Mixed use city centre development	Liverpool, Merseyside, U.K.	191,000	2,059,000

Property portfolio
Americas

Property	Description	Location	Area sq.m	Area sq.ft
Investment properties – directly owned				
10400 Ridgeview Court	2 floor research and development building	Cupertino, CA, U.S.A.	10,745	115,663
1777 F Street	8 floor office building	Washington, D.C., U.S.A.	5,317	57,237
Annacis Business Park	Distribution and industrial park	Vancouver, B.C., Canada	92,120	991,600
Bow Parkade & Heagle Building	2 multi-level parking structures (1000 parking spaces) and 2 floor retail building	Calgary, AB, Canada	2,865	30,842
bwtech@UMBC	Two 3 floor office buildings – part of multi-phased research and technology park	Baltimore County, MD, U.S.A.	5,815	62,598
The Grosvenor Building	22 floor office building with retail space and parking	Vancouver, B.C., Canada	18,924	203,705
Chateau Creste	7 low-rise apartment buildings containing 90 units	Seattle, WA, U.S.A.	7,047	75,852
Chelsea at Juanita Village	2 mid-rise apartment buildings containing 196 units	Seattle, WA, U.S.A.	14,818	159,504
Investment properties – held in partnerships				
1701 Pennsylvania Avenue	12 floor office building with ground floor retail and parking	Washington, D.C., U.S.A.	17,366	186,927
180 Post Street	4 floor building with ground floor retail	San Francisco, CA, U.S.A.	2,728	29,370
2 North Lake	11 floor office building, 3 floor historic building and 8 floor split level parking	Pasadena, CA, U.S.A.	20,494	220,599
251 Post Street	6 floor building with ground floor retail	San Francisco, CA, U.S.A.	3,364	36,208
306 Rodeo Drive	3 floor retail building	Beverly Hills, CA, U.S.A.	1,410	15,176
600 Clipper Drive	3 floor office building	Belmont, CA, U.S.A.	14,363	154,611
Best Buy Metro Center (Frontier Drive)	Community shopping centre	Springfield, VA, U.S.A.	9,777	105,237
Broadmead Shopping Center	Community shopping centre	Saanich, B.C., Canada	11,830	127,346
Caryle I & II	Two 6 floor office buildings with retail	Alexandria, VA, U.S.A.	23,233	250,088
Fort James Distribution Facility	Single floor warehouse/distribution building with office space	Calgary, AB, Canada	23,146	249,151
Results Way Corporate Park	10 office buildings on 20 acres of land	Cupertino, CA, U.S.A.	16,244	174,858
Rice Lake	9 building community retail centre	Wheaton, IL, U.S.A.	23,386	251,737
South Edmonton Common	Regional 'power' centre	Edmonton, AB, Canada	6,461	69,552
South Point Exchange	Lifestyle oriented shopping centre	Surrey, B.C., Canada	20,577	221,495
USCO Distribution Facility	Single floor warehouse/distribution building	Calgary, AB Canada	28,068	302,135
Valley River Center	Regional shopping centre with 4 department stores and 124 retail units	Eugene, OR, U.S.A.	96,023	1,033,613
DC Urban Portfolio	Retail portfolio of 15 buildings	Washington, D.C., U.S.A.	42,921	462,010
WesTech Business Park	11 office buildings	Silver Spring, MD, U.S.A.	47,312	509,279
Principal developments – directly owned				
Langley Interchange	Commercial and industrial development	Langley, B.C., Canada	191,823	2,064,833
Principal developments – held in partnerships				
2300 Cambie Street (The RISE)	Commercial and residential development	Vancouver, B.C., Canada	25,931	279,123
East Clayton	Residential development	Surrey, B.C., Canada	113,313	1,219,731
Lower Lonsdale	Commercial and residential development	North Vancouver, B.C., Canada	29,412	316,600
Lion's Gate Site	Residential development	North Vancouver, B.C., Canada	8,951	96,355
South Edmonton Common	Commercial development	Edmonton, AB, Canada	874,092	9,408,960

Property portfolio
Continental Europe

Property	Description	Location	Area sq.m	Area sq.ft
Investment properties held by joint ventures				
AlgarveShopping	Two storey shopping centre with 133 retail units	Guia, Albuteira, Portugal	42,350	455,867
ArrábidaShopping	Three storey shopping centre with 180 retail units	Vila Nova de Gaia, Portugal	56,370	606,781
Avenida M40	Shopping and leisure centre	Leganés, Madrid, Spain	48,275	519,645
Boavista Shopping	Three storey shopping centre	São Paulo, Brazil	23,892	257,180
CascaiShopping	Three storey shopping centre with 169 retail units	Cascais, Portugal	72,230	777,503
Coimbra Retail Park	Retail park with 69 retail units	Coimbra, Portugal	12,760	137,352
CoimbraShopping	Two storey shopping centre with 69 retail units	Coimbra, Portugal	26,485	285,091
Centro Colombo	Three storey shopping centre with 427 retail units	Lisbon, Portugal	120,000	1,291,712
Dos Mares	Two storey shopping and leisure centre	San Javier, Murcia, Spain	24,260	261,141
Estação Viana Shopping	Three storey shopping centre with 114 retail units	Viana do Castelo, Portugal	65,532	705,404
Franca Shopping	Single storey shopping centre with 95 retail units	São Paulo, Brazil	18,158	195,457
GaiaShopping	Shopping centre with 167 retail units	Vila Nova de Gaia, Portugal	59,125	636,437
GuimarãeShopping	Two storey shopping centre with 92 retail units	Guimarães, Portugal	26,865	289,182
La Farga	Four storey shopping and leisure centre with 128 retail units	Barcelona, Spain	18,565	199,839
Kareaga Max Centre	Two storey shopping centre with three storey leisure centre	Bilbao, Spain	59,370	639,074
Grancasa	Three storey shopping centre	Zaragoza, Spain	79,440	855,113
Luz del Tajo	Shopping Centre	Toledo, Spain	45,572	490,549
MadeiraShopping	Shopping centre with 112 retail units	Funchal, Portugal	26,585	286,168
MaiaShopping	Two storey shopping centre with 112 retail units	Maia, Portugal	30,915	332,777
NorteShopping	Two storey shopping centre with 289 retail units	Porto, Portugal	71,905	774,004
Pátio Brazil	Four storey shopping centre with 167 retail units	Brasilia, Brazil	28,504	306,825
Parque Atlântico	Shopping and leisure centre	Ponta Delgado, Portugal	22,315	240,205
Parque Dom Pedro	Shopping centre with 390 retail units	Campinas, Brazil	106,956	1,151,302
Parque Principado	Shopping centre with 159 retail units	Oviedo, Spain	76,840	827,126
Penha Shopping	Two storey shopping centre with 191 retail units	São Paulo, Brazil	26,425	284,446
Plaza Mayor	Shopping and leisure centre with 99 retail units	Malaga, Spain	33,325	358,719
Shopping Metrópole	Two storey shopping centre with 131 retail units	São Paulo, Brazil	23,569	253,703
Tivoli Shopping	Single storey shopping centre with 265 retail units	São Paulo, Brazil	22,497	242,164
Valle Real	Two storey shopping centre with 102 retail units	Santander, Spain	47,740	513,886
Vasco da Gama	Four storey shopping centre with 164 shops	Lisbon, Portugal	47,625	512,648
ViaCatarinaShopping	Four storey shopping centre with 100 retail units	Porto, Portugal	11,931	128,428
Zubiarte	Five storey shopping and leisure development	Bilbao, Spain	20,745	223,305
L'Aljub	Shopping centre with 120 retail units	Elche, Spain	45,000	484,392
Madrid Sur	Shopping centre with 78 retail units	Madrid, Spain	23,742	255,565
Principal development properties held by joint ventures				
Colombo Towers	Office development	Lisbon, Portugal	47,953	516,179
Cacém Shopping	Shopping and leisure centre development	Cacém, Portugal	26,880	289,343
LoureShopping	Shopping centre development	Loures, Portugal	38,950	419,268
Rio Sul	Shopping centre development	Seixal, Portugal	18,199	195,899
Setúbal Retail Park	Shopping centre development	Setúbal, Portugal	20,000	215,285
Covilhã Shopping	Shopping centre development	Covilhã, Portugal	16,859	181,475
Plaza Eboli	Shopping and leisure centre development	Pinto, Spain	31,911	343,498
Malaga Shopping	Expansion of existing shopping centre	Malaga, Spain	16,800	180,840
Aegean Park	Shopping and leisure centre development	Athens, Greece	60,590	652,207
Mediterranean Cosmos	Shopping centre development	Thessaloniki, Greece	45,387	488,558
Alexander Platz	City centre retail development	Berlin, Germany	53,175	572,390
Brescia	Retail and leisure development	Brescia, Italy	28,825	310,280
Berrocales	Shopping centre development	Berrocales, Madrid, Spain	92,700	997,847
Carabanchel	Shopping centre development	Carabanchel, Madrid, Spain	90,000	968,784
Carcaixent	Shopping centre development	Carcaixent, Valencia, Spain	32,450	349,300
Cornella	Shopping centre development	Cornella, Spain	56,000	602,799
Orense	Shopping centre development	Orense, Spain	45,500	489,774
Lorca	Shopping centre development	Lorca, Spain	44,500	479,010
Mieres	Shopping centre development	Mieres, Spain	23,900	257,266
Omega	Office development	Madrid, Spain	36,200	389,666
Valencia	Industrial development	Valencia, Spain	11,520	124,004
Alcalá	Industrial development	Alcala, Spain	19,410	208,934
Coslada 1	Industrial development	Madrid, Spain	11,700	125,942
Coslada 2	Industrial development	Madrid, Spain	18,000	193,770

Property portfolio
Australia Asia Pacific

Property	Description	Location	Area sq.m	Area sq.ft
Investment properties – directly owned				
33/F Lippo Centre II	Office on 33rd floor of Lippo Tower	Hong Kong	1,286	13,842
114 Flinders Street	Car park with 864 spaces	Melbourne, Australia	28,800	309,917
151 Glendenning Road	2 industrial warehouse buildings	Sydney, Australia	12,000	129,163
20 Hunter Street	'A' grade office building	Sydney, Australia	10,092	108,626
201 Charlotte Street	'A' grade office building	Brisbane, Australia	13,401	144,243
22-34 Rosebery Avenue	Industrial warehouse	Sydney, Australia	5,655	60,872
259 Queen Street	'A+' grade office building	Brisbane, Australia	24,771	266,642
2828-2840 Ipswich Road	Industrial warehouse	Brisbane, Australia	13,928	149,915
61 Plumpton Road	Industrial distribution building	Sydney, Australia	10,043	108,098
Abbot Road, Seven Hills	Retail	Sydney, Australia	7,494	80,667
Cinema Centre Car Park	Car park on 10 levels with 906 spaces	Sydney, Australia	26,803	288,515
Investment properties – held in partnerships				
15/F Lippo Centre I	Office on 15th floor of Lippo Tower	Hong Kong	1,240	13,344
Sir Joseph Banks Corporate Park	Hi Tech business park	Sydney, Australia	32,020	344,650
Chester Court, Sengoku	23 unit residential building	Tokyo, Japan	1,469	15,813
Chester House, Mejiro	18 unit residential building	Tokyo, Japan	448	4,819
Development properties – directly owned				
Banyo	Residential and industrial sub-division (*land area)	Brisbane, Australia	137,314*	1,478,084*
Nelson Bay	58 Serviced apartments	Nelson Bay, Australia	8,273	89,047
Development properties – held in partnerships				
103 Castle Peak Road	Residential development	Castle Peak, Hong Kong	13,027	140,214

Property portfolio
Properties managed by Grosvenor Fund Management

Property	Description	Location	Area sq.m	Area sq.ft
Grosvenor Shopping Centre Fund				
Coopers Square	Covered shopping centre with 70 retail outlets	Burton on Trent, East Midlands, U.K.	35,754	384,852
Dolphin Centre	Shopping centre with 125 retail units	Poole, Dorset, U.K.	46,149	496,750
Freshney Place	Single level covered shopping centre with 100 retail outlets	Grimsby, Lincolnshire, U.K.	46,452	500,000
Prince Bishops	Shopping centre with 54 retail units	Durham, U.K.	14,500	156,000
The Forge	Covered shopping centre with 80 retail units	Glasgow, Scotland, U.K.	34,375	370,000
GMetro				
111 Old Broad Street	8 floor open plan office building	City, London, U.K.	11,426	123,000
40 Grosvenor Place	6 floor open plan office building	West End, London, U.K.	18,581	200,000
Almack House, King Street	7 floor 1990s office building	West End, London, U.K.	9,290	100,000
Basingstoke Investment Partnership				
Festival Place	Covered two level shopping centre with 165 units	Basingstoke, Hampshire, U.K.	92,903	1,000,000
Omega				
1500 K Street	10 floor office building	Washington D.C., U.S.A.	22,580	243,060
701 North Michigan Avenue	2 floor retail building	Chicago, IL, U.S.A.	2,127	22,900
American Freeholds				
830 North Michigan Avenue	6 floor retail building	Chicago, IL, U.S.A.	11,582	124,675
Grosvenor Retail European Properties				
15-19 Place Gambetta	Four storey Virgin Megastore	Bordeaux, France	5,056	54,424
French retail warehouse portfolio	Three retail warehouse parks with a total of 15 units	Bondy, Bourges, St Maur, France	16,057	172,842
28-30 Av. George V	Three retail units	Paris, France	1,743	18,762
79 rue d'Antibes	Three retail units	Cannes, France	360	3,875
SPIIC retail	Portfolio of 11 French high street retail properties with a total of, 23 units	France	19,032	204,867
Grosvenor Land Property Fund				
17B Dynasty Court	Residential flat	Hong Kong	210	2,256
Horizon Lodge	2 houses and 5 flats	Hong Kong	1,608	17,310
46C Tavistock	3 bedroom apartment	Hong Kong	161	1,730
15C Fairlane Tower	2 bedroom apartment	Hong Kong	104	1,118
6-16 Peel Rise	6 semi-detached houses	Hong Kong	1,863	20,052
Rosecliff	1 semi-detached house	Hong Kong	370	3,980
39 Deep Water Bay Road	1 semi-detached house	Hong Kong	376	4,047
Chester Court	12 unit residential building	Hong Kong	1,705	18,354
Mayfair Court, Nishiazabu	9 unit residential building	Tokyo, Japan	1,256	13,520
Grosvenor Capital Advisors Partnership				
Mayfair Court, Roppongi	11 unit residential building	Tokyo, Japan	1,904	20,496
Chester House, Kawaguchi	39 unit residential building	Tokyo, Japan	2,023	21,777
Chester House, Kudanshita	23 unit residential building	Tokyo, Japan	1,011	10,883
Yoyogi Uehara Terrace	5 unit residential building	Tokyo, Japan	993	10,694
Chester Court, Nihonbashi	104 unit residential building	Tokyo, Japan	4,912	52,875

Grosvenor Offices and Board Directors

at 17 March 2005

GROSVENOR GROUP

Directors
The Duke of Westminster KG OBE TD DL, *Chairman*
John Sclater CVO, *Deputy Chairman*
Jeremy Newsum FRICS, *Chief Executive*
Jonathan Hagger FCA FCT
Bill Abelmann
Stuart Beevor FRICS
Neil Jones MRICS
Stephen Musgrave MRICS
Robin Broadhurst CBE FRICS
Lord George of St Tudy GBE
Rod Kent
Alasdair Morrison
Tony Wyand

London
The Grosvenor Office
70 Grosvenor Street
London
W1K 3JP
Tel: + 44 (0) 20 7408 0988
Fax: + 44 (0) 20 7629 9115

BRITAIN AND 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

London
70 Grosvenor Street
London (as above)

Scotland
22 Alva Street
Edinburgh
EH2 4PV
Tel: + 44 (0) 131 225 5775
Fax: + 44 (0) 131 225 1995

AMERICAS

Directors
Carmine Guerro, *Chairman*
Bill Abelmann, *Group Chief Executive and President*
David Taylor CA, *Finance Director*
Mark Preston MRICS, *President U.S.A.*
Jonathan Hagger FCA FCT
Jeremy Newsum FRICS
George Gaffney
Lizanne Galbreath

Canada
2000 The Grosvenor Building
1040 West Georgia Street
Vancouver
British Columbia
V6E 4HI
Canada
Tel: + 1 604 683 1141
Fax: + 1 604 687 3235

San Francisco
One Embarcadero Center, Suite 3900
San Francisco, California 94111, U.S.A.
Tel: + 1 415 434 0175
Fax: + 1 415 434 8339

Washington, D.C.
Suite 1050
1701 Pennsylvania Avenue NW
Washington D.C. 20006, U.S.A.
Tel: + 1 202 293 1235
Fax: + 1 202 785 2632

CONTINENTAL EUROPE

Directors
Tony Wyand, *Chairman*
Neil Jones MRICS, *Chief Executive*
Benoît Prat-Stanford, *Finance Director*
Stephen Cowen MRICS, *Investment Director*
Philippe Citerne
Jonathan Hagger FCA FCT
Jeremy Newsum FRICS
Guillermo Wakonigg

Luxembourg
46a, avenue John F Kennedy
1855 Luxembourg
Luxembourg
Tel: + 35 2 26005-213
Fax: + 35 2 26005-803

Paris
24 rue Royale
75008 Paris
France
Tel: + 33 (0) 1 55 04 89 39
Fax: + 33 (0) 1 40 15 93 93

AUSTRALIA ASIA PACIFIC

AUSTRALIA

Directors
Rob Kerr, *Managing Director*
Ian Clark, *Finance Director*
John Coates AO
Jonathan Hagger FCA FCT
Jeremy Newsum FRICS

Sydney
Level 25
56 Pitt Street Sydney
New South Wales
Australia 2000
Tel: + 61 2 9251 1855
Fax: + 61 2 9251 1460

Brisbane
Level 15
Waterfront Place
1 Eagle Street
Brisbane
QLD 4000
Tel: + 61 7 3220 1799
Fax: + 61 7 3220 1833

ASIA

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

Consultant
Tim Freshwater

Hong Kong
3505-09 Jardine House
1 Connaught Place, Central
Hong Kong
Tel: + 852 2956 1989
Fax: + 852 2956 1889

Japan
9F The Imperial Hotel Tower
1-1-1 Uchisaiwai-cho
Chiyoda-ku, Tokyo
Japan 100-0011
Tel: + 813 5510 3040
Fax: + 813 5510 3041

Shanghai
Unit 501, Block 2, Corporate Avenue
202 Hu Biin Road
Shanghai 200021
China
Tel: + 86 21 6340 6199
Fax: + 86 21 6340 6198

GROSVENOR FUND MANAGEMENT

Directors
Stuart Beevor FRICS, *Managing Director*
Nicholas Scarles FCA, CPA, Attorney at Law, *Finance Director*
Mervyn Howard
James Raynor
John So
Jonathan Hagger FCA FCT
Jeremy Newsum FRICS

Locations (as above)

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WWW.GROSVENOR.COM