ANNUAL REPORT & ACCOUNTS

2005

Our brand is the combination of our

character

capabilities

values

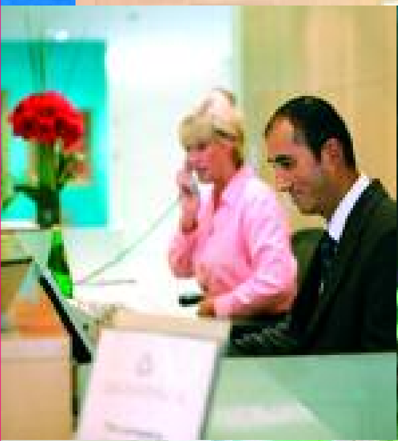
heritage

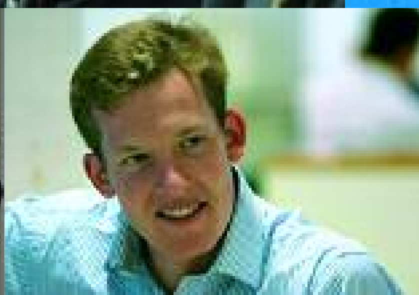
OUR HERITAGE of over three hundred years gives us a unique and complex brand; impossible fully to define, there is a risk that in trying to do so, we may somehow diminish the brand.

Nonetheless, we recognise the importance of making a statement to our clients, partners and business contacts about what Grosvenor stands for, what our achievements are and how we are performing against our objective of continuous improvement.

This annual report embodies our commitment to openness and transparency and reflects our progress in 2005…

and people…






“…OUR PEOPLE ARE THE BEST PART OF GROSVENOR.

Working at Grosvenor is about technical excellence and more. It is about putting the success of the team and organisation above personal ambition. It is about understanding the benefits that flow from a 300 year heritage and private ownership. It is about putting our customers, partners and investors at the top of our priority lists and delivering a faultless service in the most natural way.”



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.

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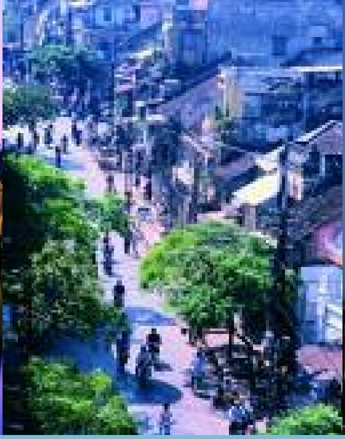


In London, in June 2005, the Urban Land Institute held the World Cities Forum.

A diverse group of some 250 of the world's leading experts involved in the planning, building and managing of cities around the world gathered to discuss a range of issues affecting the quality of urban life and the future of cities...

This is the theme for our review section and we have explored some of the key topics in the articles on pages 4, 24, 30 and 36.

For more information visit www.worldcitiesforum.org.

AN INTRODUCTION

"the essence of the city lies in its spirit and attitude. Every city has its own DNA."

Eugene Kohn

Chairman of New York-based architecture practice, Kohn Pederson Fox Associates PC.

WHETHER OR NOT A CITY CAN BE PROPERLY DEFINED IN BIO-CHEMICAL TERMS, THERE CAN BE LITTLE DOUBT THAT CITIES ARE UNIQUE AND SPECIAL PLACES. Their long term sustainability and vitality will, in turn, ensure those of the nations to which they belong. But the challenges with which many cities around the world are faced today are significant in scale and complexity. The widely accepted view is that these are challenges which we ignore at our peril.

Kohn was speaking at the Urban Land Institute's (ULI) seminal World Cities Forum in June 2005. He was among a diverse group of 250 of the world's leading experts involved in the planning, building and managing of cities around the globe. They gathered to debate a range of key issues affecting the quality of life in urban areas, chief among which were:

- *shifts in demographic trends*
- *shifts in geo-political trends*
- *technological change and development*
- *economic, social and physical regeneration*
- *long term sustainability*

Enlightening and rewarding as these exchanges of views can be, it is the real outcome of these debates that matter in the long run. The creation of liveable, human, purposeful urban places offers profound challenges for us all – mostly for 60% of the world's population who, by the year 2030, will be living in urban areas.

Perhaps the crux of the great world cities' debate – how they are defined, conceived and built; and how we inhabit and use them – is about effectively managing change. Given that change is constant, so the process will continue to be a vital piece of 'work in progress'.

A critical principle emanating from the Forum was that determining the future of cities should involve everyone no matter whether they are land use professionals (developers, designers, architects, planners), thinkers, politicians or citizens. It is a compelling argument because all urban communities are intrinsically diverse.

Perhaps more than any other factor, successfully meeting this obligation will ensure that the delicate task of getting our cities and urban spaces right is successfully achieved.

"The making of great cities – it's about infrastructure, public spaces, parks... Great cities are diverse cities... Cities are about people."

Helen Hatch

Vice President (Client Relations), Thompson, Ventulett, Stainback & Associates; ULI World Cities Forum delegate

Nearly **33%** of the world's population will live in cities with fewer than 500,000 inhabitants by 2030.

Between 2000 and 2030, the world's urban population is set to grow by **1.8%** per year.

Over **50%** of the world's population will live in cities by 2015.

Facts and predictions

By **2030**, each person in Europe and the US will have half the amount of water they had in 1950. In Latin America, they will have only a quarter and in the Middle East and Africa, only an eighth.

In **2030**, five billion people will live in cities around the world.

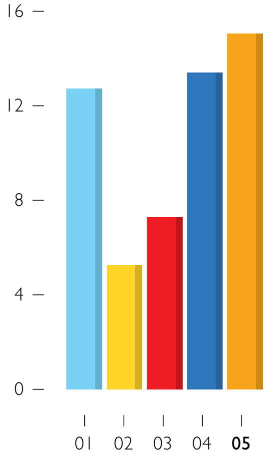
"When building cities, the best advice might be... don't finish. Leave spaces for future development that can enrich the community and the lives of future generations."

Joanna Averly

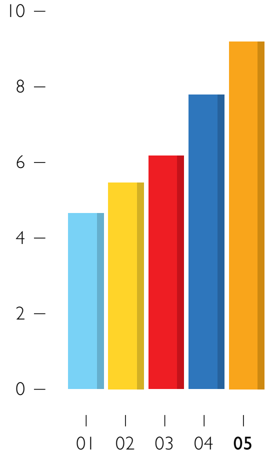
Director of Enabling, CABE; ULI World Cities Forum delegate

Highlights for 2005

Total return (%)



Total assets under management (£bn)



Results

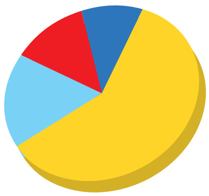
	2005 £m	2004 £m
Property assets	**3,728**	3,237
Shareholders' funds	**2,092**	1,795
Gross rental income	**96.8**	88.6
Profit before tax	**368.1**	342.1
Revenue profit	**46.6**	43.5

Returns

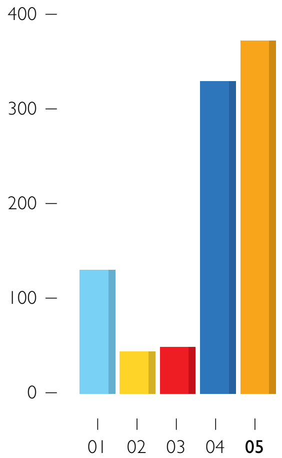
	10 Year Average	2005 %	2004 %
Weighted average cost of capital	10.3	**7.5**	8.2
Total return on property assets	12.9	**15.1**	13.8

Shareholders' Funds (£m) by region

Britain and Ireland	1,255.3
Americas	366.3
Continental Europe	260.1
Australia Asia Pacific	209.9



Revaluation Movement (£m)



In 2005 *shareholders' funds increased by* 16.5%

Portfolio Analysis 2005

Grosvenor has total assets under management of

£9.1bn

(US$15.6bn, €13.3bn)

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this comprises:

£4.7bn	*made up of Grosvenor's wholly owned assets, share of assets in partnerships and joint ventures and the expected costs of the committed development programme.*
£4.4bn	*assets managed by Grosvenor on behalf of funds, joint venture partners and including their share of the committed development programme.*

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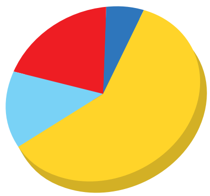
and is allocated between investment and development:

£6.3bn	*value of investment portfolio.*
£2.8bn	*value of development programme.*

Further information on the portfolio can be found within each operating review and on pages 109-115.

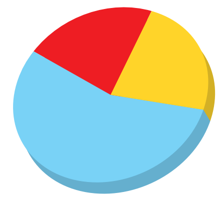
By Region (£m)

Britain and Ireland	5,707
Americas	1,242
Continental Europe	1,630
Australia Asia Pacific	541



By Sector (£m)

Commercial	2,117
Retail	5,068
Residential	1,935



Assets under management

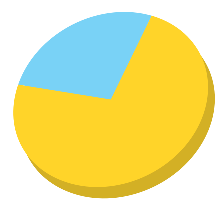
£9.1bn

By Interest (£m)

Grosvenor	4,700
Funds under management	2,012
Joint ventures	2,408

By Activity (£m)

Investment	6,272
Development	2,848



"As developers and owners of real estate in cities we must make ourselves relevant to the future of any city and not just to its present; the evolution of a city is not pre-ordained and our ability, in combination with many others, to shape the future must be understood if we are all to be really effective."

CHAIRMAN'S REVIEW

In 2005, demand for property investments remained high throughout the world and as a direct consequence, we are able to report on another year of above average returns among Grosvenor's Operating Companies, consolidating to a Group total return of 15.1%. This will not continue indefinitely but there are good reasons why investing in property has become so popular. There has been a permanent shift into the sector by institutional investors and relatively stable bond yields and interest rates imply low volatility in property yields in the short term. There will be variations based on market fundamentals but the comparative position of property – yielding between equities and bonds over the longer term – is sound. The effect of this high demand for investments is exacerbated by a marketplace short of sellers. At these price levels, there is growing pressure for non-professional investors such as governments and corporate occupiers to release stock into the investment market. In another stabilising development, we are pleased to note the progress being made to establish an active derivative market. Overall, I am impressed by the relative sophistication of investors in this cycle compared to earlier ones and this bodes well for the time when the inevitable crisis of confidence arrives. It is unlikely to be in 2006.

Throughout this report we have included commentary on the future of 'World Cities'. This builds on an initiative of the Urban Land Institute in holding a World Cities Forum in 2005 in London. As developers and owners of real estate in cities we must make ourselves relevant to the future of any city and not just to its present; the evolution of a city is not pre-ordained and our ability, in combination with many others, to shape the future must be understood if we are all to be really effective.

As property developers and investors, our products are space for occupation together with supporting services. Our development programme has now expanded to the point where we are satisfied with the overall exposure to development risk. This year we have added new projects in all of our four regions and early in 2006 we increased our stake in Sonae Sierra, one of the leading shopping centre developers in Europe, to 50%. We are delighted to be able to include this company and its staff led by Alvaro Portela within the Grosvenor stable and we look forward to the greater exchange of ideas and skills which will follow.

Our Fund Management business has been managed as a single enterprise since the beginning of 2005 and we are pleased with the growth and better focus which this change has generated under Stuart Beevor's leadership. For a medium sized operation (approximately £2.0bn funds under management) Grosvenor Fund Management has the advantage of six offices around the world and access to all of Grosvenor's research capability and property expertise.

In July 2005, John Sclater retired as Deputy Chairman of the Board. He had been a Grosvenor Trustee since 1973 and a Director since 1989; during his long involvement he made a great contribution. David Home has succeeded him on the Board and as Deputy Chairman.

Some significant staff changes will occur during 2006. First, our Finance Director, Jonathan Hagger, will be retiring from the company at the end of May after 15 years. He has preserved vital continuity within the company through many changes since 1991 and I am delighted to say he will remain involved with our shareholders, the Grosvenor Trusts, as he will become full time Chief Financial Officer of the Grosvenor Trusts. Second, the CEO of our UK business, Stephen Musgrave, will be leaving at the end of June; Stephen has been with Grosvenor for 11 years and has been responsible for our emergence as a significant regenerator of town centres in the UK. We wish him well for the future. While sorry to lose Jonathan and Stephen, we are delighted to welcome their successors Nick Scarles and Mark Preston, both of whom are promoted from within the company.

The excitement and progress of the last twelve months have been overshadowed by one tragedy. I am very sorry to record the loss, in a car accident, of Guillermo Wakonigg, a non-executive director of our Continental European business. Guillermo was a close adviser and support to us from our earliest days in Continental Europe in the mid-nineties and we are significantly diminished by his passing.

We are very pleased to include Luigi Maramotti, the Chairman of the Max Mara Group, as a non-executive director of our Continental European business.

The Duke of Westminster KG OBE TD DL
Chairman
16 March 2006

CHIEF EXECUTIVE'S STATEMENT

"Our overall strategy is to use our knowledge and experience of property to generate higher returns by taking positive action to regenerate, reposition or otherwise improve property. We believe our shareholders want to be rewarded for the use of skills and applied capital and not to be the passive owners of real estate."

Throughout the world, property investment prices have moved higher towards 'unsustainable' territory. Such conditions pose a large question for strategists. What to do about it?

Reputations have been made and lost by taking dramatic action in anticipation of an overall market change. This does not arise for us, not least because we see no evidence to suggest an abrupt change is likely. In any event, to the extent that a significant change means a 30%+ fall in values but much less effect on income, we would not be handicapped and would become better placed to seize on market opportunities. Relative values fluctuate over time and we have always made clear that, while we can enjoy the ride, rapidly rising values are not ideal conditions. A market place where there is a mix of views about direction based on fundamentals is more robust and workable; ultimately, property investment performance will revert to the mean. What matters to us is growing our income over time because this will be the primary determinant of our performance longer term. In 2005, our revenue profit increased from £43.5m (restated for IFRS) to £46.6m.

Our shareholders have long term liabilities which means our business must have a long term perspective and as such, a high risk strategy for us would be to sell out extensively or to stop investing. Instead, we constantly rebase our estimation of the future for every property and take advantage of both unexpected profit and buying opportunities. In 2005, we completed over £500m of sales and committed to new investments of over £1bn. This scale of activity requires real effectiveness in the market to place and source deals; that this has taken place in 12 different countries is a testament to our devolved structure. There is a virtuous circle in that the more market activity we undertake the better our knowledge of the markets.

Our overall strategy is to use our knowledge and experience of property to generate higher returns by taking positive action to regenerate, reposition or otherwise improve property. We believe our shareholders want to be rewarded for the use of skills and applied capital and not to be the passive owners of real estate. There is, of course, a large investor universe which does want 'core' property returns and we can manage such portfolios for them in our Fund Management Business without conflict with our own strategy.

Our devolved structure can lead to some apparent anomalies in our strategy. In 2005, we completed the sale of our last regional shopping centre in North America, just as we have added to our activity and exposure to this sector in Europe. These different strategies are good evidence that devolved decision making is real and working. At the centre, we monitor the overall portfolio but have sought to influence it in three respects: we have required each Operating Company to maintain a strategy for residential property, we are ensuring that our medium term exposure to the office sector is reduced and we have increased the overall development activity.

The independence built into the structure makes us work hard to ensure there is a good cross flow of ideas and knowledge. We have had inter-regional debates about residential strategy, service provision, customer relationship management, large scale mixed use development as well as financing strategy. The centre operates as a clearing house of new ideas and initiatives and each Operating Company consults with the centre to achieve improved process, practice and analysis.

The history of property investing is littered with examples of tax-driven decisions. Distorted decision making is never good in the long run and, as an international investor, perhaps we see more clearly than many, how different investment structures and tax regimes affect property in the world. Property developers and investors have an obligation to support the economy by paying taxes as ordained but 'unfair' additional taxes will inevitably lead to complicated ways of avoiding the additional burden. In the UK, the government's indecision about Real Estate Investment Trusts over many years has left us with uncertainty, second-best ownership structures – many off shore – and almost certainly a loss of tax revenue. We still hope that sense may prevail in 2006 to allow the wide introduction of REITS as both listed and unlisted tax transparent vehicles.

Our large project in Liverpool has made very good progress on site during the past year and those who visit the City regularly will see further dramatic changes in 2006. This is an extremely complex, long term project which provides new challenges every day in design, construction and project management. The next twelve months is a critical period but we remain confident that the end result will be a great enhancement to Liverpool and a testament to the whole project.

This business is the product of many individuals' hard work. The report demonstrates the scope and range of the group which operates effectively in each of its markets but, at the same time, retains that special magic associated with an unusual, private, long term business.

Jeremy Newsum
Group Chief Executive
16 March 2006

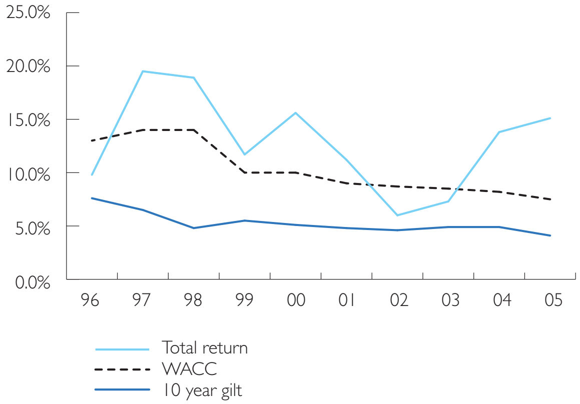
FINANCE DIRECTOR'S REPORT

"This has been the 13th year of continuous growth in the current UK property cycle with increasingly similar cycles elsewhere in the world. During that period, Net Asset Value of the group has grown from £0.5bn to £2.2bn at the end of 2005."

As this is my final report as Finance Director, it is especially pleasing that our total return in 2005 rose to 15.1% (13.8% in 2004) reflecting strong growth in all markets. Property remains a favoured investment class but the level of interest exceeded expectation.

Grosvenor's weighted average cost of capital for 2005 was 7.5% (8.2% in 2004) and so the result for the year just ended was more than double the target. The cost of capital is reviewed every year and is a reliable guide to the shareholders' required rate of return considering the risks inherent in the business. Over the last 10 years, WACC has averaged 10.3% pa against an achieved total return of 12.9% pa. I was appointed during the difficult years of 1991 to 1993 and these now seem a distant memory.

10 year returns



EARNINGS Partly as a result of the strong capital growth noted above, our profit before tax for 2005 was £368.1m, an increase of £26.0m over 2004.

"Revenue Profit", principally PBT excluding the valuation and disposal profits, rose £3.1m to £46.6m, an increase of 7.1%. We view revenue profit as a real measure of underlying performance. Two key factors behind this rise were the increase in fee-related work and the revenue generated from letting vacant property. We explained last year that revenue profit had fallen in 2004 as our investment in overheads came ahead of new income and some of that benefit is already being seen.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) As a private company, we are not required to adopt IFRS but given our extensive dealings with international investors and counter-parties, we see distinct benefits in so doing.

In most of the areas in which we hold property, the local accountancy bodies have either already adopted IFRS (for example, Australia and Hong Kong) or are steadily moving towards it (as in the UK and Canada). Our joint venture businesses Sonae Sierra and Lar Grosvenor in Portugal and Spain moved to IFRS in 2003. The one area where a significant divergence remains is in the US where local GAAP is based on depreciated historical cost. For any real estate group, marking the properties to market is an essential part of understanding performance. However, there are encouraging noises coming from the US Financial Accounting Standards Board and so we expect convergence in due course.

Although one set of worldwide standards is an admirable aim, there are nevertheless some regrettable anomalies with the new order in the UK. The most significant is the lack of proper recognition for long leasehold property. This results in capital receipts ("premiums") being spread over the life of the lease (for some residential leases, this might be 125 years) rather than profit being recognised at the time of receipt as in UK GAAP. Had this not been the case our profit before tax would have been £26.0m higher.

Another significant consequence of IFRS is that joint ventures are now reported in a single line in both the income statement and balance sheet. These amounts are further analysed in note 21 to the accounts but we do lose the ability to view total "activity" from the face of the accounts. Total net rental income is shown below.
It is also worth noting that in these statements, Grosvenor has provided a total of £355.6m for deferred tax, the majority of which relates to the UK. The average holding period for a property varies according to its future prospects, but it is likely to be many years before the bulk of this provision is used and depending on local circumstances, further deferral may be possible at the time of sale. A detailed explanation of the transition to IFRS is given on pages 98 to 103.

	2005 Group £m	**2005 Share of joint ventures £m**	**2005 Total £m**	2004 Group £m	2004 Share of joint ventures £m	2004 Total £m
Gross rental income	**96.8**	**93.0**	**189.8**	88.6	81.3	169.9
Property outgoings	**(41.6)**	**(23.0)**	**(64.6)**	(37.3)	(23.9)	(61.2)
Net rental income	**55.2**	**70.0**	**125.2**	51.3	57.4	108.7

PROPERTY ACTIVITY The total value of all our properties under management including our own and the completed value of developments is £9.1bn (against £7.7bn in 2004). This is made up as follows:

	£bn
Property assets shown in the balance sheet	**3.7**
Additional completed value of developments	**1.0**
Third party funds managed by Grosvenor	**4.4**
	9.1

In addition to the above, the value of assets in joint ventures not managed or owned by Grosvenor but over which it had influence through Board participation, amounts to a further £3.4bn. One major element of this additional figure is the proportion of Sonae Sierra which we do not own. Shortly after the year end, we increased our participation in this major shopping centre developer and investor from one third to 50%.

Each of our Operating Companies has commented in this Annual Report on investment and development property activities and there is a group analysis shown starting on page 109.

The uplift in revaluation across the worldwide investment portfolio was 11.6% (12.2% in 2004). The net asset value growth in the year was 14.5%.

FINANCING Net gearing fell to 9.1% at the year end compared with 19.5% in 2004. One reason for this low level is the treatment of debt related to 'indirect' investment. This covers all our Fund Management and other Joint Venture activities which are now shown on a net equity basis effectively disaggregating the associated debt.

As an active investor and manager of these funds, we monitor their average loan to value ratio which at 31 December 2005 was 40.8% (37.8% in 2004).

Another reason for the lower gearing results from the tight market in which there are limited investment opportunities at appropriate rates of return. Notwithstanding our significant investment programme, at the end of the year we held cash of £385.5m; however, a substantial part of this was applied to the Sonae Sierra purchase in the first quarter of 2006.

SYSTEMS During the year, we commenced implementation of a major new property database with an integrated general ledger system for all our overseas offices. The 'MRI' system concerned is being installed in phases and will be completed during the course of 2006. It will bring many substantial improvements to the way we do business and to the information sharing across the group.

Mid-year, the group introduced new financial reporting software providing both consolidated and local level information. The benefits going forward are significant; the commitment of the finance teams to make this happen was impressive.

We have a number of important group-wide initiatives being assessed by internal working parties including a customer relationship management system. Every organisation aspires to instant up-to-date information on its contacts. Delivering this in manageable form across all our offices is our current systems focus. To help achieve this, we have in early 2006 appointed a Business Process Director.

We recognise that providing easy access to business knowledge is a very powerful tool and one that is often underrated. Our systems' budget in 2006 approaches £5m.

PENSIONS Much has been written in the press in 2005 on the subject of pensions. The Turner Report in the UK points to longer working lives while valuation methodology has been underlined by the spiral of funds chasing lower and lower yields at the very long end of Government bonds with implications for the cost of pension provision. International Accounting Standard 19 brings pension fund deficits (or surpluses) on balance sheet, a move which recognises the essential interdependence between employee and employer. At Grosvenor we took action to eliminate the deficit identified in 2002 with extra company contributions. However, trends in longevity together with falling yields have resulted in the deficit of £27.8m shown in the balance sheet.

One fact underlies the whole pension issue around the world: the savings rate for retirement is generally too low to match expectations, a point made worse by the withdrawal of pension fund tax credits in the UK. With most employers, including Grosvenor, introducing money purchase arrangements the onus for pension planning switches to the employee. However, Grosvenor's schemes remain non-contributory and target a good level of retirement benefits based on a full contribution record. We do encourage further regular personal provision at all stages throughout a career. It takes forty years to build an adequate pension pot so the savings habit has to begin early.

OVERVIEW This has been the 13th year of continuous growth in the current UK property cycle with increasingly similar cycles elsewhere in the world. During that period, NAV of the group has grown from £0.5bn, reported in 1992, to £2.2bn at the end of 2005. This not only reflects a sustained period of falling interest rates but a major diversification in the group's assets involving as it does now four international regional businesses. Grosvenor is well placed to make the most of economic conditions going forward whether this is a further reduction in property yields or indeed the top of the property cycle.

This has been a year of especially high activity for the finance teams. These teams are co-ordinated by the Group Finance Board which includes the Finance Directors of the Operating Companies. Large volumes of property transactions have been interspersed with systems upgrades and the changeover to IFRS. All has been taken in their stride. These teams, integrated where possible with the business decision makers, are due their share of the credit for Grosvenor's success.

Jonathan Hagger
Group Finance Director
16 March 2006

"ENSURING THE CONTINUING HEALTH AND VITALITY OF THE LONDON ESTATE IS OUR KEY LONG TERM STRATEGY."

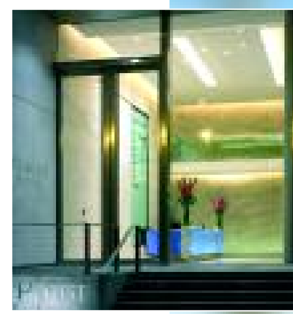
Britain and

“Construction at Liverpool continues apace and vividly illustrates the scale and complexity of this exciting project.”

“A wide variety of people live and work in the environments we create and manage. Our goal is to introduce service programmes that deliver a superb customer experience and build loyalty.”

Ireland...

BRITAIN AND IRELAND (continued)



Despite the slowest growth in GDP in the UK for more than a decade, the business delivered a very good performance with a total return of 16.1%. The combination of yield compression fuelled by strong demand from institutional investors and a strong sales and letting programme, were key factors in substantial gains in value across the portfolio.

Our retail led, mixed use, city centre developments in Liverpool and Cambridge continued on schedule and despite weaker consumer spending in the UK, we are positive that in both locations, we have the right product for retailers and consumers.

Liverpool in particular presents the sorts of challenges and level of risk expected of a project of its size and complexity. Good progress was made in all key areas on site in 2005 and the next two and a half years will require continued effort and genuine trusting partnerships to deliver the right result for the city.

The London portfolio was pivotal in the company's overall performance with the office sector delivering particularly strong results. Significant letting progress was made and we added Google and Rentokil Initial and in the early part of 2006, BAA and American Express to our roster of office occupiers. Investor demand for good quality investment property allowed us to make a number of strategic sales in line with our long term strategy. These included retail holdings at 407 to 413 Oxford Street and 431 to 451 Oxford Street and office holdings at 25 Moorgate and 3 to 10 Grosvenor Crescent.

Across other parts of the portfolio we strengthened our future development and investment programmes. The excellent performance of Liffey Valley, Dublin, a mixed use, edge of town retail led development, continued and progress was made in master planning for significant retail and residential expansion. Other notable successes were: the granting of outline planning consent for Fountain North, Edinburgh – a predominantly residential scheme on an 8 acre site in the city centre – and selection as preferred developer for the redevelopment of Crawley town centre in the South of England.

"Continuing to develop and acquire new skills and knowledge is essential to meet the requirements of an expanding business in a competitive market."

Stephen Musgrave
Chief Executive

Belgrave House, Buckingham Palace Road, London SW1

"We have altered the staff structure along the functional lines of investment and development."

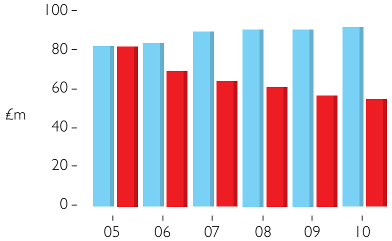
Size of UK development programme

11.9 million sq ft

Retail development	5.1m sq ft
Residential	4.0m sq ft
Leisure	0.4m sq ft
Commercial	2.4m sq ft

BRITAIN AND IRELAND (continued)

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

PORTFOLIO OVERVIEW

Work on the Paradise Project moved ahead on many fronts. 20 full time staff, over 60 professional teams and 500 construction workers are focused on delivery. All new buildings were delivered to programme. Odeon Cinemas was signed as the third anchor tenant and good progress was made on securing a number of significant retailers. Work was also completed on branding the completed development which will be known as Liverpool One.

In Cambridge, construction of Grand Arcade moved ahead with key milestones being reached. In Preston, the development agreement for Tithebarn (a 28 acre city centre mixed use scheme) was signed with the city council, setting in place formal procedures for taking the project forward. We were also successful in our submission to be appointed the developer of Crawley town centre (comprising 755,000 sq ft of retail, 176,000 sq ft of offices and 800 new homes) which has a target completion date of 2013.

The performance of the London office portfolio reflected the significantly improving investment and occupier demand for central London office accommodation. Lettings were achieved across the portfolio, notably at Belgrave House SW1 and 10 Grosvenor Street W1 where the space was fully let. In the year ahead, the effort of our commercial teams will be on completing the letting of 41 Lothbury, EC2 and Holyrood Park House, Edinburgh.

Work began on the redevelopment of 77 Grosvenor Street, Mayfair, a "Triple A" office development and on Montrose Place, Belgravia, a development which will create 18 high specification residential units. The residential market-let portfolio continued to grow with an extra 40 units coming onto the market during the year, bringing the total to 206. We continued to expand our "Space Solutions", flexible office business with the addition of 52 Grosvenor Gardens, Belgravia to the portfolio.

Bankside 4, London, SE1, a large residential development opportunity adjacent to the Tate Modern, was purchased in a joint venture with Native Land.

In Scotland, the expansion of Technopole, a science park on the outskirts of Edinburgh, continued with the construction of the Fleming Building, a 36,000 sq ft development which is capable of being formatted for office and laboratory uses and the redevelopment of Bush House as a "Space Solutions" facility offering enhanced levels of service to occupiers.

	Number No.	Value £'m	Passing rent £'m	ERV £'m	Running yield %
Direct and indirect investment properties					
Office	289	836.4	37.4	46.1	4.5%
Retail	134	538.5	25.4	31.3	4.7%
Residential*	363	532.6	11.2	n/a	2.1%
Total investment properties	786	1,907.5	74.0		3.9%
Development commitment (cost)		672.4			
Total		**2,579.9**			

Average lease length in Great Britain and Ireland is 24.7 years

*the majority of the residential portfolio in Britain and Ireland is ground rented (low fixed rent). The average yield on the rack rented residential portfolio is 4.9%.

PROPRIETARY INVESTMENTS

By Sector (£m)

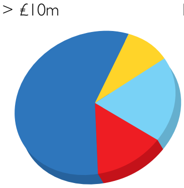
Office	836.4
Retail	538.5
Residential	532.6

By Region (£m)

London	1,476.4
Outside London	431.1

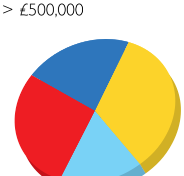
By Value (£m)

< £1m	189.6
£1m – £5m	364.6
£5m – £10m	258.3
> £10m	1,095.0



By Passing Rent (£m)

< £50,000	24.5
£50,000 – £100,000	13.2
£100,000 – £500,000	18.0
> £500,000	18.3






Clockwise from top left:

25 Moorgate, London EC2

Computer generated image of the new bus interchange in Liverpool

10 Grosvenor Street

15 Eaton Square

41 Lothbury, London EC2

A market-let residential apartment

Holyrood Park House, Edinburgh

Elizabeth Street, London SW1



HUMAN SCALE DESIGN

"A city should be a place where every citizen's heart can sing."

Honourable Joseph P Riley

Mayor, City of Charleston;
ULIWorld Cities Forum delegate

RECENT DEMOGRAPHIC TRENDS DATA PAINT A VIVID PICTURE OF EXPONENTIAL GROWTH AND EXPANSION IN CITIES AROUND THE WORLD OVER THE NEXT TWO AND A HALF DECADES. BY 2015, TOKYO, THE WORLD'S LARGEST CITY WILL HAVE A POPULATION OF MORE THAN 36 MILLION.*

The demands of this predicted growth will be manifested in every aspect of the place-making task – social, cultural, economic and physical. Each area requires thoughtful attention but arguably, none more so, than the physical.

Cramming more people into limited spaces is a tricky endeavour but, say the experts, achieve it we must. Today, Hong Kong already accommodates over 48,000 people per square kilometre* and, as Paul Finch, editorial director, EMAP Construct, suggests, "density is the new black." It's a mantra that seems both acceptable and appropriate but maybe only if it is run in parallel with another popular and important precept – that of human scale design.

The present received wisdom – which for many borrows heavily from experiences and lessons of the past – is that cities and urban environments ought to be about the spaces between buildings more than the buildings themselves.

The number of exponents of this argument is rising – including some whose former allegiances may have fallen more naturally into the iconic buildings camp. The message is as convincing as it is obvious and there are numerous examples of human scale design successfully being implemented around the world.

What Poundbury, a mixed use urban development created by the Prince of Wales in Dorset, in the South of England, lacks in size, it amply makes up for in its demonstrable qualities as a pedestrian friendly place in which to live. Uncluttered streets of mixed use buildings – houses, shops and commercial buildings – are interspersed with squares and open green spaces. The commercial success of Poundbury elevates it beyond the status of mere experiment – many more people than might have been expected are electing to live and work there.

In London, Mayfair and Belgravia are long-standing examples of the draw of human scale design. Even from the start it was about what citizens wanted – big garden squares and wide streets to compensate for the hitherto cramped, unhealthy London of medieval proportions. It has also always been about mixing uses – churches, schools, pubs, hotels, restaurants, offices, shops, workshops are as important as houses.

Renowned Danish urban architect Jan Gehl's experiences in cities such as Melbourne and Copenhagen, among others, echo the British story.

The transformation of Melbourne in the decade between 1994 and 2004 has particular resonance for the advocates of human scale design and public realm improvements. The changes produced impressive quantum shifts summarised in the most significant claim that Melbourne in 2004 was a: 'lively, liveable and vibrant city that has been supported by sustained economic and population growth… Important changes have altered the nature of the central city… from almost exclusively a place of work, to a place of work, recreation and residence in almost equal measure.'**

If the principle is being proven as workable, the challenge still remains to decide who carries the principal burden of responsibility for delivering human scale design and effective public realm.

Jeremy Newsum, places the liability in everyone's hands: "There needs to be risk and responsibility within the mix for the city and each person and institution involved must understand this."

* Source: The State of the World's Cities 2004/2005 (UN-HABITAT)

** Extract from Places for People – by Professor Jan Gehl

“Public spaces define identity; private spaces define function.”

Eugene Towle

Managing Partner, Softec S.C; ULI World Cities Forum delegate

“What irony that Central Park has the most value [to New York] and yet it has no economic value.”

Paul Finch

Editorial Director, EMAP Construct; ULI World Cities Forum delegate

By **2030** over 80% of the population of the Americas and Europe will live in urban areas.

In **1994** Melbourne had 300m of active and accessible lanes, arcades and alleys. By 2004 the figure was 3.4km.

Facts and predictions

Today London is the world's 27th largest city. In **2015** it will be 35th.

In **2004** Melbourne had 71% more space for people and activities on streets and in squares than it had had a decade earlier.

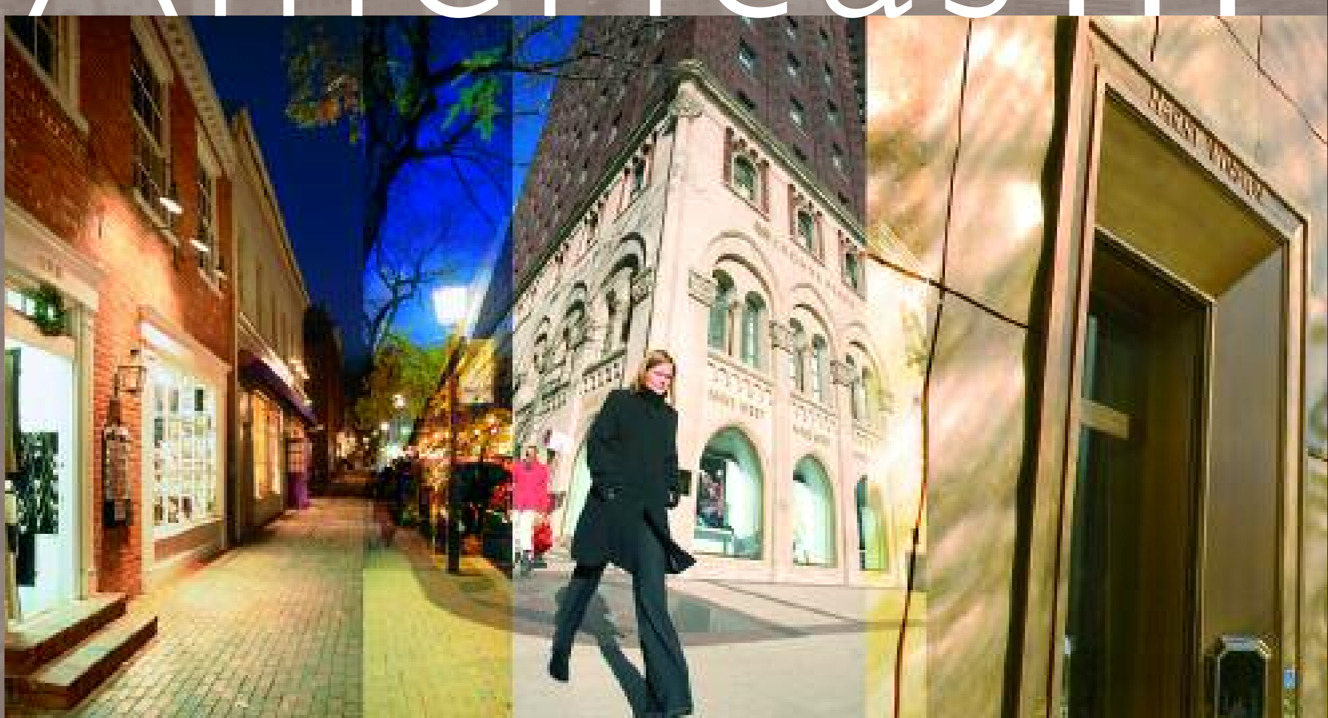
“A great attractive city can always be recognised by the fact that many people choose to spend time in its public spaces.”

Professor Jan Gehl

Founding Partner, GEHL Architects

"OUR STRATEGY IS TO CONCENTRATE ON SPECIFIC LOCATIONS AND, WITHIN THEM, ON SECTORS AND PRODUCT TYPES WHERE WE CAN ACHIEVE SUPERIOR RETURNS."

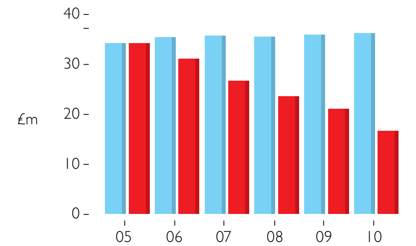
Americas...



"In 2005, we achieved the highest rate of return in more than a decade and grew the level of capital committed to development to 17.5% at year end."

AMERICAS (continued)

INCOME PROJECTION



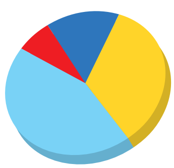
Projection assuming leases are re-let at current market rent on expiry

Projection assuming leases are not renewed or re-let on expiry

PROPRIETARY INVESTMENTS

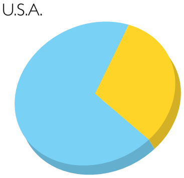
By Sector (£m)

Office	178.3
Retail	227.6
Residential	36.1
Industrial	75.8



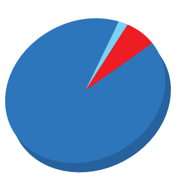
By Region (£m)

Canada	163.7
U.S.A.	354.1



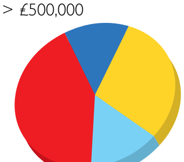
By Value (£m)

£1m – £5m	11.4
£5m – £10m	35.5
> £10m	470.9



By Passing Rent (£m)

< £50,000	9.7
£50,000 – £100,000	4.5
£100,000 – £500,000	14.0
> £500,000	4.2



2005 was another successful year for the Americas against a backdrop of strong real estate capital markets and downward pressure on yields. We acquired more than US$135 million of property on behalf of ourselves and Grosvenor Fund Management, sold more than US$110 million of property and grew our development program to 17.5% at year end.

In two of our primary target markets, the San Francisco Bay Area, California and Vancouver, British Columbia, we acquired a number of development sites, primarily in the retail sector. In Los Angeles, we completed the development and leasing of a retail project on Rodeo Drive, while in Calgary, we entered into a contract to acquire a 100,000 sq ft retail center with value-add characteristics. In Chicago, where our focus is on retail, we experienced good leasing activity at our existing assets. In Seattle and Vancouver we furthered our mezzanine loan program. This approach has delivered consistently high returns and proved to be an excellent way of increasing our investment in the residential sector. Additionally, through strong portfolio management, we reduced our vacancy rate across the portfolio and further solidified the base from which we can seek superior risk adjusted returns.

In July 2006, we will reorganize our business along the functional lines of development, investment, portfolio management and finance. We will continue to involve research and marketing to support our real estate decision making. These changes are designed to improve productivity and efficiency and enhance the service to our partners, tenants and service providers.

	Number No.	Value £'m	Passing rent £'m	ERV £'m	Running yield %
Direct and indirect investment properties					
Office	20	178.3	14.6	13.4	8.2%
Industrial	12	75.8	2.7	2.8	3.6%
Retail	29	227.6	13.3	15.2	5.8%
Residential	3	36.1	1.8	2.9	5.0%
Total investment properties	64	517.8	32.4	34.3	6.3%
Mezzanine loans	10	12.8			
Development commitment (cost)	12	107.7			
Total	**86**	**638.3**			

Average lease length in the Americas is 5.8 years

PORTFOLIO OVERVIEW

The Americas portfolio comprises 5.4m sq ft of space including retail, industrial, and office properties, and involvement in the development of 2,373 residential units. Average occupancy for 2005 was 91% with a year end figure of 98%, demonstrating strong leasing success throughout the year.

During 2005, we acquired several new development and redevelopment sites in the San Francisco Bay Area, including Hamilton Marketplace, a development in Marin County and 185 Post Street, a redevelopment project in the Union Square District of San Francisco.

Construction began on two projects in Vancouver, B.C.; The Rise, a US$102 million residential/retail mixed-use development project where we have already pre-leased 53% of the commercial space with two years of construction remaining; and a new US$40m condominium development on the west side of Vancouver.

In suburban Maryland, the $10m WesTech Village Corner showed significant progress with 59% of the new restaurant and retail park leased at year end.

South of Vancouver, in Surrey, BC, we obtained a development permit for The Boulevard, a US$3m retail center adjacent to an existing community shopping center we own, and obtained planning approval for a proposed 83 unit joint venture residential condominium development project in North Vancouver.

During the year we sold a number of office buildings, totalling 420,000 sq ft in the San Francisco Bay Area and suburban Maryland. We also sold three land parcels at our Langley (suburban Vancouver), BC land subdivision, substantially completing a very successful land development scheme. The project proved to be another successful public/private partnership both for Grosvenor and the public interests involved.

Bill Abelmann
Chief Executive

From top left:

Time, North Vancouver, BC, Canada, completed and sold in 2005

1777 F Street, Washington, DC, U.S.A.

The Boulevard, Surrey (Greater Vancouver), BC, Canada

308-310 North Rodeo Drive, Beverly Hills, CA, U.S.A.

SUSTAINABILITY

"Cities are the most sustainable form of human existence."

William Hanway

Managing Principal, EDAW, Inc; ULI World Cities Forum delegate

THE CONCEPT OF SUSTAINABILITY IS A GLEAMING EMBLEM OF THE PRESENT ZEITGEIST SURROUNDING THE URBAN DEBATE. While the delivery of sustainable urban communities may be the objective of most city planners around the world, it remains one of the hardest achievements to realise.

Partly, the challenge lies in unravelling the complex nature of sustainability itself. The concept embraces a number of diverse constituent parts – the economy, society, the natural environment, the built environment – each with different and potentially conflicting values and advantages.

Leonard Zax, a partner at US law firm, Latham and Watkins, has enjoined his peers engaged in the debate on sustainability to have, "A passion for excellence… Anger for mediocrity."* It is a good place to start. Seeking excellence may go a long way to equalising the different priorities of the sustainability agenda.

Partly, the challenge is having the guts to project a long term vision.

In 1909, Daniel Burnham's Plan for Chicago was suffused with the principle that city planners should, "Make no little plans… Make big plans… aim high in hope and work." Nearly 100 years on, Burnham's 'big plans' have secured a lasting commitment from Chicago's civic authorities to improve the physical structure of the city; strengthen its economic base; and open its opportunities for all.

Two further factors worth considering are dialogue and education.

Dialogue is vital because citizen participation is a determining force in creating successful sustainable communities. Grosvenor's endeavours in Liverpool are rooted in an unshakeable belief in the power of dialogue. Here, the consultative process has led to a collective understanding of need; of desire; of possibilities; and of limitations. The practical benefits of this outcome are a shared vision of, and a more efficient framework for, delivering sustainable city centre regeneration.

The Brazilian city of Porto Alegre offers a more elaborate example. Better defined as 'participatory democracy', the process empowers citizens at the grass-roots level to decide how the elected city administration should spend the municipal budget. The degree of direct engagement is massive, involving thousands of individuals. The result is policy and capital allocation that impact positively on each of the city's neighbourhoods, providing the maximum benefit for the whole community.

Education is broadly accepted as one of the most important requirements for long term progress. Mature western capital cities are awash with traditional learning institutions – schools, universities, management and professional training colleges. What some still lack is the technological infrastructure necessary to deliver access to education and knowledge-sharing at the click of a mouse. For growing numbers of citizens, the availability of such 'connectedness' makes the difference between being included, or being excluded from their community's progress.

The responsibility for education and community learning belongs to everyone. In urban communities around the world, Grosvenor seeks relationships with universities – financing teaching and research; teaching; increasing the efficiency of their property portfolios; managing their endowments in property. Any benefit will revert to the urban communities in the long-run.

* Leonard Zax was a delegate at the Urban Land Institutes' World Cities Forum in June 2005.

"Developers must be or make themselves truly local. They must have the knowledge and understanding inherent in a lifelong citizen of the place in question."

Jeremy Newsum

Group Chief Executive, Grosvenor; ULI World Cities Forum delegate

Over the next 40 years, **2.5** billion people will move to cities.

By **2030**, it is expected that 85% of the world's population will be in developing countries.

Facts and predictions

Almost **180,000** people are added to the urban population each day.

Estimates suggest that, if fully implemented, the Kyoto Protocol on climate change would reduce global atmospheric temperatures by no more than one quarter of one percent centigrade by **2050**.

By **2030**, the world's urban poor will number 2 billion.

"The state of cities and approaches toward solving the problems in cities are in a continuum... We need to understand where we are to be able to select realistic solutions."

Koon Hean Cheong

Chief Executive Officer, Urban Redevelopment Authority, Singapore; ULI World Cities Forum delegate

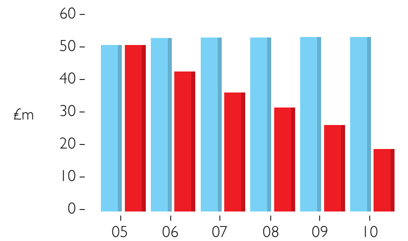
"PEOPLE ARE THE FOUNDATION OF OUR BUSINESS; OUR NON-EXECUTIVE DIRECTORS, OUR PARTNERS AND OUR STAFF. IT IS THEIR ABILITY TO JUDGE RISK AND REWARD AS WELL AS MANAGE THE UNCERTAINTIES AND AMBIGUITY OF OUR ENVIRONMENT WHICH DEFINES OUR LEVEL OF SUCCESS OR FAILURE."

Continental

“Our philosophy of emphasising ‘local’ over ‘central’ gave us the market position to invest successfully despite strong competition in our primary markets of France, Spain, Portugal and Italy.”

Europe...

INCOME PROJECTION

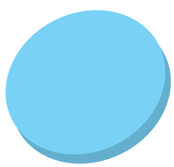


Projection assuming leases are re-let at current market rent on expiry
Projection assuming leases are not renewed or re-let on expiry

PROPRIETARY INVESTMENTS

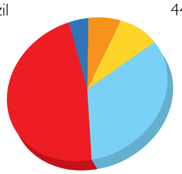
By Sector (£m)

Retail	682.0



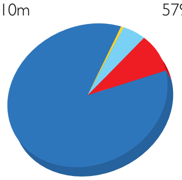
By Region (£m)

France	61.0
Spain	228.4
Portugal	321.9
Italy	26.4
Brazil	44.3



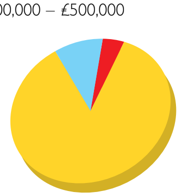
By Value (£m)

< £1m	4.5
£1m – £5m	35.1
£5m – £10m	62.7
> £10m	579.7



By Passing Rent (£m)

< £50,000	38.9
£50,000 – £100,000	4.4
£100,000 – £500,000	2.0



The focus of the year remained on retail property in our core markets of France, Spain and Portugal although investments were also made in Belgium and Italy. Total return on property assets was good at 13.2% (compared to a WACC of 6.4%) bringing the average 3-year return to 10.6% and 5-year return to 16.2%. Revenue profit rose 32% to €24.1m.

An important transaction (completed after the year end) was our commitment to acquire a further 17% of European shopping centre specialist, Sonae Sierra, from our fellow shareholder, Sonae SGPS, for €228m, which will take our holding to 50%. This important strategic step is the culmination of more than 8 years' association and provides both shareholders with a first rate platform for shopping centre investment, development and management.

Our retail strategy now comprises two strands. Sonae Sierra will be our shopping centre vehicle but we will continue directly to invest and manage other retail formats, such as warehousing and urban retail.

The acquisition of the Paul Bert and Serpette antiques markets, in the Parisian suburb of Clignancourt, at the end of the year, was made in partnership with Solal Conseil et Développement. At €51m, this gives us an alternative type of retail exposure in France. They form part of the famous "Marchés aux Puces" which welcomed 11 million visitors in 2005.

Sales activity occurred mainly in our Spanish operations, where the investment market was amongst the strongest in Europe. Equally, the development programme in industrial and retail progressed well in our joint venture with Grupo Lar.

We have not been active in the office market since 2002 but, expecting stronger occupier demand and a gradual recovery in rents, we agreed a programme with Dutch pension fund, ABP, to invest in the French office market. We will manage the joint investment.

We gratefully acknowledge the support of GIC Real Estate and the Wellcome Trust who are financial investors in the majority of our Continental European business.

	Number No.	Value £'m	Passing rent £'m	ERV £'m	Running yield %
Direct and indirect investment properties					
Retail	79	682.0	45.3	43.3	6.6%
Development commitment (cost)	27	426.4			
Total	**106**	**1,108.4**			

Average lease length in Europe is 4.0 years

PORTFOLIO OVERVIEW

Retail investment in France continued to offer a yield premium over other western European countries, although this is now diminishing. On behalf of Grosvenor Fund Management and the GREP Fund, in which we are a shareholder, we acquired €135m of property in 8 transactions, primarily in retail warehousing and high street retail. The French portfolio now amounts to 26 prime high street locations, 5 retail warehouse parks and 2 urban galleries.

Sonae Sierra had another active year, completing 134,000 m^2 GLA in 4 shopping centres. The company's growth plan remains on target with 4 schemes currently under construction, amounting to 160,000 m^2 GLA and a further 9 schemes in the early development phase, amounting to 300,000 m^2. Today Sonae Sierra manages 41 shopping centres, in which it has an ownership interest, amounting to 1.6 million m^2, and 7,000 commercial lease contracts. In 2005, its centres welcomed 424 million visitors.

In our Spanish joint venture with Grupo Lar, Madrid Sur shopping centre was sold as well as a 50% partner brought in to the 90,000 m^2 Islazul scheme in the Madrid suburb of Carabanchel. The industrial development programme accelerated and now amounts to 2 projects completed and a further 6 projects under development. The 32,450 m^2 Ribera del Xuquer shopping centre in Carcaixent was completed and we agreed to proceed with the construction of the 30,000 m^2 second phase of the Omega Office Park in the Madrid suburb of Alcobendas.

Given our move to 50% ownership of Sonae Sierra, we agreed with Grupo Lar that we would 'freeze' our collaboration in Spanish shopping centres on the basis of the existing portfolio.

In total, our portfolio now amounts to €2.4bn of assets under management in primarily in France, Portugal, Spain and Italy.

Neil Jones
Chief Executive

Clockwise from top left:

Borsbeek, Belgium

51 rue de la Porte Dijeaux, Bordeaux, France

Luz del Tajo, Toledo, Spain (Sonae Sierra)

Loureshopping, Loures, Portugal (Sonae Sierra)

Sonae Sierra, Lisbon

Drogenbos, Belgium

Bondy, France

INFRASTRUCTURE

"Travel more. Learn more. Risk more."

Dorothy Alpert

National Managing Director for Real Estate Hospitality, Deloitte; ULI World Cities Forum delegate

INFRASTRUCTURE PROJECTS ARE BORNE OUT OF NECESSITY, YET THEY ARE ALSO THE OBJECT OF A CITY'S CONTINUED EVOLUTION. The benefits they deliver, in terms of how well a city functions and its economic success, are essential and incalculable.

Among some leading commentators, the aesthetic form of bridges, dams, power stations, transport nodes and the like is gaining recognition as an equally important measure of their merit and contribution to a city's overall patrimony. In short, infrastructure projects will be the "true urban icons" of the next 50-100 years.*

For leading international architect, Lord Foster, the picture is clear: "When I think of exciting cities, I think of infrastructure not architecture." **

The consequences of this observation are profound. High on the priority list is the increasing pressure for civic leaders, architects, planners and developers to cooperate. To plan holistically, so that form and function of infrastructure projects are more carefully melded together.

A greater degree of experiential learning might help. Custodians of one city visit, experience and borrow from custodians of other cities; and citizens around the world share the benefits. Happily, this is already an emerging trend.

This principle will be well tested in relation to London 2012 – an infrastructure project of mammoth proportions. The UK central government will invest £3 billion, the expected return for which is huge: new roads, rail links, civic amenities and sports facilities; in addition to thousands of jobs, and 9,000 new homes.

In 1994, Sydney enthusiastically grasped a similar Olympian challenge to catapult itself further ahead as a world class city. By 2000, everything was in place successfully to stage the Games. The vision was delivered according to the plan but the true long term gain for the city is still to be fully realised.

In the meantime, the intellectual capital that went into creating the physical structures for the Games in Sydney will serve as a useful blueprint for the planners of London 2012.

Eight years further on than Sydney, Barcelona's status as a leading world class city has been assured for years to come by the rich physical and economic legacy left by the Olympic Games it hosted in 1992.

Delivery of the promised infrastructure prize in London (not to mention the expected financial payback) hinges heavily on two critical factors: a willingness to learn from other players with previous experience; and the ability to coordinate and fully involve the many different sources of expertise within the city.

* This was the consensus of a panel of eminent international architects at the Urban Land Institute's World Cities Forum in June 2005.

** Lord Foster was a delegate at the Urban land Institute's World Cities Forum in June 2005

The so called 'Big Dig' in Boston, MA, U.S.A. to replace the Central Artery highway with a tunnel, was the most expensive public works project in American history. Completed 5 years late, it cost

US$14.6 bn.

Crossrail, to create a new underground East-West link in London is expected to cost

£16 bn.

"The essence of the city for me is about infrastructure...
It's about connectivity, public places and other spaces through which people move over the course of the day."

Lord Norman Foster

Foster and Partners; ULI World Cities Forum delegate

Facts and predictions

Deficient infrastructure is a major factor in ill health – in Africa

64% of households have no water connection

88% of households have no sewerage connection

59% have no electricity

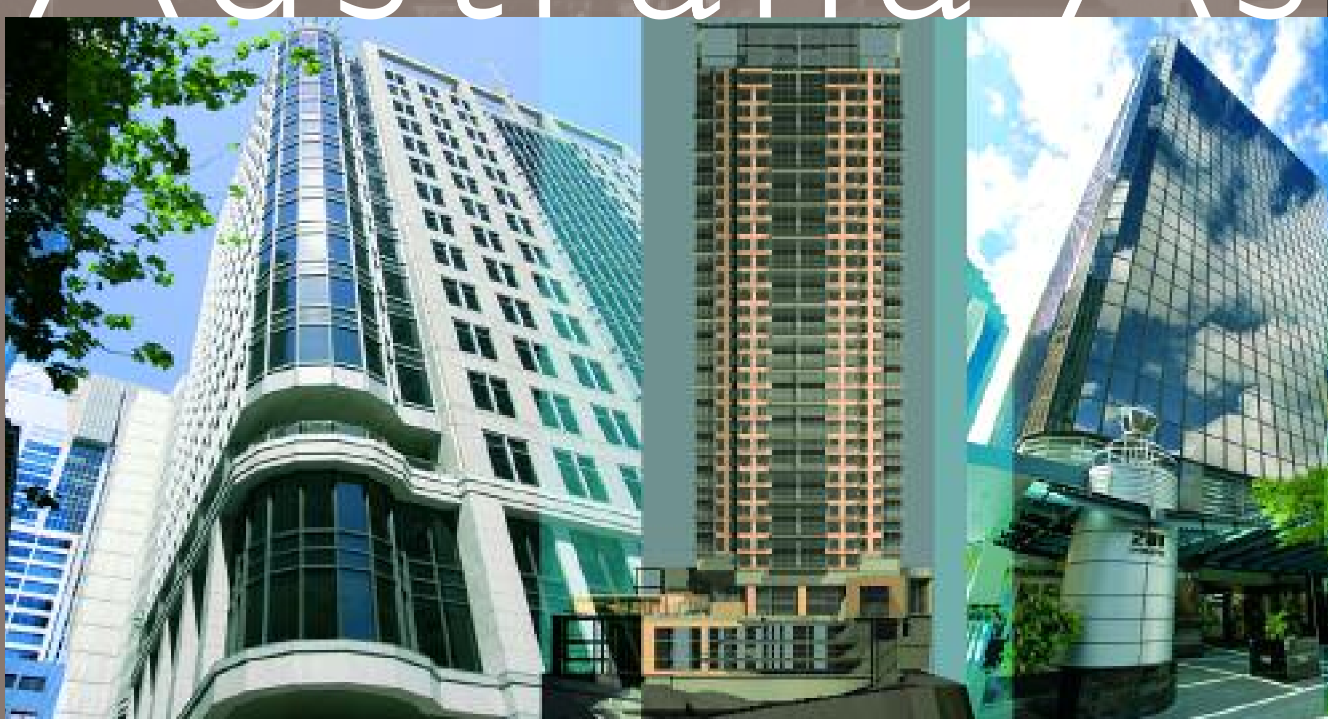
"From this vantage point, large restructuring projects are redefining old transportation infrastructure...
The new spaces not only facilitate urban mobility but also have helped in establishing new nexuses and revitalised downtown areas."

Joan Busquets

BAU-B Arquitectura/Urbanisme; ULI World Cities Forum delegate

"LOOKING AHEAD AT 2006, WE FORESEE A POSITIVE OUTLOOK OF STRONG ECONOMIC GROWTH ACROSS OUR MARKETS IN AUSTRALIA, JAPAN AND CHINA."

Australia As

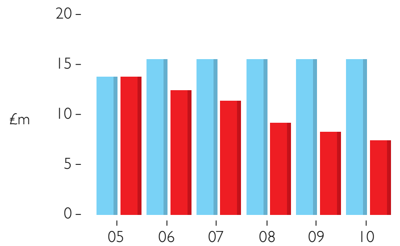


“Across the region, we are continuing to build our business and skills in investment, development and Fund Management.”

ia Pacific...

AUSTRALIA ASIA PACIFIC (continued)

INCOME PROJECTION

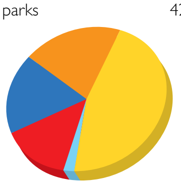


Projection assuming leases are re-let at current market rent on expiry
Projection assuming leases are not renewed or re-let on expiry

PROPRIETARY INVESTMENTS

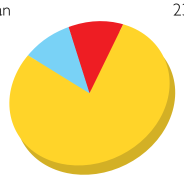
By Sector (£m)

Office	99.5
Retail	4.5
Residential	32.4
Industrial	38.4
Car parks	42.8



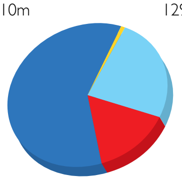
By Region (£m)

Australia	172.6
Hong Kong	21.3
Japan	23.7



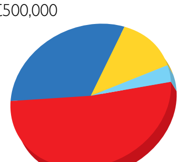
By Value (£m)

< £1m	2.4
£1m – £5m	52.7
£5m – £10m	32.8
> £10m	129.7



By Passing Rent (£m)

< £50,000	2.0
£50,000 – £100,000	0.6
£100,000 – £500,000	7.7
> £500,000	4.6



2005 was an extremely busy year that delivered some significant results and achievements. Assets under management in the Australia Asia Pacific region, including funds managed by Grosvenor Fund Management, grew to £541m. In line with our regional strategy, we increased our development exposure and our investment in funds.

We made both acquisitions and disposals in our investment portfolio, with three particularly notable transactions. We sold 201 Charlotte Street, a 13,419 m² office building in Brisbane's CBD for £28.6m, producing a profit of £12m; this followed completion of a comprehensive refurbishment scheme and re-leasing of the building. Earlier in the year, we committed £2m to a fund to invest in the Japanese residential property market. The fund will be managed by a joint venture between Mitsubishi Corporation, Capital Advisers and Grosvenor Fund Management. Also in Japan, we committed £15m to a new 50/50 joint venture with existing partner, Tokyo Tatemono, to acquire office and retail properties in Japan. Our year end valuations produced good results in Australia, Hong Kong and Japan with increases of 5.7%, 7.1% and 3.8% respectively.

On the development front we added 2 new office development projects in Australia; both are joint ventures with Leighton Properties, the first in Paramatta, Sydney, to build 11,000 m² of office space and the second, in George Street, Brisbane, to build 30,000 m² of offices.

We commenced construction on the Banyo project in Brisbane, a 20 lot industrial and 101 lot residential development and the Lure serviced apartment project in Nelson Bay, north of Sydney. In Hong Kong, the superstructure design was completed for the Castle Peak, an 18,000 m² residential apartment development with Asia Standard.

Across the region, we are continuing to build our business and skills in investment, development and fund management. In each area we expect to grow our activities through partnership and co-investment.

	Number No.	Value £'m	Passing rent £'m	ERV £'m	Running yield %
Direct and indirect investment properties					
Office	4	99.5	6.4	7.6	6.4%
Industrial	10	38.4	3.0	3.1	7.8%
Car parks	2	42.8	4.0	4.0	9.3%
Retail	1	4.5	0.3	0.3	6.7%
Residential	19	32.4	1.2	1.8	3.7%
Total investment properties	36	217.6	14.9	16.8	6.8%
Property financial assets	3	46.8			
Development commitment (cost)	5	101.2			
Total	**44**	**365.6**			

Average lease length in Australia Asia Pacific is 5.8 years

PORTFOLIO OVERVIEW

During the the year we continued to implement a regional strategy by reducing our exposure to office investments but increasing our commitment to office and residential development.

We reduced our weighting to the office sector with the sale of the Brisbane office building 201 Charlotte Street which reduced our overall office exposure to just under 40%.

On the other hand, our overall exposure to residential property increased. We added to our two funds in Japan which have £75.2m assets under management but reduced our exposure in the Hong Kong based Grosvenor Land Property Fund from £14.9m to £11.3m.

Although the share price fell during 2005, the outlook for our investment in Asia Standard International (ASI), in which we have a 15% shareholding, improved with a reduction of 11% in debt and 8.5% increase in NAV. We redeemed 17% of our ASI corporate bond and will be applying the proceeds to investment properties in China and Japan.

Overall, the portfolio is weighted towards investment with a majority of our holdings in Australia. Development capital committed at the year end amounted to 12.5% of our total capital as two projects commenced and two office sites in Australia were purchased in joint venture with Leighton Properties. When the planning process is complete for Castle Peak in Hong Kong, these projects will further increase our commitment to development over the next few years.

Rob Kerr
Nick Loup
Joint Managing Directors

Clockwise from top left:

Sir Joseph Banks Corporate Park, Sydney

Chester Court, Sengoku

Bank of Queensland Centre, Brisbane

Hunter Street, Sydney

Nick Loup,
Joint Managing Director

Rob Kerr,
Joint Managing Director

FUTURE 'HOT SPOTS'

Rome was the first city to have more than one million inhabitants.

AT THE TIME, THE TOTAL POPULATION OF THE WORLD WAS 170 MILLION. The fall of Rome came in 410 A.D. Surprisingly it took 13 more centuries – and massive political, economic and cultural upheaval – before the next million-person city emerged.

Again surprisingly, it was not another empire-building European capital, but a quietly sprawling urban community in Asia – Beijing recorded one million citizens in 1800.

Cities in Asia remain at the forefront of the continuing worldwide population explosion. They have been joined by cities in Africa and Latin America.

The present headline statistics* have already reached vertiginous proportions: Beijing – 10.8 million; Buenos Aires – 13 million; Calcutta – 13.8 million; Delhi – 14.1 million; Jakarta – 12.3 million; Karachi – 11.1 million; Mexico City – 18.7 million; Mumbai – 17.4 million; São Paulo – 17.9 million; Shanghai – 12.8 million; Tokyo – 32 million. Nine of these cities rank within the present top ten largest cities in the world.

Sophisticated econometric modelling suggests that this pattern will continue. UN-HABITAT predicts that by 2015, 358 cities around the world will have one million citizens. Of these cities, 153 will be in Asia. Then there are the 'mega-cities', each with over 10 million people. By 2015 there will be 27 of these, 18 of them in Asia.

Beyond this is the emerging phenomenon of the 'mega-city-region' – vast polycentric areas of urban massing with local government and administration concentrated in one core zone.

Sir Peter Hall, Professor of Planning at the Bartlett School of Architecture and Planning in London, cites the Pearl and Yangtze River Deltas in China and South East England, around London, as two of the world's leading examples of this phenomenon. The Pearl River Delta covers Hong Kong, Shenzhen and Guangzhou. It is predicted to have a population of 120 million – not that far off the entire world population in the fifth century.

If the scale and speed of population growth were the only measurements by which to assess a city's potential pre-eminence, then the world's urban map would be, to all intents and purposes, already drawn for at least the next 15-20 years.

Yet scale on its own is problematic. The fact that the greatest and fastest population growth will occur in some of the world's poorest countries presents gatekeepers of urban planning with huge challenges and no guarantees of success.

Rapid growth raises difficult questions. How will dwindling supplies of natural resources such as oil and water affect the political and economic balance of power within, and between, cities around the world? How can city administrators deliver effective governance? Successful cities require sophisticated political processes. How will cities guarantee that they can upscale their levels of production and shift the foundation of economic activity? What chance will cities have, however large they become, if they are unable to spread skills and knowledge among their citizenry; or to develop technological and organisational innovation?

The answers are equally difficult. In all, this makes predicting the world's next urban 'hot spots' an extremely subtle and finely balanced process.

Perhaps the only safe assumption is that we can expect some unexpected anomalies when the historians review the urban landscape of our future world.

* Source: UN-HABITAT

FRONTRUNNERS?

‘Hot spots’ – thoughts from Grosvenor’s teams around the world

Where:

Shanghai

Why: Shanghai has been China’s most liberalised city since the mid-19th century. It has experienced rapid growth and benefits from a strong economy underpinned by a large service sector. The city’s economic liberalisation and market transparency make it an attractive proposition for foreign investment.

Where:

São Paulo

Why: The Latin American giant’s famous ‘favelas’ are already seeing signs of change. The chances are that the topography of the city will morph into a more structured format, precipitating a natural process of regeneration helped by external investors.

Where:

Southern Californian corridor

(Los Angeles to San Diego)

Why: Despite its past transportation and environmental issues, this region is emerging as a cultural, economic and political powerhouse. In close proximity to two other fast growing urban areas – Phoenix and Las Vegas – this part of the West Coast of America is a major international transportation hub. It retains the putative title of entertainment capital of the world and its ethnic diversity already reflects the future face of the US.

POTENTIAL CHALLENGERS?

Where:

Tijuana

Why: Tijuana’s border location between the two great and complementary cultures of North America and Latin America has always made it an important staging post. Increasingly it is acquiring the mien of a long term destination in its own right.

Where:

Beirut

Why: The city is regaining rapidly its reputation as a sophisticated, international centre for the eastern Mediterranean. Nonetheless, the political and economic structures of the city remain a challenge, as do the process and execution of effective urban design.

"ONE YEAR ON FROM ITS LAUNCH, GROSVENOR FUND MANAGEMENT IS MAKING STRONG PROGRESS IN ESTABLISHING NEW INVESTMENT VEHICLES AND ATTRACTING NEW INVESTORS. AGAINST A CONTINUING BACKDROP OF HIGHLY COMPETITIVE INVESTMENT MARKETS, OUR FOCUSED APPROACH IS DELIVERING SOUND RETURNS."

11 *funds*

40 *investors*

£2.0bn *funds under management*

Fund Manag

"As investors seek to diversify overseas, our local property expertise and knowledge of occupier markets are critical in meeting their aspirations for successful cross-border investment."

ement...

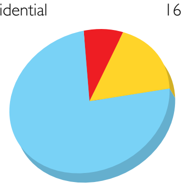
FUND MANAGEMENT (continued)

Equity Invested by Interest (£m)

Grosvenor	307.2
Institutions	819.1
Other investors	181.6

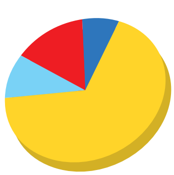
Funds Under Management by Sector (£m)

Office	353.5
Retail	1,497.1
Residential	161.4



Funds Under Management by Region (£m)

Britain and Ireland	1,380.9
Americas	198.1
Continental Europe	284.4
Australia Asia Pacific	148.6



2005 witnessed another year of unprecedented levels of capital flowing into property, reflecting its continuing attractiveness relative to other asset classes and the growing numbers of investors seeking to deploy their capital across borders.

The sharp increases in global energy prices and a fear of inflation during the year were mitigated by accommodating monetary policy and low long term interest rates resulting in no palpable effect on occupier demand. Consequently, there was a further decline in property yields, which caught some in the industry by surprise. There is now considerable discussion among investors regarding the sustainability of current yields. Given the weight of capital and strong liquidity, we believe these levels will persist for at least the next 12 months.

It is just over a year since we established Grosvenor Fund Management as a single client-facing business for third party funds. This move has reinforced the international focus of Grosvenor's business, driving new investment activity in all of our regions. This unified approach to managing third party relationships provides a clear strategic path for the growth of the business in the coming years, and will help deliver a valued service and new investment opportunities to our investors.

During 2005, we launched three new funds and partnership ventures, and extended the life of three existing funds; this permitted further equity raising and a continuation of successful investment strategies. These transactions, and the provision of liquidity to certain investors, resulted in six new investors entering Grosvenor funds.

In Asia, *Grosvenor Diamond Capital – Stable Residential Fund* (GDC-SRF) was established in June with three investor partners. The fund focuses on core income producing property, primarily in Tokyo, and marks our third venture with Capital Advisers and our first with DREAM (Diamond Realty Management), the fund management arm of Mitsubishi Corporation. The launch coincided with an international real estate conference in Tokyo hosted jointly with Capital Advisers where we welcomed more than 120 investors from the US, UK, Canada, Europe, Asia and the Middle East.

In the UK, our two flagship funds, the Grosvenor Shopping Centre Fund (GSCF) and the Grosvenor London Office Fund were extended by five years and three years respectively. A new residential fund, formed initially as a 50:50 joint venture with O&H Properties was launched. The *Talbot Residential Investment Fund* has a strategy to invest in a blend of residential stock in a variety of locations across the UK and has so far acquired four investments totalling £12.5m.

High on our agenda was meeting the investment objectives of several of our newer funds in their investment phase. A number of important transactions were completed as a result, including three investments for our international fund, IGIPT (ISPT Grosvenor International Property Trust), acquisitions for two UK flagship funds, (GSCF and GLOF), and multiple new investments for our European retail fund, Grosvenor Retail European Properties. Further assets were also acquired for our Asian funds. In total, an amount of £560m was invested. Sales also featured in the strategies of several funds, taking advantage of the strong investment market and completed asset management programmes.

With more than £2.0bn under management, the business has met its growth targets for the year. The UK continues to represent the majority of our fund business, but with new funds in their development phase in Australia Asia Pacific, Continental Europe and North America, our intent is to expand activities significantly in these markets. All of which will mean we can offer a broader range of investment opportunities.

Looking forward, 2006 promises to be an active and diverse year given sustained investor demand, supported by innovations in the investment markets. These include the burgeoning derivatives market and the promise of more flexible and attractive investment structures, such as the anticipated introduction of REITs in the UK. In this environment, we are committed to promoting a consistent investor service during our own growth phase, retaining Grosvenor's personalised approach and unique culture to deliver attractive real returns to our co-investors.

Stuart Beevor
Managing Director

Clockwise from top left:

51 rue de la Porte Dijeaux, Bordeaux, France

25 Moorgate, London EC2, UK

Eastgate Centre, Inverness, Scotland

Drogenbos, Belgium

The River Center, Rancho Mirage, California, U.S.A.

Horizon Lodge, Hong Kong

BOARD OF DIRECTORS

Grosvenor Group

Non-Executive Directors

The Duke of Westminster KG OBE TD DL *(Chairman)* is Chairman of the Grosvenor Trusts. He is also a Major-General (2 star) in the Reserve Forces. In March 2004 he was appointed to the key role of Assistant Chief of Defence Staff (Reserves and Cadets) based at the Ministry of Defence. He is a member of the Prince's Council of the Duchy of Cornwall and is involved with and actively supports over 250 charities and other organisations. Age 54.

The Earl of Home CVO CBE (David Home) *(Deputy Chairman)* is Deputy Chairman of the Grosvenor Trusts. He is Chairman of Coutts & Co and is also an elected member of the House of Lords and Chairman of MAN Ltd. He is President of the British Malaysian Society and joined the Board of the Dubai Financial Services Authority (DFSA) in February 2005. Age 62.

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 and a member of the Prince's Council of the Duchy of Cornwall. He retired from Jones Lang LaSalle as European Chairman in 2003. Age 59.

Lord George of St Tudy GBE (Eddie George) was Governor of the Bank of England from 1993 until his retirement in 2003. He is a non-executive director of N M Rothschild, where he chairs the European Advisory Council, and is an Executive Director on the Board of Rothschilds Continuation Holdings. He is also on the board of Nestlé SA. Age 67.

Rod Kent is Chairman of Britain and Ireland. He retired as Managing Director of Close Brothers Group plc in October 2002 but remains on the board as a non-executive director. He is Chairman of Bradford and Bingley plc and a non-executive director of Whitbread plc. Age 58.

Alasdair Morrison is Managing Director of Morgan Stanley and a member of the firm's Management Committee. He is Chairman and Chief Executive Officer of Morgan Stanley Asia based in Hong Kong. Prior to joining Morgan Stanley, he worked in Asia for 28 years for the Jardine Matheson Group, where he was the Group Managing Director from 1994 to 2000. Age 57.

Tony Wyand is Chairman of 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 SPA and a member of the Lehman Brothers European Advisory Board. Age 62.

Executive Directors

Jeremy Newsum FRICS *(Group Chief Executive)* is Executive Trustee of the Grosvenor Estate. He is a director of TR Property Investment Trust plc, Chairman of the Property Advisory Committee to the Rector of Imperial College, member of the Advisory Board to the Land Economy Department at the University of Cambridge and a Trustee of the Urban Land Institute. Age 50.

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 Business Association. Age 57.

William (Bill) Abelmann is Chief Executive of Grosvenor Americas. He is a member of a number of real estate organisations including the Urban Land Institute, International Council of Shopping Centres and the National Association of Real Estate Investment Managers. Age 55.

Stuart Beevor FRICS is Managing Director of Grosvenor Fund Management. He is a non-executive Director of The UNITE Group Plc and a Trustee of the Investment Property Forum Educational Trust. Age 49.

Neil Jones MRICS is Chief Executive of Continental Europe. He is a non-executive director of Lar Grosvenor and Sonae Sierra. He has worked and lived in London, Paris, Brussels and Hong Kong. Age 40.

Stephen Musgrave MRICS is Chief Executive of Britain and Ireland. He is a Trustee and Director of The Prince's Regeneration Trusts, a non-executive director of Royal & Sun Alliance London Board, a Director of the Reading Real Estate Foundation and Chairman of the British Property Federation (BPF) Regeneration & Development Committee. He is a Freeman of the City of London. Age 52.

Designate Directors

Mark Preston MRICS is President U.S.A. and will become Chief Executive of Britain and Ireland on 1 July 2006. 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 before moving to San Francisco. He is Deputy Chairman of The Association of Foreign Investors in Real Estate. Age 38.

Nicholas Scarles FCA CPA Attorney at Law will become Group Finance Director on 1 June 2006. He joined Grosvenor in 2004 as Finance Director, Grosvenor Fund Management. His previous career history included Centrica, following its demerger from British Gas, where he was Chief Financial Officer for Centrica's North American Operations; Price Waterhouse and Coopers and Lybrand. Age 43.

The Board of Grosvenor Group Limited.

Left hand page: top to bottom, left to right:
Duke of Westminster, Jeremy Newsum, Jonathan Hagger, Bill Abelmann, Stuart Beevor, Neil Jones and Stephen Musgrave, Mark Preston, Nick Scarles.

Right hand page: top to bottom, left to right:
David Home, Robin Broadhurst, Eddie George, Rod Kent, Alasdair Morrison and Tony Wyand.

NON-EXECUTIVE DIRECTORS AND SENIOR STAFF

NON-EXECUTIVE DIRECTORS OF REGIONAL OPERATING COMPANIES

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 64.

George Gaffney retired from 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 in December 2000. He is a Governor of the Vancouver Board of Trade and a director of Rick Hansen Enterprises, B.C. Age 63.

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 on the Executive Committee of the Real Estate Advisory Board of Wharton Business School, a member of the Governance Committee and Board of Trustees of the Urban Land Institute, the President's Leadership council of Dartmouth College and a board member of Starwood Hotel and Resorts Worldwide. Age 48.

Australia Asia Pacific

Tim Freshwater is Vice Chairman of Goldman Sachs Asia. Before joining Goldman Sachs in 2001, he was Chairman of Jardine Fleming, the Asian investment bank acquired by Chase Manhattan in 2000. Tim is a solicitor in the UK and Hong Kong; he spent 29 years with Slaughter and May, including seven years in Hong Kong and five years as head of the firm's worldwide corporate practice. In 1996 he joined Jardine Fleming in Hong Kong. Tim is an ex-President of the Hong Kong Law Society and is currently a director of Hongkong Exchanges & Clearing Limited. Age 61.

John Coates AO is a partner of Kemp Strang Lawyers, Deputy Chairman of department store chain, David Jones and a member of the Advisory Board of investment bank, Grant Samuel. He is President of the Australian Olympic Committee and a member of the International Olympic Committee and its Juridical, TV Rights and New Media and London 2012 Olympic Games Co-ordination Commissions. Age 55.

Britain and Ireland

Andrew Baum FRICS is Chairman 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 52.

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 52.

Continental Europe

Philippe Citerne is Chief Executive Officer of Société Générale. He is a Board member of Unicredito Italiano SPA and a member of the Supervisory Board of Sopra Group, the French information technology consulting and service company. Age 57

Luigi Maramotti is Chairman of Max Mara and Vice Chairman of the Max Mara Fashion group. He is also Vice Chairman and member of the executive committee of Credito Emiliano and a Director of Unicredito Italiano SPA. He joined the Board of Continental Europe in September 2005. Age 48.

SENIOR STAFF – BOARD MEMBERS, OFFICE AND BUSINESS UNIT HEADS

Australia Asia Pacific

Robert Kerr is Joint Managing Director, Australia Asia Pacific. He joined Grosvenor in 1994 following nine years with CB Richard Ellis. He is a member of the Property Council of Australia Roundtable, Director of the Grosvenor ISPT International Property Trust and is a graduate of the Australian Institute of Company Directors. Age 44.

Nicholas Loup is Joint Managing Director, Australia Asia Pacific. He is a Director of Asia Standard International and a non-executive director of Printemps China Department Stores Ltd. He is also a General Committee member of the British Chamber of Commerce in Hong Kong. Age 45.

Ian Clark FCA FCIS is Finance Director, Australia. He joined Grosvenor in 1985 after five years with Price Waterhouse. Age 53.

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 45.

Koshiro Hiroi is Chief Representative in Japan. Before he joined Grosvenor in 2001 to lead the operations in Tokyo, he worked for US private fund Lone Star Group and one of the leading developers in Japan. Age 36.

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 43.

Americas

Rehka Patel CPA is Finance Director. She joined Grosvenor in 2003 following thirteen years with GIC Real Estate Inc. Age 41.

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 48.

Andrew Galbraith MRICS is Senior Vice President, U.S.A. based in Washington DC. He joined Grosvenor in 1990 and has been part of the Washington, DC team since 1993; he is a member of the Urban Land Institute and the International Council of Shopping Centers. 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 and a Director of the University of British Columbia Property Trust. Age 54.

Britain and Ireland

Richard Handley FCA *(Finance Director)* 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 Limited. Age 51.

John Irvine FRICS is responsible for operations in Scotland and Ireland and is based in Edinburgh. He chairs the British Council of Offices Awards Panel in Scotland and is a member of the Advisory Board of Architecture and Design Scotland. Age 49.

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 project team. Age 46.

Continental Europe

Benoit Prat-Stanford *(Finance Director)* joined Grosvenor in 2000. His career includes being a military attaché at the French Embassy in Italy. He has also worked for Arthur Andersen and United Technologies Corporation. He has lived and worked in Paris, Boston, Rome, Brussels and London. Age 40.

Steve Cowen MRICS is Investment Director, Continental Europe. He joined Grosvenor in June 2002 having been Asset Management Director at Corio France and an associate partner at Cushman & Wakefield. He has lived and worked in Paris since 1989. Age 40.

Fund Management

Brett Dillon is Fund Manager, Australia. He joined Grosvenor in 2001 following senior consulting roles with Urbis and Arthur Andersen. He is an Associate member of the Australian Property Institute and a Certified Practicing Valuer. 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 currently volunteers as a consultant to non profit organisations such as Save the Redwoods League in San Francisco. Age 55.

Mervyn Howard is Fund Management Director, Britain and Ireland. He joined Grosvenor in 2001 following roles as Managing Director of GE Capital's real estate business in the UK and Scandinavia and Head of Business Development for TrizecHahn Europe. Age 46.

James Raynor is Fund Management Director, Continental Europe. He joined in 2004 from Royal Bank of Scotland in Paris where he was Senior Director of European Real Estate. Age 32.

John So CFA is Fund Management Director, Asia. He joined Grosvenor in 2000 from Jardine Fleming Securities (HK), where he was a Director and lead the Regional Real Estate Research team. Earlier, he was an Associate in the Management Consulting division at Kenneth Leventhal in the US. He is a member of ULI and the American Chamber of Commerce. Age 40.

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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 57). 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 ten 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 48 and 49 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 59 and a statement of going concern is given on page 57.

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 from the Company.

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 Lord George 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 all shareholders 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 and is consistent with the internal control guidance for directors in the Combined Code.

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 and Grosvenor Fund Management work closely with the Holding Company team to ensure appropriate internal controls are maintained. The relationship between regional boards and the Group Board is clearly defined and is set out in formally approved financial delegation procedures.

In addition to local boards, each region and Grosvenor Fund Management, 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 has been satisfied that an internal audit function has not been required. The need for this additional control is reviewed by the Board on a regular basis and over the course of 2005 the Board has been considering how certain aspects of an internal audit function could be implemented. During 2006 the precise nature of this function will be determined and implemented.

The Board carried out its annual assessment of internal control for the year 2005 at its meeting in March 2006 by considering reports from management and the Audit Committee and taking account of events since December 2005.

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 properly fulfil 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 so that a minimum of 60% of borrowings are at fixed interest rates;
- not to hedge long term net asset positions held in foreign currencies; and
- to pool the Group's funds efficiently on a regional basis and invest short term cash with approved institutions within 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 treasury 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 advisory investment activities. All transactions with managed funds are separately accounted for under a full client accounting regime.

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

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

THE REMUNERATION COMMITTEE comprises three Non-Executive Directors. It meets at least twice a year. The Group Chief Executive and Group Human Resources Director are in attendance unless their own remuneration is 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. 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 and are designed to link rewards to both individual and company performance. Awards relating to company performance are determined by the achievement of total return compared with the relevant weighted average cost of capital. The incentive arrangements are designed to reward outstanding performance and are linked to the achievement of performance targets at both team and individual levels. A proportion of incentive awards each year are deferred and vest over periods of up to five years.

- **PENSIONS AND LIFE ASSURANCE** for executive directors and senior staff in the UK are provided through membership of the Grosvenor Pension Plan (GPP) and, if applicable, supplementary pension arrangements. GPP is non-contributory and provides, for those who were members 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 10 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 11 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 from the Company. 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 38 to the financial statements. Certain Company 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 are such as to impair the independence of the non-executive directors.

Robin Broadhurst
Chairman of the Remuneration Committee
16 March 2006

DIRECTORS' REPORT

The directors present their annual report and the Group's audited consolidated financial statements for the year ended 31 December 2005.

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 47.

RESULTS AND DIVIDENDS

The results for the year are set out in the consolidated income statement on page 61. Profit for the year was £265.1m (2004 – £245.0m). Dividends paid during the year amounted to £8.5m (2004 – £17.3m). Subsequent to the year end a dividend of £6.1m (2004 – £5.5m) was proposed, but in accordance with IFRS has not been provided in these financial statements.

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 116 and their biographies are given on pages 48 and 49. All directors served throughout the year with the exception of those set out below.

The Earl of Home (appointed 9 June 2005)
John R Sclater (resigned 31 July 2005)

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 2005	**At 31 December 2005**	**At 1 January 2005**	**At 31 December 2005**	**At 1 January 2005**	**At 31 December 2005**
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						
The Earl of Home (appointed 9 June 2005)	1,515,529	1,515,529	12,124,233	12,124,233	1,515,529	1,515,529
Jeremy H M Newsum	4,290,433	4,290,433	34,323,463	34,323,463	4,290,433	4,290,433
Robin Broadhurst	4,052,363	4,052,363	32,418,904	32,418,904	4,052,363	4,052,363
John R Sclater (resigned 31 July 2005)	3,001,024	–	24,008,192	–	3,001,024	–

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 2005.

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 AND POLITICAL CONTRIBUTIONS

Charitable contributions during the year amounted to £1.3m (2004 – £1.2m). £1.0m was donated to the Westminster Foundation (2004 – £1.0m) which supports a wide range of charitable causes. No political contributions were made during the year (2004 – £nil).

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. The Group is committed to achieving high standards of health and safety throughout the 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.

The Group's 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 the wider risk management process.

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

In 2005, there were 29 (2004 – 49) 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.

Grosvenor did not receive any enforcement action from statutory Health and Safety authorities in 2005.

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 2005 represented 8 days' purchases (2004 – 16 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.

Judith Ball
Company Secretary
16 March 2006

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the Company and the Group in accordance with International Financial Reporting Standards (IFRSs). Company law requires the directors to prepare such financial statements in accordance with International Financial Reporting Standards, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard number1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- select accounting policies and apply them properly;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

CORPORATE ADVISERS AND BANKERS

AUDITORS:	Deloitte & Touche LLP
TAX ADVISORS:	KPMG LLP
PRINCIPAL VALUERS:	CB Richard Ellis, Cushman & Wakefield, DTZ Debenham Tie Leung
SOLICITORS:	Boodle Hatfield, Slaughter and May
LEAD BANKERS:	The Royal Bank of Scotland Group plc
ACTUARIES:	Lane Clark & Peacock LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GROSVENOR GROUP LIMITED

We have audited the group and individual company financial statements (the "financial statements") of Grosvenor Group Limited for the year ended 31 December 2005 which comprise the consolidated income statement, the consolidated and individual company balance sheets, the consolidated statement of recognised income and expense, the consolidated statement of cash flow, and the related notes 1 to 40. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework 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 other transactions is not disclosed.

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

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the group's affairs as at 31 December 2005; and of its profit for the year then ended;
- the individual company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the requirements of the Companies Act 1985, of the individual company's affairs as at 31 December 2005; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
16 March 2006

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2005

	Note	2005 £m	2004 £m
Total revenue	3	**386.9**	144.6
Gross rental income	5	**96.8**	88.6
Property outgoings	6	**(41.6)**	(37.3)
Net rental income		**55.2**	51.3
Other income	7	**25.6**	10.4
Administrative expenses	8	**(53.3)**	(46.7)
(Loss)/profit on trading and development properties	12	**(7.3)**	9.6
Gains on other investments	13	**–**	22.9
Net gains on revaluation and sale of investment property	14	**246.8**	198.8
Impairment of goodwill	24	**(3.3)**	–
Share of profit from joint ventures	22	**121.6**	123.8
Profit from operations including share of joint ventures		**385.3**	370.1
Dividend income	15	**0.3**	3.1
Financial income	15	**21.4**	5.2
Financial expenses	15	**(38.9)**	(36.3)
Net financing costs	15	**(17.2)**	(28.0)
Profit before tax		**368.1**	342.1
Current tax	16	**(8.5)**	(21.5)
Deferred tax	16	**(94.5)**	(75.6)
Profit for the year	36	**265.1**	245.0
Attributable to:			
Equity holders of the parent	36	**251.5**	229.5
Minority interests	36	**13.6**	15.5
Profit for the year	36	**265.1**	245.0

All activities derive from continuing operations.

BALANCE SHEETS

as at 31 December 2005

	Note	**Group 2005 £m**	Group 2004 £m	**Company 2005 £m**	Company 2004 £m
ASSETS					
Non-current assets					
Investment property	*18*	**1,936.0**	1,756.3	**–**	–
Investment property under development	*19*	**71.4**	52.8	**–**	–
Other property, plant and equipment	*20*	**33.8**	28.8	**–**	–
Investments in subsidiaries	*21*	**–**	–	**1,363.9**	1,360.4
Investments in joint ventures	*22*	**819.4**	694.6	**–**	–
Other financial assets	*23*	**71.0**	58.3	**–**	–
Goodwill	*24*	**3.9**	–	**–**	–
Deferred tax assets	*25*	**95.0**	71.3	**–**	–
Total non-current assets		**3,030.5**	2,662.1	**1,363.9**	1,360.4
Current assets					
Trading properties	*26*	**34.5**	44.1	**–**	–
Trade and other receivables	*27*	**75.5**	124.9	**15.0**	20.5
Income tax receivable		**12.7**	1.8	**–**	–
Cash and cash equivalents	*28*	**385.5**	264.2	**–**	–
Total current assets		**508.2**	435.0	**15.0**	20.5
TOTAL ASSETS		**3,538.7**	3,097.1	**1,378.9**	1,380.9
LIABILITIES					
Non-current liabilities					
Interest-bearing loans and borrowings	*29*	**(555.1)**	(523.8)	**–**	–
Trade and other payables	*31*	**(176.0)**	(113.0)	**–**	–
Employee benefits	*10*	**(27.8)**	(17.1)	**–**	–
Deferred tax liabilities	*25*	**(450.6)**	(317.9)	**–**	–
Total non-current liabilities		**(1,209.5)**	(971.8)	**–**	–
Current liabilities					
Overdrafts	*28*	**(1.2)**	–	**–**	–
Interest-bearing loans and borrowings	*29*	**(19.1)**	(90.7)	**–**	–
Trade and other payables	*31*	**(104.7)**	(119.0)	**–**	(2.0)
Income tax payable		**(17.7)**	(6.3)	**–**	–
Total current liabilities		**(142.7)**	(216.0)	**–**	(2.0)
TOTAL LIABILITIES		**(1,352.2)**	(1,187.8)	**–**	(2.0)
NET ASSETS		**2,186.5**	1,909.3	**1,378.9**	1,378.9
Equity					
Share capital	*35*	**60.8**	60.8	**60.8**	60.8
Share premium	*36*	**173.1**	173.1	**28.3**	28.3
Reserves	*36*	**240.2**	182.4	**1,268.7**	1,268.7
Retained earnings	*36*	**1,617.5**	1,379.0	**21.1**	21.1
Shareholders' funds	*36*	**2,091.6**	1,795.3	**1,378.9**	1,378.9
Minority interests	*36*	**94.9**	114.0	**–**	–
TOTAL EQUITY	*36*	**2,186.5**	1,909.3	**1,378.9**	1,378.9

Approved by the Board on 16 March 2006 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 RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2005

	2005 £m	2004 £m
Foreign exchange translation differences	**55.6**	(13.2)
Revaluation of investment property under development	**11.5**	24.4
Revaluation of other property, plant and equipment	**5.8**	4.4
Change in fair value of equity shares available for sale	**(7.8)**	–
Fair value adjustments on swaps	**0.2**	–
Fair value adjustments transferred to income statement	**5.7**	–
Deferred tax on gains recognised in reserves	**0.8**	(1.0)
Actuarial gains and losses on defined benefit pension schemes	**(11.3)**	(3.5)
Net gain recognised directly in equity	**60.5**	11.1
Profit for the year	**265.1**	245.0
Total recognised income and expense for the year	**325.6**	256.1
Attributable to:		
Equity holders of the parent	**311.7**	239.2
Minority interest	**13.9**	16.9
	325.6	256.1
Effect of the adoption of IAS 32 and IAS 39:		
Equity holders of the parent	**(6.7)**	
Minority interest	**(0.7)**	
	318.2	

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2005

	Note	2005 £m	2004 £m
Operating activities			
Operating profit before changes in working capital and provisions	*37A*	**25.7**	16.5
Decrease/(increase) in trade and other receivables		**54.0**	(9.8)
Decrease in trading and development properties		**16.3**	13.7
Increase in trade and other payables		**18.8**	3.2
Decrease in employee benefits		**(1.6)**	(0.1)
Cash generated from operations		**113.2**	23.5
Interest paid		**(44.5)**	(43.8)
Income taxes paid		**(8.1)**	(24.8)
Interest received		**16.4**	5.7
Net cash flows from operating activities		**77.0**	(39.4)
Investing activities			
Proceeds from sale of investment property		**261.2**	115.2
Acquisition of investment property		**(73.1)**	(117.4)
Development of investment property		**(31.0)**	(30.2)
Acquisition of other property, plant and equipment		**(0.7)**	(2.0)
Acquisition of other financial assets		**(13.5)**	(6.3)
Proceeds from sales of other financial assets		**5.7**	69.4
Net cashflow from joint ventures		**(14.7)**	49.5
Dividends received		**0.3**	3.1
Net cash flows from investing activities		**134.2**	81.3
Financing activities			
Proceeds from additional borrowings		**26.3**	117.2
Repayment of borrowings		**(79.1)**	(46.7)
Capital reduction in a subsidiary undertaking		**(30.1)**	–
Dividends paid		**(10.7)**	(33.1)
Net cash flows from financing activities		**(93.6)**	37.4
Net increase in cash and cash equivalents		**117.6**	79.3
Cash and cash equivalents at 1 January 2005		**264.2**	183.2
Effect of exchange rate fluctuation on cash held		**2.5**	1.7
Cash and cash equivalents at 31 December 2005	*28*	**384.3**	264.2

The company had no cash or cash equivalents during the current and prior year and accordingly no cash flow is presented.

1. ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

For the year ended 31 December 2005 the Company has prepared consolidated financial statements under 'International Financial Reporting Standards' as adopted by the European Commission. These are those International Accounting Standards, International Financial Reporting Standards and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB) that have been endorsed by the European Commission.

The Group and Company have taken advantage of the following exemptions in IFRS1: 'First Time Adoption of International Financial Reporting Standards':

- Financial instruments – the Group has elected to defer adoption of the accounting and disclosure requirements of IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'. The effective date of the transition to IFRS in respect of these standards is 1 January 2005. The comparative amounts for the year ended 31 December 2004 therefore exclude the requirements of IAS 32 and IAS 39 and financial assets and liabilities are presented under UK GAAP, the effect of which is included as an opening adjustment to the 2005 financial statements. The impact of this opening adjustment is shown in note 36.
- Business combinations – the Group has elected not to apply IFRS3 Business Combinations retrospectively to past business combinations.
- Cumulative translation differences – the Group has elected not to reclassify into a separate component of equity the cumulative translation differences that existed at the date of transition to IFRS.
- Employee benefits – the Group has elected to recognise all cumulative actuarial gains and losses at the date of transition to IFRS.

The financial statements are prepared on the historical cost basis, except for the revaluation of investment and development properties, certain financial assets and derivatives and deferred tax thereon. The principal accounting policies adopted are set out below.

The disclosures required by IFRS1 covering the transition from UK GAAP to IFRS are given in note 40.

The Company has elected under section 230 of the Companies Act 1985 not to include its own income statement in these financial statements.

(B) BASIS OF CONSOLIDATION

The consolidated financial statements of the Group incorporate the financial statements of the company and entities controlled wholly or jointly by the Company for the year ended 31 December 2005.

Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint ventures are accounted for under the equity method whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and the consolidated income statement includes the Group's share of the joint ventures' profit or loss after tax for the period, in both cases presented separately. The consolidated financial statements include the Group's share of the total recognised gains and losses of jointly controlled entities on an equity accounted basis.

Jointly controlled assets are those where the Group has joint ownership of a direct interest in an asset. The Group accounts for jointly controlled assets by including its share of the individual items of assets, liabilities, income and expenses.

Business combinations are accounted for under the acquisition method. Any discount between the cost of the acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary, joint venture or associate at the effective date of acquisition is credited to the income statement in the period of acquisition while any excess is recognised as goodwill. Goodwill is reported in the balance sheet as an intangible asset or included within associates and joint ventures, as appropriate. Goodwill is subject to annual impairment reviews and is thus stated at cost less any impairment.

The gain or loss on disposal of subsidiaries, joint ventures and associates is calculated by reference to the Group's share of the net assets at the date of disposal including the attributable amount of goodwill which has not been impaired.

(C) 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 income statement. 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.

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

Exchange differences arising from the translation of foreign operations, and of related hedges are taken to the translation reserve. They are released into the income statement upon disposal.

1. ACCOUNTING POLICIES (CONTINUED)

(D) INVESTMENT PROPERTY

Investment properties, including freehold and long leasehold properties and those in joint ventures, are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially measured at cost, including transaction costs. After initial recognition investment properties are carried at their fair values, based on annual market valuations as determined by independent valuers.

Any surplus or deficit on revaluation is recognised in the income statement as a valuation gain or loss.

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property continues to be classified as an investment property, and is measured based on the fair value model with valuation gains and losses being recorded in the income statement.

When the Group begins to redevelop an existing investment property with a view to sale, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value at the date of transfer and any gain or loss is recognised in the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Property that is being constructed or developed for future use as investment property but which has not been previously classified as such is classified as investment property under development. Investment properties under development are initially measured at cost, including transaction costs. After initial recognition the properties are carried at their fair values, with any surplus or deficit recognised in the revaluation reserve, unless a deficit reduces the carrying value of a property to below its historic cost in which case it is recognised in the income statement. On practical completion development properties are transferred to investment property.

(E) LEASES

Leases to tenants where substantially all the risks and rewards of ownership are retained by the Group as lessor, are classified as operating leases. Payments made under operating leases, including prepayments, and net of any incentives provided by the Group, are charged to the income statement on a straight line basis over the period of the lease.

Where a long leasehold property is held as an investment property it is initially recognised at an amount equal to the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the freeholder is included in the balance sheet as a finance lease obligation.

(F) OTHER PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Land and buildings are stated at fair value, with valuation gains and losses recognised in equity.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately, at rates varying between 10% and 33.3% per annum, except for freehold property occupied by the Group which is depreciated where material over its expected useful life.

(G) OTHER FINANCIAL ASSETS

Financial assets available for sale are stated at fair value which is determined by reference to an active market and any resultant gain or loss is recognised in the fair value reserve. Where the Group has the positive intent and ability to hold a financial asset to maturity, it is stated at amortised cost less impairment losses. Loans and receivables are included at amortised cost.

(H) TRADING PROPERTIES

Trading properties are held as current assets and are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price at completion less the estimated costs of completion including the estimated costs necessary to make the sale.

(I) TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at cost.

(J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash balances and call deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1. ACCOUNTING POLICIES (CONTINUED)

(K) FINANCIAL INSTRUMENTS

Derivative instruments utilised by the Group are interest rate swaps and caps and forward exchange contracts against known transactions. The Group does not enter into speculative derivative contracts. Any instruments used are 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.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the income statement.

(L) TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

(M) BORROWINGS

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(N) EMPLOYEE BENEFITS

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The calculation is performed by a qualified actuary using the projected unit credit method. The future benefit liability is offset by the fair value of the pension plan assets at the balance sheet date.

The expected annual charge for the defined benefit pension costs as estimated by the actuary is included in the income statement and comprises the current service cost, the interest cost on the future benefit liability and the expected return on plan assets.

Adjustments between expectation and actual, together with all actuarial adjustments, are recognised in full in the year in which they arise and are credited or debited directly to reserves.

(O) REVENUE

The Group's revenue comprises rental income, service charges and other recoverables from tenants, income from provision of services including property management fees, development fees and fund management fees, proceeds of sales of its trading properties and development income.

Revenue from such services provided is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the life of the lease.

Revenue from the sale of trading properties is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, which is usually at completion.

1. ACCOUNTING POLICIES (CONTINUED)

(P) EXPENSES

Rental payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense on a straight-line basis over the life of the lease.

Minimum lease payments on finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

(Q) BORROWING COSTS

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

All other borrowing costs are recognised in the Group income statement in the period in which they are incurred.

(R) INCOME TAX

Income tax on the profit and loss for the year comprises current and deferred tax including tax on capital gains. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. The Group provides deferred tax on investment properties by reference to the tax that would be due on the ultimate sale of the properties. Recognition on this basis means that, where applicable, indexation allowance is taken into account in the tax base cost.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(S) GOVERNMENT GRANTS

An unconditional government grant is recognised in the income statement as revenue when the grant becomes receivable. Any other government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset.

2. FOREIGN CURRENCY

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

	Average rate		Year end rate	
	2005	2004	**2005**	2004
Euro	**1.46**	1.47	**1.46**	1.41
US dollar	**1.82**	1.83	**1.72**	1.92
Canadian dollar	**2.20**	2.37	**2.01**	2.32
Australian dollar	**2.39**	2.48	**2.34**	2.47
Hong Kong dollar	**14.17**	14.25	**13.31**	14.94
Singapore dollar	**3.03**	3.09	**2.85**	3.15
Japanese Yen	**200.36**	196.88	**202.63**	197.96

3. SEGMENTAL ANALYSIS

2005

GEOGRAPHICAL SEGMENTS*	Britain and Ireland £m	Continental Europe £m	North America £m	Australia Asia Pacific £m	Fund Management £m	**Consolidated £m**
Income statement						
Income from external customers						
Rental income	66.0	–	16.7	14.1	–	**96.8**
Proceeds from sale of trading and development properties	245.6	–	13.9	–	–	**259.5**
Service charge income	5.0	–	–	–	–	**5.0**
Other income	10.7	1.0	6.1	0.2	7.6	**25.6**
Total revenue	327.3	1.0	36.7	14.3	7.6	**386.9**
Net rental and other income less administrative expenses	16.3	(1.3)	8.2	7.1	(2.8)	**27.5**
Loss on disposal of trading and development properties	(10.4)	–	3.9	(0.8)	–	**(7.3)**
Net gains on revaluation and sale of investment property	208.4	–	23.7	14.7	–	**246.8**
Impairment of goodwill	–	(3.3)	–	–	–	**(3.3)**
Share of profit from joint ventures	44.1	41.0	32.4	3.9	0.2	**121.6**
Net financing costs	(18.8)	2.8	0.5	(1.9)	0.2	**(17.2)**
Profit/(loss) before tax	239.6	39.2	68.7	23.0	(2.4)	**368.1**
Current tax	0.9	(0.4)	(4.5)	(4.5)	–	**(8.5)**
Deferred tax	(78.0)	(0.5)	(15.1)	(0.7)	(0.2)	**(94.5)**
Profit/(loss) for the year	162.5	38.3	49.1	17.8	(2.6)	**265.1**
Balance sheet						
Segment assets – Investments in joint ventures	327.7	270.0	197.6	22.7	1.4	**819.4**
– Other	1,844.7	133.8	352.5	260.0	20.6	**2,611.6**
	2,172.4	403.8	550.1	282.7	22.0	**3,431.0**
Segment liabilities	(649.5)	(38.5)	(115.4)	(61.5)	(19.0)	**(883.9)**
Segment net tax liabilities	(270.3)	(10.3)	(68.4)	(11.3)	(0.3)	**(360.6)**
Net assets	1,252.6	355.0	366.3	209.9	2.7	**2,186.5**
Capital expenditure	30.3	32.1	54.0	12.4	–	**128.8**
Depreciation and amortisation of segment assets	1.4	0.1	0.1	0.1	–	**1.7**

The creation of the fund management operating company with effect from 1 January 2005 involved the transfer of operations from other geographical regions.

* The business is organised across five Operating Companies, four of which are geographical regions. Grosvenor Fund Management operates across all regions and is therefore presented separately.

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENTAL ANALYSIS (CONTINUED)

BUSINESS SEGMENTS

	Property Investment £m	Property Development £m	Fund Management £m	Unallocated £m	**Consolidated £m**
Income from external customers	102.3	271.8	12.8	–	**386.9**
Profit for the period	373.6	25.9	0.2	(134.6)	**265.1**
Segment assets	2,834.8	260.3	34.6	301.3	**3,431.0**
Capital expenditure	98.0	30.8	–	–	**128.8**

2004

GEOGRAPHICAL SEGMENTS	Britain and Ireland £m	Continental Europe £m	North America £m	Australia Asia Pacific £m	Consolidated £m
Income statement					
Income from external customers					
Rental income	61.0	0.6	15.3	11.7	88.6
Proceeds from sale of trading and development properties	14.2	–	26.8	–	41.0
Service charge income	4.6	–	–	–	4.6
Other income	4.3	1.0	4.2	0.9	10.4
Total revenue	84.1	1.6	46.3	12.6	144.6
Net rental and other income less adminsitrative expenses	6.6	(1.8)	5.0	5.2	15.0
Profit on disposal of trading properties	3.5	–	6.1	–	9.6
Gains on other investments	(5.1)	20.9	–	7.1	22.9
Net gains on revaluation and sale of investment property	179.3	0.1	11.4	8.0	198.8
Share of profit from joint ventures	47.4	23.9	37.3	15.2	123.8
Net financing costs	(32.3)	4.0	(0.3)	0.6	(28.0)
Profit before tax	199.4	47.1	59.5	36.1	342.1
Current tax	(9.3)	(0.7)	(9.8)	(1.7)	(21.5)
Deferred tax	(63.7)	0.3	(11.2)	(1.0)	(75.6)
Profit for the year	126.4	46.7	38.5	33.4	245.0
Balance sheet					
Segment assets – Investments in joint ventures	277.1	230.3	159.2	28.0	694.6
– Other	1,640.6	157.3	280.8	250.7	2,329.4
	1,917.7	387.6	440.0	278.7	3,024.0
Segment liabilities	(621.5)	(36.2)	(119.0)	(86.9)	(863.6)
Segment net tax liabilities	(194.2)	0.1	(51.3)	(5.7)	(251.1)
Net assets	1,102.0	351.5	269.7	186.1	1,909.3
Capital expenditure	32.2	–	62.3	85.6	180.1
Depreciation and amortisation of segment assets	1.1	–	0.1	0.1	1.3

3. SEGMENTAL ANALYSIS (CONTINUED)

BUSINESS SEGMENTS

	Property Investment £m	Property Development £m	Fund Management £m	Unallocated £m	Consolidated £m
Income from external customers	95.9	43.2	5.5	–	144.6
Profit for the period	364.2	26.4	4.5	(150.1)	245.0
Segment assets	2,512.2	358.2	13.5	140.1	3,024.0
Capital expenditure	153.0	27.1	–	–	180.1

4. REVENUE PROFIT

	2005			2004		
	Group £m	**Share of joint ventures £m**	**Total £m**	Group £m	Share of joint ventures £m	Total £m
Gross rental income	**96.8**	**93.0**	**189.8**	88.6	81.3	169.9
Property outgoings (excluding major refurbishments)	**(34.6)**	**(23.0)**	**(57.6)**	(29.2)	(23.9)	(53.1)
Net rental income (before major refurbishments)	**62.2**	**70.0**	**132.2**	59.4	57.4	116.8
Fees and other income	**25.6**	**11.4**	**37.0**	10.4	9.3	19.7
(Loss)/profit on trading and development properties	**(7.3)**	**7.1**	**(0.2)**	9.6	9.8	19.4
Administrative expenses	**(53.3)**	**(23.9)**	**(77.2)**	(46.7)	(18.6)	(65.3)
Net financing costs (excluding fair value adjustments)	**(20.1)**	**(25.1)**	**(45.2)**	(28.0)	(19.1)	(47.1)
	7.1	**39.5**	**46.6**	4.7	38.8	43.5

5. GROSS RENTAL INCOME

	2005 £m	2004 £m
Gross lease payments collected/accrued	**93.8**	87.9
Amortisation of capitalised lease incentives	**3.0**	0.7
	96.8	88.6

Investment properties are leased out under operating leases. The majority of operating lease terms fall in the range between 6 months and 20 years. Certain investment properties on the London Estate are leased out on longer term ground rent based leases for periods of up to 948 years.
Total contingent rents included in gross rental income amounted to £0.1m (2004 – £0.2m).

6. PROPERTY OUTGOINGS

	2005 £m	2004 £m
Service charge income	**5.0**	4.6
Service charge expenses	**(5.0)**	(4.6)
Net service charge income	**–**	–
Other property operating expenses	**(41.6)**	(37.3)
Total net property outgoings	**(41.6)**	(37.3)

Included within property operating expenses are major refurbishment costs of £7.0m (2004 – £8.1m).

7. OTHER INCOME

	2005 £m	2004 £m
Fund management and asset management fees	**12.8**	5.5
Project management fees	**10.2**	2.6
Other income	**2.6**	2.3
	25.6	10.4

8. ADMINISTRATIVE EXPENSES

		2005 £m	2004 £m
Staff costs		**35.6**	32.7
Office costs		**9.5**	7.8
Auditors remuneration	– audit services	**0.7**	0.6
	– other services	**0.2**	0.2
Other professional fees		**4.6**	5.2
Other administrative expenses		**2.7**	0.2
		53.3	46.7

All of the Group's operating companies were audited by Deloitte. The Company's audit fees were borne by another Group Company. Other services provided by the auditors in 2005 include £0.2m relating to IFRS audit and assistance. In 2004 other services provided by the auditors included £0.1m relating to IFRS assistance and £0.1m relating to Remuneration Committee advice.

Amounts paid to other accountancy firms in 2005 totalled £1.3m (2004 – £1.0m).

9. EMPLOYEE INFORMATION

	2005 £m	2004 £m
Staff Costs		
Wages and salaries	**36.5**	33.1
Social security contributions	**3.4**	3.0
Pension costs		
Contributions to defined contribution plans	**0.4**	0.4
Net cost of defined benefit plans	**5.2**	4.5
Other staff costs	**3.6**	2.4
	49.1	43.4
Included in:		
Administrative expenses	**35.6**	32.7
Property operating expenses	**13.5**	10.7
	49.1	43.4

Average number of employees by business	2005	2004
Property investment	**137**	155
Property development	**79**	69
Fund management	**31**	–
Management and administration	**145**	141
Shopping centre and property management	**32**	36
	424	401

Average number of employees by geographic region	2005	2004
Britain and Ireland	**301**	288
Continental Europe	**22**	18
North America	**64**	63
Australia Asia Pacific	**37**	32
	424	401

The Group carries out its own property management for the majority of the portfolio in the UK. The company employs no staff (2004 – nil). The creation of the Fund Management operating company with effect from 1 January 2005 involved the transfer of staff from other parts of the business, mainly property investment.

10. RETIREMENT BENEFIT SCHEMES

DEFINED BENEFIT SCHEMES

The Group operates defined benefit pension schemes in Britain and Ireland, Australia, Canada and the U.S.A. The schemes provide retirement benefits based upon pensionable salary and length of service. The Britain and Ireland scheme, which is open to all staff, 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 a defined contribution scheme. Some members of the Britain and Ireland scheme accrue benefits on historical scales which pension full salary (subject to the earnings cap).

The defined benefit schemes are funded and are administered by independent trustees. Independent qualified actuaries complete valuations of the schemes at least every three years and in accordance with their recommendations annual contributions are paid to the schemes so as to secure the benefits set out in the rules.

The Britain and Ireland scheme is a multi-employer scheme because it provides pensions for both the Group and employees of other entities owned by the shareholders. The Group accounts for its proportionate share of the defined benefit obligation, plan assets and cost of this scheme.

Actuarial valuations were last carried out at the following dates:

Britain and Ireland	31 December 2002
Australia	1 January 2005
Canada	31 December 2004
U.S.A.	1 January 2005

All the valuations have been updated to 31 December 2005 where appropriate. The results of these valuations together with the key assumptions used are set out below.

In addition to the defined benefit schemes set out above, the Group operates unfunded defined benefit schemes in Britain and Ireland and the U.S.A. to satisfy pension commitments not catered for by the funded schemes.

DEFINED CONTRIBUTION SCHEMES

The Group operates a number of defined contribution retirement benefit schemes. The Group contributes a percentage of salary into defined contribution schemes to fund the benefits. The assets of the schemes are held separately from those of the Group in funds under the control of independent pension providers. The only obligation of the Group with respect to the defined contribution schemes is to make the specified contributions.

The total cost of defined contribution pension schemes charged to the income statement was £0.4m (2004 – £0.4m).

10. RETIREMENT BENEFIT SCHEMES (CONTINUED)

ANALYSIS OF DEFINED BENEFIT SCHEMES

The key assumptions used in each scheme were:

	2005	2004
Discount rate		
Britain and Ireland	**4.7%**	5.3%
Australia	**4.9%**	4.9%
Canada	**5.0%**	6.0%
U.S.A.	**5.5%**	5.8%
Expected return on scheme assets		
Britain and Ireland	**7.0%**	7.2%
Australia	**6.5%**	6.5%
Canada	**5.2%**	5.6%
U.S.A.	**8.5%**	8.5%
Expected rate of salary increases		
Britain and Ireland	**3.9% – 6.9%**	3.9% – 6.9%
Australia	**4.5%**	4.5%
Canada	**4.5%**	4.0%
U.S.A.	**5.0%**	5.0%
Expected rate of future pension increases		
Britain and Ireland	**2.9%**	2.9%
Australia	**3.0%**	3.0%
Canada	**2.5%**	2.5%
U.S.A.	**3.0%**	3.0%
Inflation		
Britain and Ireland	**2.9%**	2.9%
Australia	**3.0%**	3.0%
Canada	**3.0%**	3.0%
U.S.A.	**3.0%**	3.0%

The amounts recognised in income in respect of defined benefit schemes were:

	2005 £m	2004 £m
Current service cost	**5.4**	4.4
Past service cost	**–**	0.3
Interest cost	**5.2**	4.6
Expected return on scheme assets	**(5.4)**	(4.8)
	5.2	4.5

10. RETIREMENT BENEFIT SCHEMES (CONTINUED)

The amount included in the balance sheet arising from the Group's obligations in respect of defined benefit schemes is as follows:

	2005 £m	2004 £m
Present value of unfunded obligations	**10.5**	8.1
Present value of funded obligations	**113.6**	85.5
Present value of total defined benefit obligations	**124.1**	93.6
Fair value of scheme assets	**(96.3)**	(76.5)
Defined benefit pension deficit	**27.8**	17.1
The deficit arises in the following regions:		
Britain and Ireland	**17.8**	9.1
Australia	**1.3**	0.4
Canada	**1.6**	1.3
U.S.A.	**7.1**	6.3
	27.8	17.1

This amount is included in the balance sheet under non-current liabilities.

MOVEMENTS IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS WERE:

	2005 £m	2004 £m
At 1 January	**93.6**	81.5
Current service cost	**5.4**	4.4
Past service cost	**–**	0.3
Interest cost	**5.2**	4.6
Actuarial losses	**19.3**	6.8
Benefits paid	**(3.3)**	(3.2)
Exchange movements	**3.9**	(0.8)
At 31 December	**124.1**	93.6

MOVEMENTS IN FAIR VALUE OF SCHEME ASSETS WERE:

	2005 £m	2004 £m
At 1 January	**76.5**	67.5
Expected return on plan assets	**5.4**	4.8
Actuarial gains	**8.0**	3.3
Contributions by the employer	**6.8**	4.6
Benefits paid	**(3.3)**	(3.2)
Exchange movements	**2.9**	(0.5)
At 31 December	**96.3**	76.5

10. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Analysis of the scheme assets and the expected rates of return:

2005

	Equities		Bonds		Other		**Total**
	%	£m	%	£m	%	£m	**£m**
Britain and Ireland	7.3	63.1	4.0	6.9	4.0	1.0	**71.0**
Australia	8.0	0.7	5.0	0.3	5.2	0.4	**1.4**
Canada	8.1	8.0	4.8	4.5	0.3	4.3	**16.8**
U.S.A.	10.5	4.5	5.3	2.1	4.0	0.5	**7.1**
		76.3		13.8		6.2	**96.3**

2004

	Equities		Bonds		Other		Total
	%	£m	%	£m	%	£m	£m
Britain and Ireland	7.3	51.2	4.6	5.4	4.0	1.0	57.6
Australia	8.0	0.6	5.0	0.2	5.2	0.3	1.1
Canada	8.4	6.0	5.1	3.3	0.3	2.9	12.2
U.S.A.	10.4	3.7	5.2	1.4	3.5	0.5	5.6
		61.5		10.3		4.7	76.5

The history of experience gains and losses is as follows:

	2005	2004	2003	2002
	£m	£m	£m	£m
Present value of defined benefit obligation	**124.1**	93.6	77.0	66.6
Fair value of scheme assets	**(96.3)**	(76.5)	(66.5)	(51.9)
Deficit in the scheme	**27.8**	17.1	10.5	14.7
Experience adjustments on plan assets:				
Amount of gain/(loss)	**8.0**	3.3	5.6	(14.4)
Percentage of plan assets	**8.3%**	4.3%	8.5%	(27.7)%
Experience adjustments on plan liabilities				
Amount of loss	**19.3**	6.8	–	0.4
Percentage of the present value of scheme liabilities	**15.6%**	7.3%	–	0.6%

11. DIRECTORS' REMUNERATION DETAILS

	2005 £000	2004 £000
Aggregate remuneration:		
Emoluments	**2,120**	1,794
Performance-related bonus	**860**	846
Long term incentive scheme	**1,466**	1,368
	4,446	4,008

The total cost of the long term incentive plans above includes amounts which are not vested in accordance with plan rules, as explained on page 55 together with the increase in value in 2005 of amounts deferred from prior periods.

The amounts above include for the highest paid director emoluments of £455,000 (2004 – £400,000), performance related bonus of £193,000 (2004 – £177,000) and long term incentive plans of £493,000 (2004 – £396,000).

Retirement benefits are accruing to six directors under defined benefit schemes sponsored by Group companies. The total annual accrued pension under the defined benefit pension schemes was £630,000 (2004 – £523,000) and for the highest paid director was £186,000 (2004 – £155,000).

12. (LOSS)/PROFIT ON TRADING AND DEVELOPMENT PROPERTIES

	2005 £m	2004 £m
Development income	**229.7**	–
Development costs	**(239.7)**	–
Proceeds from sale of trading properties	**29.8**	41.0
Carrying value of trading properties sold	**(26.3)**	(31.4)
Provision for impairment of trading properties	**(0.8)**	–
	(7.3)	9.6

The carrying value of trading properties sold includes £0.4m of capitalised interest (2004 – £2.2m).

13. GAINS ON OTHER INVESTMENTS

	2005 £m	2004 £m
Profit on disposal of trade investments	**0.1**	20.9
Reversal of write down of trade investments	**–**	7.1
Amounts written off investment properties held for development	**(0.1)**	(5.1)
	–	22.9

14. NET GAINS ON REVALUATION AND SALE OF INVESTMENT PROPERTY

	2005 £m	2004 £m
Valuation gains on investment property	**233.1**	197.8
Valuation losses on investment property	**(1.7)**	(3.2)
Net valuation gains on investment property	**231.4**	194.6
Profit on disposal of investment property	**15.4**	4.2
	246.8	198.8

15. NET FINANCING COSTS

	2005 £m	2004 £m
Dividend income	**0.3**	3.1
Interest income	**14.9**	3.3
Other financial income	**3.6**	1.9
Fair value adjustments of interest rate swaps	**2.9**	–
Financial income	**21.4**	5.2
Gross interest expense	**(42.2)**	(42.1)
Interest capitalised	**3.7**	5.9
Commitment and other financing costs	**(0.4)**	(0.1)
Financial expenses	**(38.9)**	(36.3)
Net financing costs	**(17.2)**	(28.0)

The average rate of interest capitalised in the year was 6.3% (2004 – 6.4%).

16. INCOME TAX EXPENSE

RECOGNISED IN THE INCOME STATEMENT	2005 £m	2004 £m
Current tax expense		
UK corporation tax at 30% (2004 – 30%)	**24.9**	11.9
Overseas tax	**9.3**	13.2
Adjustment for prior years*	**(25.7)**	(3.6)
	8.5	21.5
Deferred tax expense		
Origination and reversal of temporary differences	**94.7**	75.5
Reduction in tax rate	**(0.2)**	–
Benefit of tax losses recognised	**–**	0.1
	94.5	75.6
Total income tax expense	**103.0**	97.1

* The current tax expense reflects rollover relief claims submitted in respect of prior years for which repayments were received during 2005. A matching deferred tax charge has been recognised within the deferred tax expense.

16. INCOME TAX EXPENSE (CONTINUED)

Deferred tax recognised directly in equity

	Note	2005 £m	2004 £m
Recognised in equity	25	**(0.8)**	1.0

Reconciliation of effective tax rate

	2005 £m	2004 £m
Profit on ordinary activities before taxation	**368.1**	342.1
Less: share of profit of joint ventures and associates	**(121.6)**	(123.8)
Add: profit of joint ventures where the tax charge is directly attributable to the group	**75.1**	85.3
Adjusted group profit on ordinary activities before taxation	**321.6**	303.6
Tax on adjusted group profit at standard UK corporation tax rate of 30% (2004 – 30%)	**96.5**	91.1
Higher tax rates on overseas earnings	**4.7**	3.8
Expenses not deductible for tax purposes	**1.7**	0.5
Other items attracting no tax relief or liability	**(2.3)**	5.8
Other timing differences	**(0.2)**	(0.5)
Adjustments in respect of prior years	**2.6**	(3.6)
Total income tax expense	**103.0**	97.1
Effective tax rate based on adjusted group profit	**32.0%**	32.0%

17. PROPERTY ASSETS

		Note	2005 £m	2004 £m
Investment Property	– Group	18	**1,936.0**	1,756.3
	– Share of joint ventures	22	**1,390.8**	1,179.0
Investment property under development	– Group	19	**71.4**	52.8
	– Share of joint ventures	22	**158.8**	110.5
Other financial assets	– Group	23	**68.0**	55.6
Trading properties	– Group	26	**34.5**	44.1
	– Share of joint ventures	22	**68.2**	39.0
Total property assets			**3,727.7**	3,237.3

18. INVESTMENT PROPERTY

2005	Completed property			Redevelopment projects			
	Freehold £m	**Leasehold £m**	**Total £m**	**Freehold £m**	**Leasehold £m**	**Total £m**	**Total £m**
At 1 January 2005	1,352.3	389.9	1,742.2	14.1	–	14.1	**1,756.3**
Acquisitions	67.4	2.4	69.8	–	–	–	**69.8**
Costs capitalised	2.8	2.1	4.9	6.8	0.1	6.9	**11.8**
Disposals	(174.4)	(20.8)	(195.2)	–	–	–	**(195.2)**
Revaluation gains	183.9	47.5	231.4	–	–	–	**231.4**
Release of deferred costs	–	0.1	0.1	–	–	–	**0.1**
Transfer to/(from) redevelopment projects	20.9	(6.8)	14.1	(20.9)	6.8	(14.1)	**–**
Transfer from investment properties under development	19.3	2.2	21.5	–	–	–	**21.5**
Transfer from trading properties	3.1	–	3.1	–	–	–	**3.1**
Exchange movements	36.3	0.9	37.2	–	–	–	**37.2**
At 31 December 2005	1,511.6	417.5	1,929.1	–	6.9	6.9	**1,936.0**

2004	Completed property			Redevelopment projects			
	Freehold £m	Leasehold £m	Total £m	Freehold £m	Leasehold £m	Total £m	Total £m
At 1 January 2004	1,118.8	317.1	1,435.9	9.6	–	9.6	1,445.5
Acquisitions	115.6	–	115.6	–	–	–	115.6
Costs capitalised	10.1	13.5	23.6	3.7	–	3.7	27.3
Disposals	(66.7)	(23.1)	(89.8)	–	–	–	(89.8)
Revaluation gains	123.9	68.7	192.6	0.8	–	0.8	193.4
Transfer from investment properties under development	59.4	13.8	73.2	–	–	–	73.2
Exchange movements	(8.8)	(0.1)	(8.9)	–	–	–	(8.9)
At 31 December 2004	1,352.3	389.9	1,742.2	14.1	–	14.1	1,756.3

Investment properties were valued at 31 December 2005 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. Valuations were performed as follows:

(i) the Group's £1,083.9m interest in freehold properties and £415.5m interest in leasehold properties held by Grosvenor Britain and Ireland were valued by CB Richard Ellis, Chartered Surveyors;

(ii) the Group's £237.8m interest in freehold properties in the US and Canada held by Grosvenor Americas was valued by Cushman & Wakefield LePage, Chartered Surveyors;

(iii) the Group's £31.8m interest in freehold properties held by Grosvenor Continental Europe was valued by Cushman & Wakefield, Chartered Surveyors;

(iv) the Group's £158.1m interest in freehold properties held by Grosvenor Australia was valued by DTZ Debenham Tie Leung, Chartered Surveyors;

(iv) the Group's £8.9m interest in leasehold properties held by Grosvenor Asia was valued by DTZ Debenham Tie Leung, Chartered Surveyors.

The historical cost of the Group's investment properties was £1,008.8m (2004 – £1,090.9m).

At 31 December 2005, investment properties with a carrying amount of £882.5m were pledged as security for bank loans (2004 – £921.7m).

19. INVESTMENT PROPERTY UNDER DEVELOPMENT

2005

	Freehold £m	Leasehold £m	**Total £m**
At 1 January 2005	49.8	3.0	**52.8**
Acquisitions	20.0	4.8	**24.8**
Costs capitalised	4.5	–	**4.5**
Disposals	(0.4)	–	**(0.4)**
Revaluation gains	10.2	1.2	**11.4**
Transfer to investment properties	(19.3)	(2.2)	**(21.5)**
Transfer to trading properties	(3.3)	–	**(3.3)**
Exchange movements	3.1	–	**3.1**
At 31 December 2005	64.6	6.8	**71.4**

2004

	Freehold £m	Leasehold £m	Total £m
At 1 January 2004	86.1	16.1	102.2
Costs capitalised	7.7	1.0	8.7
Revaluation gains/(losses)	15.4	(0.3)	15.1
Transfer to investment properties	(59.4)	(13.8)	(73.2)
At 31 December 2004	49.8	3.0	52.8

Investment properties under development were valued at 31 December 2005 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. Valuations were performed as follows:

(i) the Group's £33.2m interest in freehold properties and £6.8m interest in leasehold properties in the UK held by Grosvenor Britain and Ireland were valued by CB Richard Ellis, Chartered Surveyors.

(ii) the Group's £31.4m interest in freehold properties in the US and Canada held by Grosvenor Americas was valued by Cushman & Wakefield LePage, Chartered Surveyors.

The historical cost of the Group's investment property under development was £64.1m (2004 – £20.6m).

At 31 December 2005, investment property under development with a carrying amount of £nil was pledged as security for bank loans (2004 – £14.1m).

The carrying value of investment property under development includes capitalised interest of £0.5m (2004 – £0.2m).

20. OTHER PROPERTY, PLANT AND EQUIPMENT

2005

	Land & buildings £m	**Leasehold improvements £m**	**Computer & IT equipment £m**	**Fixtures, fittings and motor vehicles £m**	**Total £m**
Cost					
At 1 January 2005	23.4	5.0	3.4	3.7	**35.5**
Additions	–	–	0.7	0.2	**0.9**
Disposals	(0.1)	–	–	(0.1)	**(0.2)**
Revaluation gains/(losses)	5.8	–	–	–	**5.8**
Exchange movements	–	0.1	–	0.1	**0.2**
At 31 December 2005	29.1	5.1	4.1	3.9	**42.2**
Depreciation					
At 1 January 2005	(0.2)	(3.0)	(1.7)	(1.8)	**(6.7)**
Depreciation charge for the year	–	(0.7)	(0.6)	(0.4)	**(1.7)**
Disposals	0.1	–	–	–	**0.1**
Exchange movements	–	–	–	(0.1)	**(0.1)**
At 31 December 2005	(0.1)	(3.7)	(2.3)	(2.3)	**(8.4)**
Carrying amount					
At 1 January 2005	23.2	2.0	1.7	1.9	**28.8**
At 31 December 2005	29.0	1.4	1.8	1.6	**33.8**

2004

	Land & buildings £m	Leasehold improvements £m	Computer & IT equipment £m	Fixtures, fittings and motor vehicles £m	Total £m
Cost					
At 1 January 2004	19.0	5.1	2.2	3.1	29.4
Additions	–	–	1.4	0.6	2.0
Disposals	–	(0.1)	(0.2)	–	(0.3)
Revaluation gains/(losses)	4.4	–	–	–	4.4
At 31 December 2004	23.4	5.0	3.4	3.7	35.5
Depreciation					
At 1 January 2004	(0.2)	(2.4)	(1.3)	(1.6)	(5.5)
Depreciation charge for the year	–	(0.7)	(0.4)	(0.2)	(1.3)
Disposals	–	0.1	–	–	0.1
At 31 December 2004	(0.2)	(3.0)	(1.7)	(1.8)	(6.7)
Carrying amount					
At 1 January 2004	18.8	2.7	0.9	1.5	23.9
At 31 December 2004	23.2	2.0	1.7	1.9	28.8

Land and buildings are freehold and were valued at 31 December 2005 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 the Group's revalued land and buildings at 31 December 2005 was £12.7m (2004 – £12.7m).

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

At 31 December 2005, land and buildings with a carrying value of £23.2m were pledged as security for bank loans (2004 – £23.2m).

21. INVESTMENTS IN SUBSIDIARIES

Company	Shares at cost £m
At 1 January 2005	**1,360.4**
Additions	**3.5**
At 31 December 2005	**1,363.9**

AT 31 DECEMBER 2005, THE GROUP HAD THE FOLLOWING PRINCIPAL INVESTMENTS IN SUBSIDIARIES:

INTERMEDIATE HOLDING COMPANIES

Grosvenor Estate Holdings*÷
Grosvenor Limited (Great Britain)
Grosvenor Americas Limited (Canada)
Grosvenor International SA (Luxembourg)π
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)
Grosvenor Fund Management Limited

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
Liverpool Property Investments Limited

PROPERTY DEVELOPMENT

Grosvenor Developments Limited
Liverpool PSDA Limited

FINANCING

Grosvenor UK Finance Plc

* Unlimited company
π 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.

The above represents the Group's material subsidiary undertakings. A full list of all subsidiary undertakings is available on request.

22. INVESTMENTS IN JOINT VENTURES

2005

	Britain and Ireland £m	Continental Europe £m	North America £m	Australia Asia Pacific £m	Total £m
Share of profit from joint ventures:					
Gross rental income	22.0	49.5	18.9	2.6	**93.0**
Net rental and other income less administrative expenses	16.4	25.2	14.8	1.1	**57.5**
Profit on disposal of trading properties	4.6	2.1	0.4	–	**7.1**
Net gains on revaluation and sale of investment property	32.9	61.6	22.0	4.1	**120.6**
Net financing costs	(7.5)	(12.2)	(4.7)	(0.7)	**(25.1)**
Profit before tax	46.4	76.7	32.5	4.5	**160.1**
Current tax	(1.6)	(4.0)	(0.1)	(0.2)	**(5.9)**
Deferred tax	(0.5)	(15.6)	–	(0.4)	**(16.5)**
Minority interest	–	(16.1)	–	–	**(16.1)**
	44.3	41.0	32.4	3.9	**121.6**
Share of assets and liabilities:					
Non current assets					
– Investment properties	410.1	650.2	279.8	50.7	**1,390.8**
– Investment properties under development	51.5	98.7	8.6	–	**158.8**
– Other	–	32.6	0.1	0.2	**32.9**
Current assets					
– Trading properties	56.1	–	–	12.1	**68.2**
– Other	37.2	128.6	3.5	9.6	**178.9**
Non-current liabilities	(180.6)	(532.1)	(89.5)	(32.2)	**(834.4)**
Current liabilities	(45.2)	(108.0)	(4.9)	(17.7)	**(175.8)**
Net assets	329.1	270.0	197.6	22.7	**819.4**
Borrowings included in liabilities (non recourse to the Group)	(180.2)	(362.0)	(89.5)	(29.0)	**(660.7)**

22. INVESTMENTS IN JOINT VENTURES (CONTINUED)

2004

	Britain and Ireland £m	Continental Europe £m	North America £m	Australia Asia Pacific £m	Total £m
Share of profit from joint ventures:					
Gross rental income	21.7	39.6	18.5	1.5	81.3
Net rental and other income less administrative expenses	14.3	21.6	11.8	0.4	48.1
Profit on disposal of trading properties	1.1	–	–	8.7	9.8
Net gains on revaluation and sale of investment property	35.4	30.8	31.2	9.4	106.8
Net financing costs	(3.0)	(9.7)	(6.2)	(0.2)	(19.1)
Profit before tax	47.8	42.7	36.8	18.3	145.6
Current tax	(0.4)	(2.9)	(0.1)	(1.7)	(5.1)
Deferred tax	–	(6.0)	0.6	(1.4)	(6.8)
Minority interest	–	(9.9)	–	–	(9.9)
	47.4	23.9	37.3	15.2	123.8
Share of assets and liabilities:					
Non current assets					
– Investment properties	349.4	547.6	240.0	42.0	1,179.0
– Investment properties under development	8.5	97.1	4.9	–	110.5
– Other	–	6.1	–	–	6.1
Current assets					
– Trading properties	29.8	–	–	9.2	39.0
– Other	0.1	103.5	3.3	4.8	111.7
Non current liabilities	(110.5)	(435.1)	(85.5)	(22.5)	(653.6)
Current liabilities	(0.2)	(88.9)	(3.5)	(5.5)	(98.1)
Net assets	277.1	230.3	159.2	28.0	694.6
Borrowings included in liabilities (non recourse to the Group)	(105.0)	(291.5)	(85.5)	(23.2)	(505.2)

22. INVESTMENTS IN JOINT VENTURES (CONTINUED)

At 31 December 2005, the Group had the following principal interests in joint ventures which are accounted for on the basis explained in note 1:

	Principal activities	Country of incorporation/registration	Effective interest	Group share of net assets £m
Britain and Ireland				
Grosvenor Shopping Centre Fund	Property investment	England and Wales	25.2%	88.5
Grosvenor London Office Fund	Property investment	England and Wales	28.4%	71.7
Grosvenor Festival Place Fund	Property investment	England and Wales	24.5%	56.2
Grosvenor Street Limited Partnership	Property investment	England and Wales	50.0%	34.3
Grosvenor Liverpool Fund	Property development	England and Wales	19.6%	29.4
Barkhill Limited	Property development	Republic of Ireland	50.0%	18.1
North America				
Joint ventures with BBCAF Inc	Property investment	United States of America	50.0%/25.0%	161.0
Joint ventures with the Getty Family Trust	Property investment	United States of America	50.0%	15.2
American Freeholds	Property investment	United States of America	25.0%	11.1
GEMOA Inc	Property investment	United States of America	20.0%	10.3
Continental Europe*				
Sonae Sierra SGPS SA	Property investment and development	Portugal	32.9%**	228.2
Lar Grosvenor BV	Property investment and development	The Netherlands	50.0%	40.8
Australia Asia Pacific				
Grosvenor Land Property Fund Limited	Property investment in Hong Kong	Bermuda	21.4%	9.5
Fieldglen II	Property investment in Australia	Australia	50.0%	8.5

* The investments in joint ventures in Continental Europe are held by Grosvenor First European Property Investments SA, which is 67.5% owned by the Group.

** Increased to 50.0% after the year end.

23. OTHER FINANCIAL ASSETS

	2005 £m	2004 £m
Available for sale – equity shares	**34.1**	24.6
– other	**3.0**	2.7
Held to maturity – fixed rate bond	**21.1**	19.4
Loans and receivables – mezzanine loans	**12.8**	11.6
	71.0	58.3

Included in the above are property related financial assets of £68.0m (2004 – £55.6m).

As permitted under IAS 32/39, comparatives are not restated and are thus shown under UK GAAP (see note 1).

23. OTHER FINANCIAL ASSETS (CONTINUED)

Principal other financial assets at 31 December 2005:

EQUITY SHARES

	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	17.4%

FIXED RATE BOND

7% fixed rate bonds issued by Asia Standard International Group Limited.

MEZZANINE LOANS

Mezzanine loans are loans provided to residential developers in the US and Canada. A return is earned comprising fixed rate interest and a percentage of the profits on completion of the development.

24. GOODWILL

	£m
At 1 January 2005	**–**
Acquisitions	**7.2**
Provision for impairment	**(3.3)**
At 31 December 2005	**3.9**

The goodwill acquired during the year arose on the acquisition of Paris Antique II SAS and is principally attributable to the provision of full deferred tax on the investment property, acquisition costs and a premium included in the purchase price.

As required, the goodwill has been subjected to an annual impairment review and full provision has been made for impairment. The goodwill that has been impaired relates to acquisition costs and a premium paid.

25. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following items:

	Assets 2005 £m	**Liabilities 2005 £m**	**Net 2005 £m**	Assets 2004 £m	Liabilities 2004 £m	Net 2004 £m
Investment property	**78.0**	**(414.7)**	**(336.7)**	57.6	(299.3)	(241.7)
Other property, plant and equipment	**–**	**(17.2)**	**(17.2)**	–	(15.1)	(15.1)
Other financial assets	**0.5**	**(0.9)**	**(0.4)**	0.2	(0.1)	0.1
Interest-bearing loans and borrowings	**0.1**	**(0.4)**	**(0.3)**	1.0	(0.1)	0.9
Employee benefits	**11.0**	**(0.1)**	**10.9**	7.3	(0.2)	7.1
Provisions	**3.2**	**(16.8)**	**(13.6)**	3.0	(2.6)	0.4
Other items	**1.1**	**(0.5)**	**0.6**	1.1	(0.5)	0.6
Tax value and loss carry-forwards recognised	**1.1**	**–**	**1.1**	1.1	–	1.1
Tax assets/(liabilities)	**95.0**	**(450.6)**	**(355.6)**	71.3	(317.9)	(246.6)

25. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

At 31 December 2005, no deferred tax was provided in respect of investments in subsidiaries because the group is able to control the timing of the reversal of temporary differences and is satisfied that it is probable they will not reverse in the foreseeable future.

UNRECOGNISED DEFERRED TAX ASSETS

	2005 £m	2004 £m
Tax losses	**0.2**	–

Movement in temporary differences during the year

	Balance at 1 Jan 2005 £m	Recognised in Income £m	Recognised in Equity £m	Deferred tax on acquisitions £m	Exchange movement £m	**Balance at 31 Dec 2005 £m**
Investment property	(241.7)	(76.5)	(2.5)	(8.7)	(7.3)	(336.7)
Other property, plant and equipment	(15.1)	(2.1)	–	–	–	(17.2)
Other financial assets	0.1	(0.5)	–	–	–	(0.4)
Interest-bearing loans and borrowings	0.9	(1.2)	–	–	–	(0.3)
Employee benefits	7.1	(0.2)	1.6	–	2.4	10.9
Provisions	0.4	(13.8)	1.7	–	(1.9)	(13.6)
Other items	0.6	–	–	–	–	0.6
Tax value and loss carry-forwards recognised	1.1	(0.2)	–	–	0.2	1.1
	(246.6)	(94.5)	0.8	(8.7)	(6.6)	(355.6)

26. TRADING PROPERTIES

	£m
At 1 January 2005	**44.1**
Additions	**13.9**
Disposals	**(24.8)**
Provision for impairment	**(0.8)**
Transfer to investment properties	**(3.1)**
Transfer from investment property under development	**3.3**
Exchange movements	**1.9**
At 31 December 2005	**34.5**

At 31 December 2005, trading properties with a carrying amount of £7.0m were pledged as security for bank loans (2004 – £7.1m).

27. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Trade receivables	**12.3**	14.6	**–**	–
Receivables due from subsidiaries	**–**	–	**15.0**	20.5
Receivables due from joint ventures	**30.6**	11.5	**–**	–
Other receivables	**16.6**	80.6	**–**	–
Prepayments	**16.0**	18.2	**–**	–
	75.5	124.9	**15.0**	20.5

Included in the above are receivables due after more than one year totalling £14.5m (2004 – £nil).

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

28. CASH AND CASH EQUIVALENTS

	2005 £m	2004 £m
Bank balances	**70.4**	15.6
Cash deposits	**315.1**	248.6
Cash and cash equivalents	**385.5**	264.2
Bank overdrafts	**(1.2)**	–
Cash and cash equivalents in the statement of cash flows	**384.3**	264.2

The amount of cash and cash equivalents not available for use by the Group totals £3.3m (2004 – £3.1m).

29. INTEREST-BEARING LOANS AND BORROWINGS

	2005 £m	2004 £m
Non-current liabilities		
Secured bank loans	**210.2**	128.5
Unsecured bank loans	**70.1**	83.8
Secured bond issues	**202.6**	252.7
Unsecured bond issues	**65.9**	52.5
Finance lease liabilities	**6.3**	6.3
	555.1	523.8
Current liabilities		
Current portion of secured bank loans	**3.6**	59.2
Current portion of unsecured bank loans	**0.7**	1.1
Current portion of loan from joint ventures	**14.8**	30.4
	19.1	90.7

The bank loans are secured over investment properties and investment properties under development with a carrying value of £882.5m (2004 – £935.8m), land and buildings with a carrying value of £23.2m (2004 – £23.2m) and trading properties with a carrying value of £7.0m (2004 – £7.1m).

29. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

MATURITY PROFILE OF INTEREST-BEARING LOANS AND BORROWINGS

	2005 £m	2004 £m
From 1 to 2 years	**90.6**	103.6
From 2 to 5 years	**127.3**	95.6
After 5 years	**337.2**	324.6
Due after more than one year	**555.1**	523.8
Due within one year	**19.1**	90.7
	574.2	614.5

BORROWING FACILITIES

Undrawn committed borrowing facilities available to the Group at 31 December 2005 were as follows:

	2005 £m	2004 £m
Expiring less than 1 year	**145.5**	113.6
Expiring from 1 to 2 years	**77.5**	26.5
Expiring from 2 to 5 years	**242.9**	261.3
Total	**465.9**	401.4

FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

	2005			2004		
	Minimum lease payments £m	**Interest £m**	**Principal £m**	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**0.7**	**0.7**	**–**	0.7	0.7	–
Between one and five years	**2.7**	**2.7**	**–**	2.7	2.7	–
More than five years	**98.3**	**92.0**	**6.3**	98.8	92.5	6.3
	101.7	**95.4**	**6.3**	102.2	95.9	6.3

30. FINANCIAL INSTRUMENTS

EFFECTIVE INTEREST RATE AND REPRICING ANALYSIS

	Effective interest %	Floating interest rate £m	Fixed interest rate < 1 year £m	Fixed interest rate 2 – 5 years £m	Fixed interest rate > 5 years £m	Non interest bearing £m	Total £m
Financial assets							
Other financial assets							
– available for sale	7.5	–	0.1	–	–	37.0	**37.1**
– held to maturity	10.0	–	–	21.1	–	–	**21.1**
– loans and receivables	9.5	–	–	12.8	–	–	**12.8**
Trade and other receivables	–	–	–	–	–	75.5	**75.5**
Cash and cash equivalents	4.1	385.5	–	–	–	–	**385.5**
Total financial assets		385.5	0.1	33.9	–	112.5	**532.0**
Financial liabilities							
Bank overdrafts	5.5	(1.2)	–	–	–	–	**(1.2)**
Fixed rate loans							
Sterling secured mortgage 2034	10.4	–	–	–	(50.0)	–	**(50.0)**
Sterling secured bond 2026	6.4	–	–	–	(202.6)	–	**(202.6)**
Sterling unsecured bond 2019	8.4	–	–	–	(52.5)	–	**(52.5)**
Other Sterling loans	11.0	–	–	(15.0)	(0.1)	–	**(15.1)**
US Dollar	6.3	–	–	(45.9)	–	–	**(45.9)**
Canadian Dollar	6.8	–	–	(27.1)	(4.5)	–	**(31.6)**
Australian Dollar	6.8	–	–	(40.1)	–	–	**(40.1)**
Total fixed rate loans		–	–	(128.1)	(309.7)	–	**(437.8)**
Floating rate loans							
Sterling	5.1	(55.0)	–	–	–	–	**(55.0)**
Euro	3.5	(31.2)	–	–	–	–	**(31.2)**
US Dollar	6.1	–	–	–	(19.2)	–	**(19.2)**
Canadian Dollar	5.5	(2.0)	–	–	–	–	**(2.0)**
Australian Dollar	6.5	(7.9)	–	–	–	–	**(7.9)**
Total floating rate loans		(96.1)	–	–	(19.2)	–	**(115.3)**
Loan from joint ventures	2.6	(14.8)	–	–	–	–	**(14.8)**
Trade and other payables	–	–	–	–	–	(114.6)	**(114.6)**
Finance lease liabilities	8.2	–	–	–	(6.3)	–	**(6.3)**
Total financial liabilities		(112.1)	–	(128.1)	(335.2)	(114.6)	**(690.0)**

In the table above borrowings of £95.6m included in fixed rate loans take account of the effect of interest rate swap agreements at 31 December 2005.

30. FINANCIAL INSTRUMENTS (CONTINUED)

In the table below the underlying debt is recorded ignoring the effect of interest swap agreements, which are shown separately.

FAIR VALUES

	2005		2004	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets				
Other financial assets				
– available for sale	**37.1**	**37.1**	27.3	29.1
– held to maturity	**21.1**	**21.5**	19.4	22.0
– loans and receivables	**12.8**	**12.8**	11.6	11.6
Trade and other receivables	**75.5**	**75.5**	124.9	124.9
Cash and cash equivalents	**385.5**	**385.5**	264.2	264.2
Total financial assets	**532.0**	**532.4**	447.4	451.8
Financial liabilities				
Bank overdrafts	**(1.2)**	**(1.2)**	–	–
Fixed rate loans				
Sterling secured mortgage 2034	**(50.0)**	**(89.2)**	(50.0)	(84.8)
Sterling secured bond 2026	**(202.6)**	**(237.1)**	(202.7)	(224.8)
Sterling unsecured bond 2019	**(52.5)**	**(68.9)**	(52.5)	(67.2)
Other sterling loans	**(15.1)**	**(17.6)**	(15.1)	(18.1)
US Dollar	**(2.4)**	**(2.5)**	(2.2)	(2.5)
Canadian Dollar	**(18.4)**	**(19.1)**	(9.5)	(9.5)
Total fixed rate loans	**(341.0)**	**(434.4)**	(332.0)	(406.9)
Interest rate swaps				
US Dollar	**(0.1)**	**(0.1)**	–	(1.3)
Canadian Dollar	**(0.7)**	**(0.7)**	–	(0.4)
Australian Dollar	**(0.4)**	**(0.4)**	–	(0.6)
Total interest rate swaps	**(1.2)**	**(1.2)**	–	(2.3)
Floating rate loans				
Sterling	**(55.0)**	**(55.0)**	(55.8)	(55.8)
Euro	**(31.2)**	**(31.2)**	(15.7)	(15.7)
US Dollar	**(62.7)**	**(62.7)**	(58.6)	(58.6)
Canadian Dollar	**(14.4)**	**(14.4)**	(32.1)	(32.1)
Australian Dollar	**(47.6)**	**(47.6)**	(83.6)	(83.6)
Total floating rate loans	**(210.9)**	**(210.9)**	(245.8)	(245.8)
Loan from joint ventures	**(14.8)**	**(14.8)**	(30.4)	(30.4)
Trade and other payables	**(114.6)**	**(114.6)**	(89.1)	(89.1)
Finance lease liabilities	**(6.3)**	**(9.1)**	(6.3)	(8.4)
Total financial liabilities	**(690.0)**	**(786.2)**	(703.6)	(782.9)

In 2004 the weighted average maturity of fixed rate loans was 12 years at an average interest rate of 7.0%. The average interest rate on floating rate loans was 4.5%.

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Current liabilities				
Trade payables	**12.1**	12.1	**–**	–
Payables due to subsidiaries	**–**	–	**–**	2.0
Payables due to joint ventures	**6.6**	8.2	**–**	–
Other payables	**21.4**	6.6	**–**	–
Accrued expenses	**62.9**	54.1	**–**	–
Deferred income	**1.7**	38.0	**–**	–
	104.7	119.0	**–**	2.0
Non-current liabilities				
Deferred income	**164.4**	104.9	**–**	–
Other payables	**11.6**	8.1	**–**	–
	176.0	113.0	**–**	–

Deferred income includes £165.9m in respect of deferred lease premium profits (2004 – £139.9m).

32. OPERATING LEASE COMMITMENTS

LEASES AS LESSEE

The amount of lease rentals charged to the income statement during the year comprised:

	2005 £m	2004 £m
Land & buildings	**4.3**	3.9
	4.3	3.9

Non-cancellable operating lease rentals are payable as follows:

	2005 £m	2004 £m
Less than one year	**3.7**	4.1
Between one and five years	**13.9**	15.0
More than five years	**12.3**	16.1
	29.9	35.2

LEASES AS LESSOR

Future minimum lease payments under non-cancellable leases are as follows:

	2005 £m	2004 £m
Less than one year	**73.1**	87.7
Between one and five years	**212.6**	338.5
More than five years	**1,712.5**	1,445.1
	1,998.2	1,871.3

33. CAPITAL COMMITMENTS

	2005 £m	2004 £m
Investment properties contracted but not provided	**31.6**	73.7
Development properties contracted but not provided	**152.1**	20.4
	183.7	94.1

34. 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 (2004 – £22m).

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

35. SHARE CAPITAL

	2005 Number of shares	2005 £m	2004 Number of shares	2004 £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	8.0

	2005 Number of shares	2005 £m	2004 Number of shares	2004 £m
Allocated, 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 preferences 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.

36. RECONCILIATION OF SHARE CAPITAL AND RESERVES

(A) GROUP

	Share capital £m	Share Premium £m	Translation reserve £m	Other reserve £m	Fair value reserve £m	Revaluation reserve £m	Retained Earnings £m	**Total £m**	Minority Interest £m	**Total equity £m**
At 1 January 2004 restated	60.8	173.1	–	124.8	–	45.2	1,169.6	**1,573.5**	112.7	**1,686.2**
Profit for the year	–	–	–	–	–	–	229.5	**229.5**	15.5	**245.0**
Revaluation movement	–	–	–	–	–	28.1	–	**28.1**	0.7	**28.8**
Corporation tax	–	–	–	–	–	(1.3)	0.3	**(1.0)**	–	**(1.0)**
Pension actuarial losses	–	–	–	–	–	–	(3.5)	**(3.5)**	–	**(3.5)**
Dividends to shareholders	–	–	–	–	–	–	(17.3)	**(17.3)**	(15.8)	**(33.1)**
Other	–	–	–	(0.5)	–	–	0.4	**(0.1)**	0.2	**0.1**
Exchange	–	–	(13.9)	–	–	–	–	**(13.9)**	0.7	**(13.2)**
At 31 December 2004	60.8	173.1	(13.9)	124.3	–	72.0	1,379.0	**1,795.3**	114.0	**1,909.3**
IAS 32/39 adjustment (note 1A)	–	–	(0.6)	(22.1)	12.0	–	4.0	**(6.7)**	(0.7)	**(7.4)**
At 1 January 2005 restated	60.8	173.1	(14.5)	102.2	12.0	72.0	1,383.0	**1,788.6**	113.3	**1,901.9**
Profit for the year	–	–	–	–	–	–	251.5	**251.5**	13.6	**265.1**
Revaluation movement	–	–	–	–	–	17.0	–	**17.0**	0.3	**17.3**
Fair value adjustments	–	–	–	0.2	(7.8)	–	–	**(7.6)**	–	**(7.6)**
Recycled to income statement	–	–	–	5.7	–	–	–	**5.7**	–	**5.7**
Corporation tax	–	–	–	–	–	(2.5)	3.3	**0.8**	–	**0.8**
Pension actuarial losses	–	–	–	–	–	–	(11.3)	**(11.3)**	–	**(11.3)**
Dividends to shareholders	–	–	–	–	–	–	(8.5)	**(8.5)**	(2.2)	**(10.7)**
Other	–	–	–	0.1	–	–	(0.5)	**(0.4)**	(29.9)	**(30.3)**
Exchange	–	–	55.8	–	–	–	–	**55.8**	(0.2)	**55.6**
At 31 December 2005	60.8	173.1	41.3	108.2	4.2	86.5	1,617.5	**2,091.6**	94.9	**2,186.5**

Other movements include a £29.9m capital reduction in a subsidiary undertaking, Grosvenor First European Property Investments SA in which there is a 32.5% minority interest.

Other reserves primarily comprise exchange gains and losses recognised by the Group prior to the adoption of IFRS accounting standards.

(B) COMPANY

	Share capital £m	Share Premium £m	Merger Capital reserve £m	Profit and loss account £m	**Total equity £m**
At 1 January 2005	60.8	28.3	1,268.7	21.1	**1,378.9**
Retained profit for the year	–	–	–	8.5	**8.5**
Dividends to shareholders	–	–	–	(8.5)	**(8.5)**
At 31 December 2005	60.8	28.3	1,268.7	21.1	**1,378.9**

DIVIDENDS

After the balance sheet date, the following dividends were proposed:

	£m
Dividends on ordinary shares	5.4
Dividends on preference shares	0.7
	6.1

The dividends have not been provided for and there are no income tax consequences for the Group.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) RECONCILIATION OF PROFIT FROM OPERATIONS INCLUDING SHARE OF JOINT VENTURES TO OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS

	2005 £m	2004 £m
Operating activities		
Profit from operations including share of joint ventures	**385.3**	370.1
Adjustments for		
Depreciation	**1.7**	1.3
Foreign exchange losses	**0.8**	0.9
Amortisation of capitalised lease incentives	**(2.1)**	(0.7)
Gain on sale on other investments	**(0.1)**	(22.9)
Hedging gains	**(2.1)**	–
Net gains on revaluation and sale of investment property	**(246.8)**	(198.8)
Share of profit of joint ventures	**(121.6)**	(123.8)
Impairment of goodwill	**3.3**	–
Profit on disposal of trading properties	**7.3**	(9.6)
Operating profit before changes in working capital and provisions	**25.7**	16.5

(B) ANALYSIS OF NET DEBT

	1 January 2005 £m	Cash flow £m	Exchange movements £m	**31 December 2005 £m**
Cash at bank and in hand	15.6	54.6	0.2	**70.4**
Short term deposits and short term liquid investments	248.6	64.2	2.3	**315.1**
Bank overdraft	–	(1.2)	–	**(1.2)**
Cash and cash equivalents	264.2	117.6	2.5	**384.3**
Borrowings due within one year	(90.7)	68.7	2.9	**(19.1)**
Borrowings due after more than 1 year	(523.8)	(15.9)	(15.4)	**(555.1)**
Total borrowings	(614.5)	52.8	(12.5)	**(574.2)**
Net borrowings	(350.3)	170.4	(10.0)	**(189.9)**

38. 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 (2004 – £1.0m) in arms length rentals to Grosvenor Trusts and received £0.3m (2004 – £0.4m) in arms 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 Grosvenor Trusts and some members of the Grosvenor Family. Income from these services totalled £4.7m (2004 – £4.5m). At the year end the balance due to certain members of the Grosvenor Family and Grosvenor Trusts was £0.2m (2004 – £0.1m due from) in relation to these services. These services mainly relate to the Group's management of the Belgravia Estate.

In 2005, the Group arranged insurance cover on normal commercial terms through a related company. Aggregate premiums paid in the year were £5.9m (2004 – £6.9m).

In 2005, the Group purchased development properties of £19.9m (2004 – £nil) in arms length agreements from Grosvenor Trusts. At the year end £nil (2004 – £nil) was due from Grosvenor Trusts.

In 2005, the Group received development management income of £3.6m (2004 – £nil) in arms length arrangements from Grosvenor Trusts, and £6.0m (2004 – £nil) from joint ventures. At year end £nil (2004 – £nil) was due from Grosvenor Trusts and £0.5m (2004 – £nil) was accrued in relation to income owed from joint ventures.

At 31 December 2005, the Group owed £14.8m (2004 – £30.4m) to Sonae Sierra SGPS SA, a joint venture.

As explained in note 33 the Company has provided guarantees up to a maximum of £22m (2004 – £22m) to the Deva Group Limited, which is owned by the Grosvenor Trusts.

39. POST BALANCE SHEET EVENT

In February 2006 the Group acquired an additional 17% of Sonae Sierra for approximately £156m, taking the total interest to 50%.

40. EXPLANATION OF THE TRANSITION TO IFRS

2005 is the first year that the group is presenting its financial statements under IFRS. The last consolidated financial statements presented under UK GAAP were for the year ended 31 December 2004. As IFRS comparative figures must be prepared for the year ended 31 December 2004, the date of the transition to IFRS was 1 January 2004, with the exception of the adoption of IAS 32 and IAS 39, as explained in note 1.

Reconciliations of the 2004 income statement and balance sheet from UK GAAP as previously reported to IFRS are set out on pages 100 to 103. The principal adjustments are explained on page 99.

The transition to IFRS has no impact on the underlying cash flows of the business. Under UK GAAP certain jointly controlled entities were proportionally consolidated with the result that the cash flows of those entities were included in the consolidated cash flow statement on a line by line basis. Under IFRS the Group has elected to account for all jointly controlled entities according to the equity method of accounting. As a result, cash flows of jointly controlled entities previously reported on a line by line basis are no longer included in the Group cash flow statement. The cash flow statement under IFRS includes a separate item showing the net cash flow to or from jointly controlled entities.

At 31 December 2004 total cash reported in the UK GAAP balance sheet was £279.8m (1 January 2004 – £204.0m). The adjustment to equity account for jointly controlled entities under IFRS resulted in £15.6m (1 January 2004 – £13.1m) being removed from Group cash balances and instead included within investments in joint ventures. Cash reported in the IFRS balance sheet at 31 December 2004 was £264.2m (1 January 2004 – £190.9m).

40. EXPLANATION OF THE TRANSITION TO IFRS (CONTINUED)

a Under IFRS gains and losses arising on the revaluation of investment properties are included in the income statement.

b Under IFRS provision is made for the tax that is potentially payable in the event that investment and development properties are disposed of at their valuation amount as included in the financial statements. The deferred tax arising on valuation changes of investment properties during the year is recorded in the income statement.

c Under IFRS any profits arising on the grant of long leasehold interests in properties are spread over the life of the lease. Under UK GAAP such profits were recognised in full in the year of the transaction.

d Under IFRS only dividends that have been formally approved and proposed before the balance sheet date are provided for in the financial statements, whereas under UK GAAP provision was made for dividends in respect of the year that were approved after the year end.

e Under IFRS the net liability of the Group's defined benefit pension schemes is included in the financial statements. The expected annual charge for defined benefit pensions costs as estimated by the actuary is included in the income statement; adjustments between expectation and actual, together with all actuarial adjustments, are recorded directly in reserves.

f Under IFRS the Group has taken the option to record development properties at open market value. Where the development is a redevelopment of an existing investment property any valuation movements during the year are recorded in the income statement; valuation movements on other developments are recorded in the revaluation reserve. Under UK GAAP all developments were recorded at the lower of cost and net realisable value.

g Under IFRS goodwill is held in the balance sheet and is subject to an annual impairment review, but is not amortised; negative goodwill is recorded directly in retained earnings. Under UK GAAP goodwill was amortised and negative goodwill was included in the balance sheet and released in line with the realisation of the underlying assets and liabilities.

h Under UK GAAP lease incentives and rent free periods were amortised over the period to the first rent review, whereas under IFRS lease incentives are amortised over the full lease term.

i Under IFRS certain headleases are classified as finance leases.

j Under IFRS the Group has elected to treat all jointly controlled entities according to the equity method of accounting.

40. EXPLANATION OF THE TRANSITION TO IFRS (CONTINUED)

A) Reconciliation of the income statement for the year ended 31 December 2004 from UK GAAP to IFRS

	notes	UK GAAP as previously reported presented in an IFRS format £m	Revaluation included in income statement £m	Deferred tax £m
	notes		*a*	*b*
Gross rental income		135	–	–
Property operating expenses		(55)	–	–
Net rental income		80	–	–
Net other income		9	–	–
Administrative expenses		(50)	–	–
Profit on disposal of trading properties		14	–	–
Gains on other investments		30	–	–
Gains on revaluation and sale of investment property		32	276	–
Share of the profit of associates and joint ventures		20	–	(3)
Profit from operations including share of joint ventures		**135**	**276**	**(3)**
Dividend income		3	–	–
Financial income		11	–	–
Financial expenses		(56)	–	–
Net financing costs		(42)	–	–
Profit before tax		93	276	(3)
Current tax		(15)	–	–
Deferred tax		(2)	–	(86)
Profit for the year		**76**	**276**	**(89)**
Minority interests		(14)	–	1
Profit attributable to equity holders of the parent		**62**	**276**	**(88)**

Lease premiums £m	Pension scheme deficit £m	Revaluation of development properties £m	Goodwill £m	Lease incentives £m	Joint ventures £m	Other IFRS adjustments £m	Reclassi-fications £m	IFRS £m
c	*e*	*f*	*g*	*h*	*j*			
2	–	–	–	(1)	(47)	–	–	89
–	–	–	–	–	22	–	(5)	(38)
2	–	–	–	(1)	(25)	–	(5)	51
–	–	–	–	–	1	–	–	10
–	2	–	–	–	1	–	–	(47)
–	–	–	–	–	(9)	–	5	10
–	–	(5)	–	–	–	–	(2)	23
(21)	–	–	–	–	(90)	–	2	199
–	–	–	2	2	104	(1)	–	124
(19)	**2**	**(5)**	**2**	**1**	**(18)**	**(1)**	**–**	**370**
–	–	–	–	–	–	–	–	3
–	–	–	–	–	(6)	–	–	5
–	–	–	–	–	20	–	–	(36)
–	–	–	–	–	14	–	–	(28)
(19)	2	(5)	2	1	(4)	(1)	–	342
–	–	–	–	–	(6)	–	–	(21)
–	–	–	–	–	12	–	–	(76)
(19)	**2**	**(5)**	**2**	**1**	**2**	**(1)**	**–**	**245**
–	–	–	(1)	1	(2)	–	–	(15)
(19)	**2**	**(5)**	**1**	**2**	**–**	**(1)**	**–**	**230**

40. EXPLANATION OF THE TRANSITION TO IFRS (CONTINUED)

B) Reconciliation of the balance sheet at 31 December 2004 from UK GAAP to IFRS

	notes	UK GAAP as previously reported presented in an IFRS format £m	Revaluation included income in statement £m	Deferred tax £m	Lease premiums £m	Proposed dividends £m
			a	*b*	*c*	*d*
ASSETS						
Non-current assets						
Investment property		2,437	–	–	–	–
Investment property under development		–	–	–	–	–
Other property, plant and equipment		29	–	–	–	–
Investment in subsidiaries		–	–	–	–	–
Investments in joint ventures		248	–	(35)	–	–
Other financial assets		44	–	–	–	–
Deferred tax assets		–	–	71	–	–
Total non-current assets		2,758	–	36	–	–
Current assets						
Trading properties		96	–	–	–	–
Trade and other receivables		150	–	–	–	–
Income tax receivable		–	–	–	–	–
Cash and cash equivalents		280	–	–	–	–
Total current assets		526	–	–	–	–
TOTAL ASSETS		**3,284**	**–**	**36**	**–**	**–**
Liabilities						
Non-current liabilities						
Interest-bearing loans and borrowings		(702)	–	–	–	–
Trade and other payables		(5)	–	–	(108)	–
Employee benefits		–	–	–	–	–
Provisions		(4)	–	–	–	–
Deferred tax liabilities		(34)	–	(286)	–	–
Total non-current liabilities		(745)	–	(286)	(108)	–
Current liabilities						
Overdrafts		–	–	–	–	–
Interest-bearing loans and borrowings		(99)	–	–	–	–
Trade and other payables		(156)	–	–	(32)	6
Income tax payable		–	–	–	–	–
Total current liabilities		(255)	–	–	(32)	6
TOTAL LIABILITIES		**(1,000)**	**–**	**(286)**	**(140)**	**6**
NET ASSETS		**2,284**	**–**	**(250)**	**(140)**	**6**
Equity						
Issued capital		61	–	–	–	–
Share premium		173	–	–	–	–
Reserves		1,351	(1,180)	1	–	–
Retained earnings		584	1,180	(240)	(140)	6
Shareholders' funds		2,169	–	(239)	(140)	6
Minority interests		115	–	(11)	–	–
TOTAL EQUITY AT 31 DECEMBER 2004		**2,284**	**–**	**(250)**	**(140)**	**6**
TOTAL EQUITY AT 31 DECEMBER 2003		**1,962**	**–**	**(172)**	**(121)**	**15**

Pension scheme deficit £m	Revaluation of development properties £m	Goodwill £m	Lease incentives £m	Head leases £m	Joint ventures £m	Other IFRS adjustments £m	Reclassi-fications £m	IFRS £m
e	*f*	*g*	*h*	*i*	*j*			
–	3	–	–	6	(655)	–	(35)	1,756
–	–	–	–	–	–	–	53	53
–	–	–	–	–	–	–	–	29
–	–	–	–	–	–	–	–	–
–	7	8	1	–	465	–	1	695
–	–	–	–	–	–	–	14	58
–	–	–	–	–	–	–	–	71
–	10	8	1	6	(190)	–	33	2,662
–	4	–	–	–	(42)	(1)	(13)	44
–	–	–	–	–	–	–	(25)	125
–	–	–	–	–	–	–	2	2
–	–	–	–	–	(16)	–		264
–	4	–	–	–	(58)	(1)	(36)	435
–	**14**	**8**	**1**	**6**	**(248)**	**(1)**	**(3)**	**3,097**
–	–	–	–	(6)	225	–	(41)	(524)
–	–	–	–	–	–	–	–	(113)
(13)	–	–	–	–	–	–	(4)	(17)
–	–	–	–	–	–	–	4	–
–	–	–	–	–	–	–	2	(318)
(13)	–	–	–	(6)	225	–	(39)	(972)
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	8	(91)
–	–	–	–	–	23	–	40	(119)
–	–	–	–	–	–	–	(6)	(6)
–	–	–	–	–	23	–	42	(216)
(13)	**–**	**–**	**–**	**(6)**	**248**	**–**	**3**	**(1,188)**
(13)	**14**	**8**	**1**	**–**	**–**	**(1)**	**–**	**1,909**
–	–	–	–	–	–	–	–	61
–	–	–	–	–	–	–	–	173
–	11	–	1	–	(2)	–	–	182
(13)	1	1	–	–	2	(2)	–	1,379
(13)	12	1	1	–	–	(2)	–	1,795
–	2	7	–	–	–	1	–	114
(13)	**14**	**8**	**1**	**–**	**–**	**(1)**	**–**	**1,909**
(11)	**11**	**6**	**(2)**	**–**	**–**	**(2)**	**–**	**1,686**

CONSOLIDATED INCOME STATEMENT PRESENTED IN US DOLLARS

for the year ended 31 December 2005

	2005 US$m	2004 US$m
Total revenue	**704.9**	264.6
Gross rental income	**176.3**	162.1
Property outgoings	**(75.7)**	(68.2)
Net rental income	**100.6**	93.9
Net other income	**46.6**	19.0
Administrative expenses	**(97.2)**	(85.4)
(Loss)/profit on trading and development properties	**(13.3)**	17.6
Gains on other investments	**–**	41.9
Gains on revaluation and sale of investment property	**449.7**	363.7
Impairment of goodwill	**(6.0)**	–
Share of profit of joint ventures	**221.6**	226.5
Profit from operations including share of joint ventures	**702.0**	677.2
Dividend income	**0.5**	5.6
Financial income	**39.1**	9.9
Financial expenses	**(71.0)**	(66.8)
Net financing costs	**(31.4)**	(51.3)
Profit before tax	**670.6**	625.9
Current tax	**(15.4)**	(39.3)
Deferred tax	**(172.2)**	(138.3)
Profit for the year	**483.0**	448.3
Attributable to:		
Equity holders of the parent	**458.1**	419.9
Minority interest	**24.9**	28.4
Profit for the year	**483.0**	448.3

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

CONSOLIDATED BALANCE SHEET PRESENTED IN US DOLLARS

as at 31 December 2005

	Group 2005 US$m	Group 2004 US$m
ASSETS		
Non-current assets		
Investment property	**3,323.7**	3,374.2
Investment property under development	**122.6**	101.4
Other property, plant and equipment	**58.0**	55.3
Investments in joint ventures	**1,406.8**	1,334.5
Other financial assets	**121.9**	112.0
Goodwill	**6.7**	–
Deferred tax assets	**163.1**	137.0
Total non-current assets	**5,202.8**	5,114.4
Current assets		
Trading properties	**59.2**	84.7
Trade and other receivables	**129.6**	239.9
Income tax receivable	**21.8**	3.5
Cash and cash equivalents	**661.8**	507.6
Total current assets	**872.4**	835.7
TOTAL ASSETS	**6,075.2**	5,950.1
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	**(953.0)**	(1,006.3)
Trade and other payables	**(302.2)**	(217.1)
Employee benefits	**(47.7)**	(32.9)
Deferred tax liabilities	**(773.6)**	(610.7)
Total non-current liabilities	**(2,076.5)**	(1,867.0)
Current liabilities		
Overdrafts	**(2.1)**	–
Interest-bearing loans and borrowings	**(32.8)**	(174.3)
Trade and other payables	**(179.6)**	(228.6)
Income tax payable	**(30.4)**	(12.1)
Total current liabilities	**(244.9)**	(415.0)
TOTAL LIABILITIES	**(2,321.4)**	(2,282.0)
NET ASSETS	**3,753.8**	3,668.1
Equity		
Issued capital	**104.4**	116.8
Share premium	**297.2**	332.6
Reserves	**412.4**	350.4
Retained earnings	**2,776.9**	2,649.3
Shareholders' funds	**3,590.9**	3,449.1
Minority interest	**162.9**	219.0
TOTAL EQUITY	**3,753.8**	3,668.1

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

CONSOLIDATED INCOME STATEMENT PRESENTED IN EUROS

for the year ended 31 December 2005

	2005 €m	2004 €m
Total revenue	**564.7**	212.2
Gross rental income	**141.3**	130.0
Property outgoings	**(60.7)**	(54.7)
Net rental income	**80.6**	75.3
Other income	**37.4**	15.2
Administrative expenses	**(77.8)**	(68.5)
(Loss)/profit on trading and development properties	**(10.7)**	14.1
Gains on other investments	**–**	33.6
Gains on revaluation and sale of investment property	**360.2**	291.7
Impairment of goodwill	**(4.8)**	–
Share of profit of joint ventures	**177.5**	181.7
Profit from operations including share of joint ventures	**562.4**	543.1
Dividend income	**0.4**	4.5
Financial income	**31.3**	7.9
Financial expenses	**(56.8)**	(53.5)
Net financing costs	**(25.1)**	(41.1)
Profit before tax	**537.3**	502.0
Current tax	**(12.4)**	(31.6)
Deferred tax	**(137.9)**	(110.9)
Profit for the year	**387.0**	359.5
Attributable to:		
Equity holders of the parent	**367.1**	336.8
Minority interest	**19.9**	22.7
Profit for the year	**387.0**	359.5

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

CONSOLIDATED BALANCE SHEET PRESENTED IN EUROS

as at 31 December 2005

	Group 2005 €m	Group 2004 €m
ASSETS		
Non-current assets		
Investment property	**2,817.7**	2,475.7
Investment property under development	**103.9**	74.4
Other property, plant and equipment	**49.2**	40.6
Investments in joint ventures	**1,192.5**	979.1
Other financial assets	**103.3**	82.2
Goodwill	**5.7**	–
Deferred tax assets	**138.3**	100.5
Total non-current assets	**4,410.6**	3,752.5
Current assets		
Trading properties	**50.2**	62.2
Trade and other receivables	**109.9**	176.1
Income tax receivable	**18.4**	2.5
Cash and cash equivalents	**561.1**	372.4
Total current assets	**739.6**	613.2
TOTAL ASSETS	**5,150.2**	4,365.7
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	**(807.9)**	(738.4)
Trade and other payables	**(256.2)**	(159.3)
Employee benefits	**(40.5)**	(24.1)
Deferred tax liabilities	**(655.8)**	(448.1)
Total non-current liabilities	**(1,760.4)**	(1,369.9)
Current liabilities		
Overdrafts	**(1.7)**	–
Interest-bearing loans and borrowings	**(27.8)**	(127.9)
Trade and other payables	**(152.4)**	(167.7)
Income tax payable	**(25.7)**	(8.9)
Total current liabilities	**(207.6)**	(304.5)
TOTAL LIABILITIES	**(1,968.0)**	(1,674.4)
NET ASSETS	**3,182.2**	2,691.3
Equity		
Issued capital	**88.5**	85.7
Share premium	**251.9**	244.0
Reserves	**349.6**	257.1
Retained earnings	**2,354.1**	1,943.8
Shareholders' funds	**3,044.1**	2,530.6
Minority interest	**138.1**	160.7
TOTAL EQUITY	**3,182.2**	2,691.3

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

FIVE YEAR SUMMARY

	2001 £m	2002 £m	2003 £m	2004 £m	**2005 £m**
INCOME STATEMENT					
Net rental and other income	109.3	108.0	101.1	61.7	**80.8**
Administrative expenses	(34.1)	(35.5)	(41.5)	(46.7)	**(53.3)**
Profit/(loss) on trading and development properties	6.5	2.6	6.5	9.6	**(7.3)**
Gains on other investments	–	(17.3)	3.3	22.9	**–**
Net gains on revaluation and sale of investment properties	28.0	24.6	37.2	198.8	**246.8**
Impairment of goodwill	–	–	–	–	**(3.3)**
Share of profit from joint ventures	12.0	17.7	22.3	123.8	**121.6**
Profit before net financing costs and tax	121.7	100.1	128.9	370.1	**385.3**
Net financing costs	(39.9)	(39.3)	(37.2)	(28.0)	**(17.2)**
Profit before tax	81.8	60.8	91.7	342.1	**368.1**
BALANCE SHEET					
Total property assets including share of joint ventures	2,519.7	2,678.0	2,728.8	3,237.3	**3,727.7**
Investment property (including under development)	2,007.1	2,079.1	2,050.5	1,809.1	**2,007.4**
Investment in joint ventures	175.9	209.4	222.4	694.6	**819.4**
Other financial assets	89.8	93.0	85.6	58.3	**71.0**
Other non-current assets	28.3	28.1	23.9	100.1	**132.7**
	2,301.1	2,409.6	2,382.4	2,662.1	**3,030.5**
Trading properties	69.5	81.6	94.4	44.1	**34.5**
Cash and cash equivalents	198.2	143.9	204.0	264.2	**385.5**
Other net current assets	(26.1)	(21.9)	8.4	1.4	**(34.2)**
	241.6	203.6	306.8	309.7	**385.8**
Borrowings (including current)	(735.1)	(748.9)	(687.6)	(614.5)	**(575.4)**
Deferred tax	(32.0)	(30.7)	(31.5)	(317.9)	**(450.6)**
Other non-current liabilities	(4.4)	(14.0)	(7.9)	(130.1)	**(203.8)**
	(771.5)	(793.6)	(727.0)	(1,062.5)	**(1,229.8)**
Net assets	1,771.2	1,819.6	1,962.2	1,909.3	**2,186.5**
Share capital and share premium	211.6	233.9	233.9	233.9	**233.9**
Reserves	1,478.3	1,519.2	1,614.5	1,561.4	**1,857.7**
	1,689.9	1,753.1	1,848.4	1,795.3	**2,091.6**
Minority interest	81.3	66.5	113.8	114.0	**94.9**
Total equity	1,771.2	1,819.6	1,962.2	1,909.3	**2,186.5**

International Financial Reporting Standards were adopted with effect from 1 January 2004. Figures prior to 2004 are presented under UK GAAP.

To disclose per 2004 figures under International Financial Reporting Standards adjustments of the same nature as those disclosed in note 39 would be required.

PROPERTY PORTFOLIO SUMMARY

	Direct properties			Held in joint ventures					
	Office/ commercial £m	Retail £m	Residential £m	Office/ commercial £m	Retail £m	Residential £m	Property financial assets £m	Committed developments £m	**Total £m**
Britain and Ireland									
West End	657	140	526	88	–	–	–	54	**1,465**
City	36	–	–	29	–	–	–	–	**65**
Outside London	26	115	–	–	284	7	–	618	**1,050**
	719	255	526	117	284	7	–	672	**2,580**
Americas									
U.S.A.	35	3	36	113	166	–	3	38	**394**
Canada	106	58	–	–	–	–	10	70	**244**
	141	61	36	113	166	–	13	108	**638**
Continental Europe									
France	–	32	–	–	29	–	–	–	**61**
Spain	–	–	–		228	–	–	224	**452**
Portugal	–	–	–	–	322	–	–	52	**374**
Italy	–	–	–	–	27	–	–	101	**128**
Brazil	–	–	–	–	44	–	–	–	**44**
Other	–	–	–	–	–	–	–	49	**49**
	–	32	–	–	650	–	–	426	**1,108**
Australia Asia Pacific									
Australia	154	4	–	14	–	–	–	63	**235**
Hong Kong	9	–	–	4	–	9	37	38	**97**
Japan	–	–	–	–	–	24	–	–	**24**
Singapore	–	–	–	–	–	–	10	–	**10**
	163	4	–	18	–	33	47	101	**366**
Grosvenor Fund Management									
Investment in fund vehicles	–	–	–	–	–	–	8	–	**8**
Total	1,023	352	562	248	1,100	40	68	1,307	**4,700**

* 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				
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
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
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
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
16/20 North Audley Street	6 floor refurbished and partly rebuilt office building	West End, London, U.K.	11,324	121,880
97/99 Park Street	Residential apartment block	West End, London, U.K.	1,580	17,000
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
Held in joint ventures				
Belgrave House, Buckingham Palace Road	6 floor open plan office building	West End, London, U.K.	25,100	270,000
10 Grosvenor Street	6 floor open plan office building	West End, London, U.K.	5,018	54,000
41 Lothbury	8 floor open plan office building	City, London, U.K.	14,900	160,000
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				
Bankside	Residential apartment block	Central London, U.K.	66,000	710,000
Montrose Place	Residential apartment block	West End, London, U.K.	60,000	646,000
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
Held in joint ventures				
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
77 Grosvenor Street	6 floor open plan office building	West End, London, U.K.	5,260	56,600
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

This analysis excludes operating companies' interests in properties managed by Grosvenor Fund Management.

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
1799 Union Street	2 storey retail and office building	San Francisco, CA, U.S.A	1,179	12,685
1777 F Street	8 floor office building	Washington, D.C., U.S.A.	5,500	59,200
Annacis Business Park	Distribution and industrial park	Vancouver, B.C., Canada	92,120	991,600
Bermuda Building	4 storey wood frame apartment building	Vancouver, B.C., Canada	4,091	44,014
Bow Parkade & Heagle Building	2 multi-level parking structures (1000 parking spaces) and 2 floor retail building	Calgary, AB, Canada	2,865	30,842
The Grosvenor Building	22 floor office building with retail space and parking	Vancouver, B.C., Canada	18,924	203,705
Ascent	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
Venator Building	Urban retail property	Calgary, AB, Canada	2,281	24,542
Investment properties – held in joint ventures				
1701 Pennsylvania Avenue	12 floor office building with ground floor retail and parking	Washington, D.C., U.S.A.	17,662	190,038
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
308-310 North Rodeo Drive	3 floor retail building	Beverly Hills, CA, U.S.A.	1,409	15,158
Best Buy Metro Center	Regional 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 Gateway I & II	Two 6 floor office buildings with retail	Alexandria, VA, U.S.A.	23,233	250,088
Coventry Hills Center	Retail strip shopping centre	Calgary, AB, Canada	12,162	130,866
Results Way Corporate Park	5 office buildings and 10 acres of land	Cupertino, CA, U.S.A.	16,244	174,858
Rice Lake Square	9 building community retail centre	Wheaton, IL, U.S.A.	23,386	251,737
South Edmonton Common	Regional 'power' centre	Edmonton, AB, Canada	13,831	148,820
South Point Exchange	Community shopping centre	Surrey, B.C., Canada	20,589	221,538
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 Retail Portfolio	Retail portfolio of 15 buildings	Washington, D.C., U.S.A.	42,913	461,748
WesTech Business Park	11 office buildings	Silver Spring, MD, U.S.A.	34,079	366,685
Principal developments – directly owned				
Langley Interchange	Commercial and industrial development	Langley, B.C., Canada	191,823	2,064,833
Hamilton Market Place	8.93 acre retail site	Novato, CA, U.S.A.	36,150	388,990
South Point Village	Community oriented main street retail and residential development	Surrey, BC, Canada	46,470	500,000
Walnut Gate	Neighbourhood retail centre	Langley, B.C., Canada	2,973	32,000
Principal developments – held in joint ventures				
185 Post Street	6 storey retail re-development	San Francisco, CA, U.S.A.	2,415	26,000
2300 Cambie Street (The Rise)	Commercial and residential development	Vancouver, B.C., Canada	25,931	279,123
The Boulevard	Fashion oriented lifestyle centre	Surrey, BC, Canada	3,067	33,000
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	9,408,962
WesTech Village Corner	5 inland retail buildings and 4 pad sites	Silver Spring, MD, U.S.A.	4,040	43,500

This analysis excludes operating companies' interests in properties managed by Grosvenor Fund Management.

PROPERTY PORTFOLIO CONTINENTAL EUROPE

Property	Description	Location	Area sq.m	Area sq.ft
Investment properties – directly owned				
Paul Bert et Serpette markets	Antiques market with 460 retail units	Paris, France	5,975	64,291
Investment properties – held in joint ventures				
Airone	Shopping centre	Monselice, Italy	9,907	106,600
AlgarveShopping	Two storey shopping centre with 133 retail units	Guia, Portugal	42,350	455,867
L'Aljub	Shopping centre with 120 retail units	Elche, Spain	45,000	484,392
ArrábidaShopping	Three storey shopping centre with 180 retail units	Vila Nova de Gaia, Portugal	56,370	606,781
Avenida M40	Shopping centre	Leganés, Madrid, Spain	48,275	519,645
Boavista Shopping	Three storey shopping centre	São Paulo, Brazil	23,892	257,180
Carcaixent	Shopping centre	Carcaixent, Valencia, Spain	32,450	349,300
CascaiShopping	Three storey shopping centre with 169 retail units	Cascais, Portugal	72,230	777,503
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
Estaçao 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
LoureShopping	Shopping Centre	Loures, Portugal	38,982	419,446
Luz del Tajo	Shopping Centre	Toledo, Spain	45,572	490,549
MadeiraShopping	Shopping centre with 112 retail units	Funchal, Portugal	26,585	286,168
Madrid Sur	Shopping centre with 78 retail units	Madrid, Spain	23,742	255,565
MaiaShopping	Two storey shopping centre with 112 retail units	Maia, Portugal	30,915	332,777
Mediterranean Cosmos	Shopping Centre	Thesaloniki, Greece	45,962	494,550
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	Brazilia, 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 Eboli	Shopping Centre	Pinto, Spain	28,456	306,187
Plaza Mayor	Shopping and leisure centre with 99 retail units	Málaga, Spain	33,325	358,719
Plaza Sul	Shopping Centre	Jd.Saúde, Brazil	27,053	291,090
SerraShopping	Shopping Centre	Lugar da Qta. do Pinheiro, Portugal	17,681	190,248
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
Valecentre	Shopping centre with 91 retail units	Marcon, Italy	26,709	287,389
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
Warner Village	Leisure Centre	Marcon, Italy	11,673	125,600
Zubiarte	Five storey shopping and leisure development	Bilbao, Spain	20,745	223,305
Principal Development properties – held in joint ventures				
Aegean Park	Shopping and leisure centre development	Athens, Greece	60,590	652,207
Alexander Platz	City centre retail development	Berlin, Germany	53,175	572,390
Arganda	Industrial Development	Arganda, Spain	15,500	166,780
Berrocales	Shopping centre development	Berrocales, Madrid	92,700	997,847
Biella Shopping Centre	Shopping centre development	Biella, Italy	34,675	373 100
Cornella	Shopping centre development	Cornella, Spain	56,000	602,799
Coslada 1	Industrial development	Coslada, Spain	11,700	125,942
Coslada 2	Industrial development	Coslada, Spain	18,000	193,770

This analysis excludes operating companies' interests in properties managed by Grosvenor Fund Management.

PROPERTY PORTFOLIO CONTINENTAL EUROPE (continued)

Property	Description	Location	Area sq.m	Area sq.ft
Principal Development properties – held in joint ventures (continued)				
Freccia Rossa	Retail and leisure development	Brescia, Italy	28,825	310,280
Izlazul	Shopping centre development	Carabanchel, Spain	90,000	968,400
Lima Retail Park	Retail park development	Viana do Castelo, Portugal	10,739	115,552
Lorca	Shopping centre development	Lorca, Spain	44,500	479,010
Malaga Shopping	Expansion of shopping centre	Málaga, Spain	16,800	180,840
Las Medulas	Shopping centre development	Ponferrada, Spain	47,843	514,790
Mieres	Shopping centre development	Mieres, Spain	23,900	257,266
Omega	Office development	Madrid, Spain	36,200	389,666
Orense	Shopping centre development	Orense, Spain	45,500	489,774
Pinto	Industrial development	Pinto, Spain	18,850	202,826
Plaza Mayor	Leisure and entertainment development	Malaga, Spain	18,757	201,825
Rio Sul	Shopping centre development	Seixal, Portugal	18,199	195,899
São Jão da Madeira	Shopping centre development	Madeira, Portugal	17,665	190,075
Setúbal Retail Park	Shopping centre development	Setúbal, Portugal	20,000	215,285
La Spezia Retail Park	Retail park development	La Spezia, Italy	26,300	282,988
Valencia	Industrial development	Valencia, Spain	11,520	124,004
Zaragoza	Industrial development	Zaragoza, Spain	55,000	591,800

PROPERTY PORTFOLIO AUSTRALIA ASIA PACIFIC

Property	Description	Location	Area sq.m	Area sq.ft
Investment properties – directly owned				
114 Flinders Street	Car park with 864 spaces	Melbourne, Australia	28,800	309,917
151 Glendenning Road	2 industrial warehouse buildings	Sydney, Australia	11,690	125,784
20 Hunter Street	‘A’ grade office building	Sydney, Australia	10,019	107,804
2828-2840 Ipswich Road	Industrial warehouse	Brisbane, Australia	13,928	149,915
33/F Lippo Centre II	Office on 33rd floor of Lippo Tower	Hong Kong	1,287	13,847
61 Plumpton Road	Industrial distribution building	Sydney, Australia	8,560	92,105
22-34 Rosebery Avenue	Industrial warehouse	Sydney, Australia	5,655	60,872
259 Queen Street	‘A+’ grade office building	Brisbane, Australia	24,678	265,535
Abbot Road, Seven Hills	Retail Building	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 joint ventures				
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
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 joint ventures				
103 Castle Peak Road	Residential development	Castle Peak, Hong Kong	13,027	140,214
George Street	Office development	Brisbane, Australia	27,305	293,911
Smith Street	Office development	Paramatta, Australia	10,971	118,902

This analysis excludes operating companies’ interests in properties managed by Grosvenor Fund Management.

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	496,702
Eastgate	Covered shopping centre with 63 retail units	Inverness, Scotland, U.K.	38,100	410,000
Freshney Place	Single level covered shopping centre with 100 retail outlets	Grimsby, Lincolnshire, U.K.	46,452	500,000
The Forge	Covered shopping centre with 80 retail units	Glasgow, Scotland, U.K.	34,375	370,000
Grosvenor London Office Fund				
Almack House, King Street	7 floor 1990s office building	West End, London, U.K.	9,290	100,000
40 Grosvenor Place	6 floor open plan office building	West End, London, U.K.	18,581	200,000
25 Moorgate	7 floor open plan office building	City, London, U.K.	7,714	83,000
111 Old Broad Street	8 floor open plan office building	City, London, U.K.	11,426	123,000
Grosvenor Festival Place Fund				
Festival Place, Basingstoke	Covered two level shopping centre with 165 units	Basingstoke, Hampshire, U.K.	92,903	1,000,000
Talbot Residential Investment Fund				
23 Hulse Road	16, two bedroom apartments	Southampton, Hampshire, U.K.	1,232	13,266
Belgrave House	19 unit residential building	Pimlico, London, U.K.	885	9,530
Trenchard Close	18, two bedroom terraced houses	Stanmore, Middlesex, U.K.	1,262	13,950
Beaumont House	8 unit residential building	Willesden Green, London, U.K.	285	3,065
Omega				
1500 K Street	10 floor office building	Washington D.C., U.S.A.	22,570	242,864
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				
28 – 30 Av. George V	Three restaurant units	Paris, France	2,010	21,628
14 – 19 Place Gambetta	Four storey Virgin Megastore	Bordeaux, France	5,498	59,158
10 Rue d'Alsace Lorraine	High street retail unit	Toulouse, France	668	7,188
79 rue d'Antibes	Three retail units	Cannes, France	360	3,875
Cisalfa Portfolio	One town centre and one warehouse retail unit	Bergamo, Italy	5,841	62,850
French retail warehouse portfolio	Three retail warehouse parks with a total of 15 units	Bondy, Bourges, St Maur; France	16,263	174,990
Place du Marché	Town centre retail gallery with 7 units	Thionville, France	2,204	23,715
Place du RER	Two retail warehouse style units	Saint Ouen, France	3,145	33,840
Porte de Chatillon	Retail warehouse unit and shopping gallery	Malakoff, France	5,849	62,935
Les Sablons	Retail warehouse park with 17 units	Claye Souilly, France	16,931	182,177
SPIIC retail	Portfolio of 11 French high street retail properties with a total of 23 units	Bordeaux, Toulouse, Avignon, Paris; France	18,645	200,620
Retail warehouse portfolio	8 retail warehouses	Belgium and Luxembourg	12,275	132,080
Villeneuve d'Ascq	Retail warehouse park with 7 units and office space	Villeneuve d'Ascq, France	10,548	113,496

PROPERTY PORTFOLIO
PROPERTIES MANAGED BY GROSVENOR FUND MANAGEMENT (continued)

Property	Description	Location	Area sq.m	Area sq.ft
Grosvenor Land Property Fund				
17B Dynasty Court	Residential flat	Hong Kong	210	2,256
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	2,314	24,900
Chester Court	12 unit residential building	Hong Kong	1,705	18,354
Vert Varie Kitasando (50%)	144 unit residential building	Tokyo, Japan	2,515	27,066
Grosvenor Diamond Capital – Stable Residential Fund				
Chester Court, Nihonbashi	104 unit residential building	Tokyo, Japan	4,912	52,875
Chester Court, Sengoku	23 unit residential building	Tokyo, Japan	1,469	15,806
Chester House, Mejiro	18 unit residential building	Tokyo, Japan	448	4,820
Mayfair Court, Roppongi	11 unit residential building	Tokyo, Japan	1,904	20,496
Mayfair Court, Nishiazabu	9 unit residential building	Tokyo, Japan	1,256	13,520
Grosvenor Capital Advisors Partnership				
Chester Court, Honkomagome	36 unit residential building	Tokyo, Japan	2,222	23,908
Chester Court, Kasuga	68 unit residential building	Tokyo, Japan	3,581	38,532
Chester Court, Mitsukoshimae	36 unit residential building	Tokyo, Japan	1,447	15,570
Chester House, Nishimagome	52 unit residential building	Tokyo, Japan	1,553	16,710
Rafine Yotsubashi	19 unit residential building	Osaka, Japan	2,201	23,683
Takanawa Compound	6 unit residential building	Tokyo, Japan	1,438	15,473
Toei Building	47 unit residential building	Kanagwa, Japan	1,278	18,593
Vert Varie Kitasando (50%)	144 unit residential building	Tokyo, Japan	2,515	27,050
Yoyogi Uehara Terrace	5 unit residential building	Tokyo, Japan	993	10,685
ISPT Grosvenor International Property Trust				
The River	Shopping centre with 41 units	Rancho Mirage, CA, U.S.A.	21,150	227,550
L'Anec Blau	Covered shopping centre over 3 levels	Barcelona, Spain	27,804	299,170

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World Cities articles written by Justin St.Clair-Charles
Designed and produced by **MAGEE**
Printed by PUSH

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