

Grosvenor is a privately-owned property group, active in some of the world's most dynamic cities.

Our future success is tied to sustainable growth of the cities in which we have a presence. We have a vested interest in the future shape of the urban landscape and aim to help create and manage attractive and vibrant cities in which people choose to live and work.

Front cover

Rue de la République
Lyon, France

©Jean-François Martin

Back cover

Motcomb Street Jubilee Party
Belgravia, London, UK

Image courtesy of Fenton Solicitors

Our heritage

1677

The family and the land

The Grosvenor family history stretches back almost a thousand years, to the time of William the Conqueror. However, the origins of the property business lie in the land in London that came into the family in 1677 with the marriage of Mary Davies and Sir Thomas Grosvenor – 500 acres of swamp, pasture and orchards to the west of the City, of which 300 acres remain with the family today as Grosvenor's London estate.



1720s

Mayfair, London

'Mayfair', the northern part of this land, took its name from the fair held here in May until well into the 19th century. In 1720, the family began developing the land into a fashionable residential area, centred on Grosvenor Square.

The area's character continued to evolve through subsequent redevelopment. In the 19th century, shops and, later, embassies and diplomatic residences moved in; during the 20th century, it saw the westerly migration of office users from the war-damaged City of London. Today, almost the whole of Mayfair, which now contains a cosmopolitan mix of commercial and residential property, is included in a statutory Conservation Area.



1820s

Belgravia, London

'Belgravia', which lies south west of Mayfair, was originally part of the 'Five Fields' – open land between Hyde Park and the Thames. The end of the Napoleonic Wars and the conversion of nearby Buckingham House into a palace for George IV prompted the Grosvenors to develop it. In the 1820s, the family's surveyor, together with master builder Thomas Cubitt, oversaw the creation of an elegant estate in the classic Regency style of squares, streets and crescents overlooking private gardens. The vast majority of Cubitt's work survives and almost the whole of Belgravia is included in a statutory Conservation Area, now encompassing housing, commercial and institutional headquarters, retail and, on the periphery, modern offices.



1950s

International expansion

During the second half of the 20th century, Grosvenor began to apply its estate management skills of investment, development and asset management elsewhere in the UK. Our business expanded, successively, into the Americas (from the 1950s), Australia (from the 1960s), Asia Pacific (from the early 1990s) and continental Europe (later that decade). Many projects were undertaken in partnership with other investors, leading us gradually into fund management.

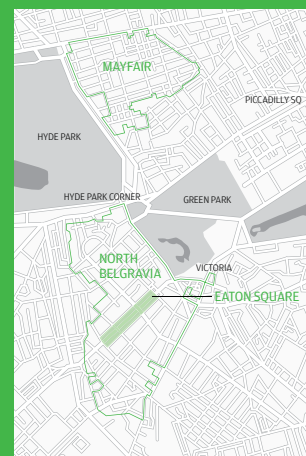


2000

Corporate structure

Grosvenor's corporate governance has evolved with the maturing of the Group. In April 2000, we adopted a corporate structure as a Group of regional businesses and published our first full Annual Report and Accounts. In 2005 our international fund management business was formalised as a discrete entity. In 2012, we brought all our indirect investments in property together, creating the present tripartite structure of direct proprietary activities; indirect proprietary activities; and fund management. Today, we have 19 offices in 12 countries and assets in a total of 17 countries.

Further information on Grosvenor is available at www.grosvenor.com.



2013

Ownership

Grosvenor remains privately owned. Our Shareholders – the Trustees of the Grosvenor Estate – hold the shares and assets for the benefit of current and future members of the Grosvenor family. The family is headed by the Sixth Duke of Westminster, who is Chairman of the Trustees.

Further information on the Grosvenor family and the rest of the Grosvenor Estate is available at www.grosvenorestate.com.



Frequently asked questions about Grosvenor

Q&A

Frequently Asked Questions (see also the Glossary on the back cover flap)

Q. What is the difference between 'The Grosvenor Estate', 'Grosvenor Group Limited', and 'Grosvenor's London estate'?

'The Grosvenor Estate' is the term used to represent all the interests of the Grosvenor family headed by the Sixth Duke of Westminster. There are three principal elements to these activities: Grosvenor Group, Wheatheaf Group and The Family Investment Office. Further information can be found at: www.grosvenorestate.com.

'Grosvenor Group Limited', the subject of this Annual Report and Accounts, is the urban property group, which is the largest business in the portfolio of The Grosvenor Estate.

'Grosvenor's London estate' is the land in Mayfair and Belgravia managed, and in part owned, by Grosvenor Group Limited.

Q. Grosvenor is not a listed company and is not required to produce a full Annual Report and Accounts of this sort, so why do it?

We have been sharing financial information with our partners for many decades, in line with our belief in a straightforward, transparent approach to business relationships.

We believe that the right question is not "Why disclose?" but "Why not disclose?" So, in April 1999, we introduced our first formal Annual Report and Accounts and it has continued to evolve ever since. In April 2011 we published our first Environment Review, which is also an annual publication. Both are available online at www.grosvenor.com.

Q. What do you mean by 'Living cities'?

'Living cities' is our strapline – a shorthand for conveying what the Grosvenor name stands for in the context of urban property.

'Living cities' has a dual meaning. It suggests successful urban environments – places which are healthy, full of vitality, sustainable, such as those which Grosvenor hopes to help create. It also suggests our approach – that we aim to live, eat and breathe cities, having our fingers on their pulse. These two meanings guide what we do and how we do it.

See more online
www.grosvenor.com

Grosvenor has been involved in the evolution of one particular city – London – since first acquiring 300 acres of land, in what is now Mayfair and Belgravia, in 1677. Over the last 60 years, we have also owned or managed assets in cities around the globe; our current portfolio covers more than 70 urban centres.

In our decision-making about real estate, we draw on our long institutional memory of what makes for success or failure in urban environments, as well as on the know-how of property specialists currently in businesses around the Group. We use this knowledge to create value for ourselves and for the investors who entrust us with their capital.

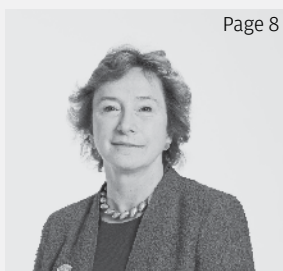
Creating value is not only about profitability; it can also be about legacy. Financial success allows us, and our investor partners, to fund activities whose social, environmental and other benefits may only become evident over the long term.



Full contents
on following page



Page 4



Page 8



Page 22



Page 48



Page 58



Page 68

The Grosvenor story

Front cover flap

- **02 Grosvenor Group Limited**
 - 02 Group structure
 - 04 Group financial highlights
 - 05 Group operational highlights
 - 06 Group strategy: our 'Big Six' priorities
 - 08 Chairman's statement
 - 10 Chief Executive's review
 - 14 Finance Director's report
 - 18 Group Board of Directors
 - 19 Group Executive Committee

- **20 Proprietary activities – direct**
 - 22 Grosvenor Britain & Ireland
 - 36 Grosvenor Americas
 - 48 Grosvenor Asia Pacific

- **56 Proprietary activities – indirect**
 - 58 Indirect investments

- **66 Fund management**
 - 68 Grosvenor Fund Management

82 Ten-year summary

Offices and Glossary

Back cover flap

Interactive PDFs

Annual Report and Accounts 2012
and Environment Review 2012
[www.grosvenor.com/About+Grosvenor/
Report+and+Accounts.htm](http://www.grosvenor.com/About+Grosvenor/Report+and+Accounts.htm)

Living

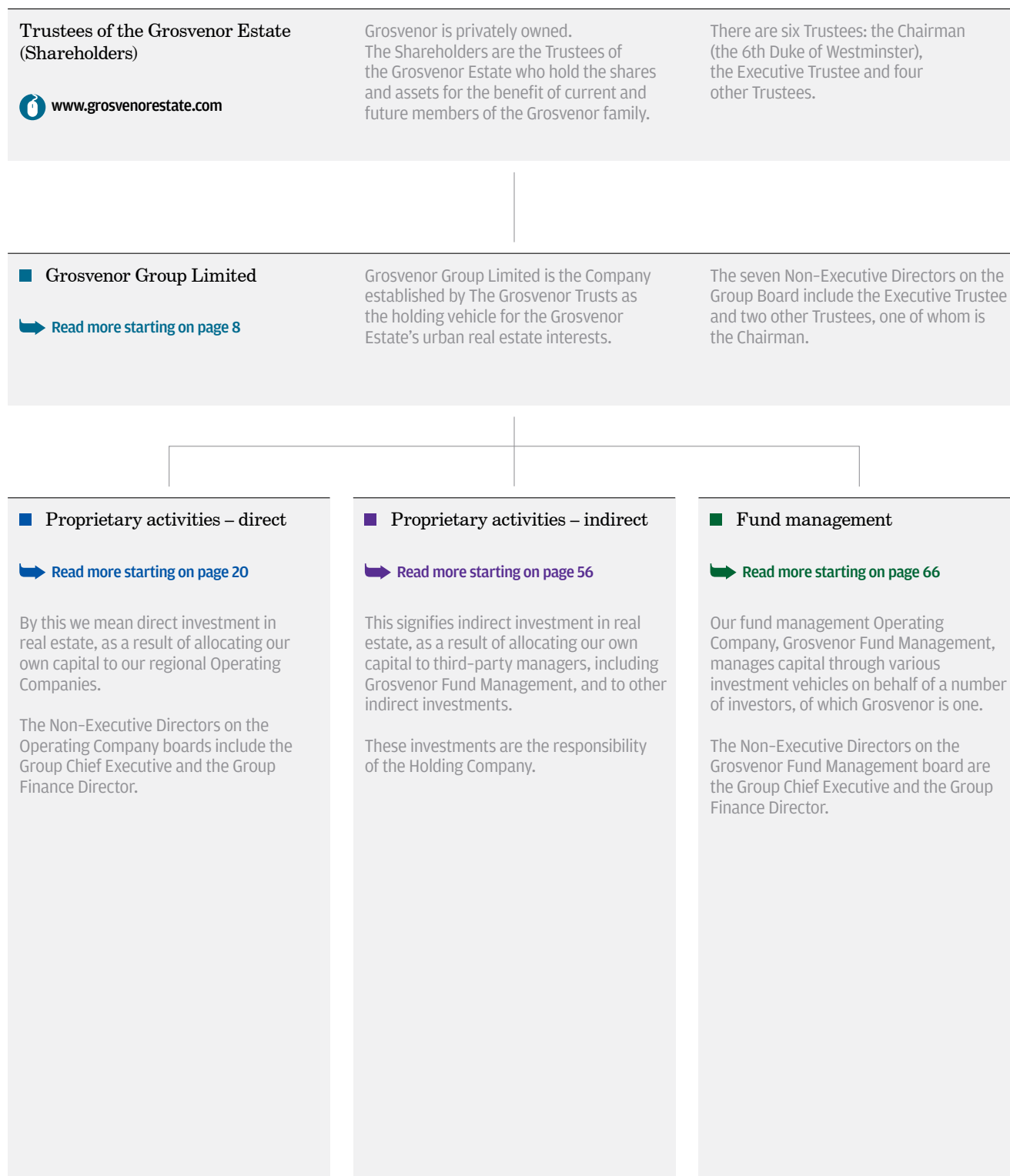
At Grosvenor, we are always trying to improve our understanding of cities and to pinpoint the factors that make them successful.

We use this understanding to determine the allocation of our capital, bearing in mind the financial and business objectives of the Group.

We draw on our history as well as our creativity to find better ways of fostering vitality – and enduring real estate value – in the cities of today and of the future. We want to ensure that our contribution includes architecture, streetscapes and public spaces that future generations will value – places in which people can live happily, work productively and enjoy their leisure time.

In this Annual Report we showcase some of the places with which Grosvenor is associated around the world. We hope you will recognise them as having the qualities we seek to capture with our strapline: ‘Living cities’.

Group structure



Why is a devolved management structure right for Grosvenor?

Mark Preston and Andrew Bibby give their views.



The Group Chief Executive's perspective Mark Preston

There are two reasons, one general and one specific to the property sector.

All organisations have to decide who is accountable for what and to whom, and all benefit from clarity about the devolution of authority. Our governance structure is straightforward: the Trustees of the Grosvenor Estate delegate responsibility for certain areas of activity to the Group, which is accountable accordingly; and the Group does the same with its Operating Companies, who are likewise accountable to it.

Grosvenor's focus is urban property and we believe that decisions about real estate are best made on the ground, by local people who know their markets – not by a head office in London or indeed anywhere else. So we aim to let our Operating Companies get on with the job of making property investment, development and asset management decisions in line with the strategies they have agreed with us. At Group level we concentrate on allocating our capital between them and our indirect investments portfolio, in line with Group strategy, and on providing any shared services that are best run from the centre.

We are careful to nurture a common understanding of our values, our approach to business and the importance of relationships in achieving our objectives.

An Operating Company Chief Executive's perspective Andrew Bibby, Grosvenor Americas

Devolution is about empowering the right people. The Group's delegation of decision-making authority to the Operating Companies, within explicit documented boundaries, is liberating but it also creates a real sense of responsibility on the ground. On most matters, we are our own masters; where we are not, we know precisely where our authority begins and ends.

We have the freedom, within agreed parameters, to make decisions at the local level, which in the world of property – and I include property fund management – is where it counts. This means immersing ourselves in urban planning issues, city governance, socio-economic development, demographics, culture and markets – and talking with clients and partners to identify and respond to challenges and opportunities.

Our governance structure gives us the best of both worlds: we have our areas of independence, but we also belong to something bigger. Each Operating Company has its own character, but we have a lot in common: we share the same values, we all have the benefit of the Group's 300-year history in property, we can all draw on a very practical understanding of how cities work acquired through the generations, and we can share insights from around the Group. That combination is powerful. It gives us credibility in the outside world and it is really important to our staff.

Group financial highlights

Group

Shareholders' funds

£3.1bn

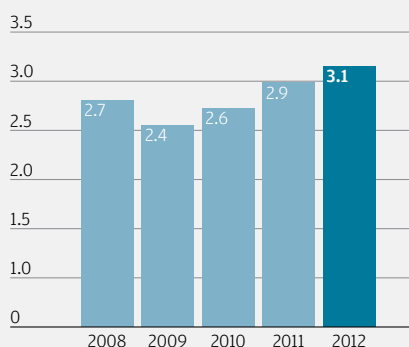
2011: £2.9bn

Why we measure

To report the total value of the Shareholders' investment in the Group.

Comment

Shareholders' funds have continued to rise and now stand at their highest ever level.



Revenue profit

£87.4m

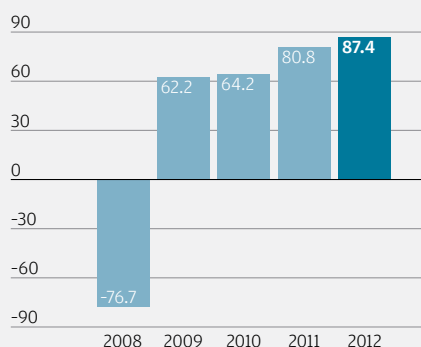
2011: £80.8m

Why we measure

To identify underlying performance, excluding market movements.

Comment

Revenue profit has increased for the fourth successive year. Profit before tax was £354.4m (2011: £315.0m).



Total returns

(including currency movement)

7.2%

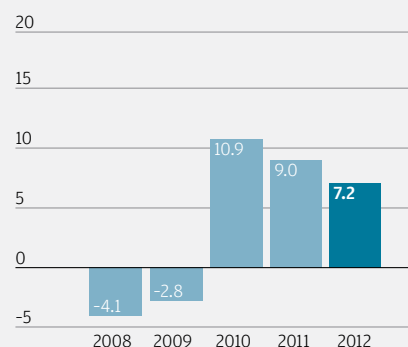
2011: 9.0%

Why we measure

To show how our property portfolio has performed, including both income and capital returns.

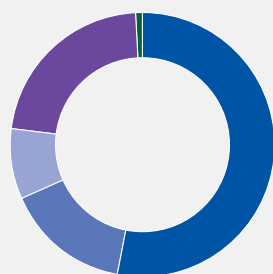
Comment

A strong performance in each of our proprietary operating companies was balanced by challenging conditions in indirect investments.



By Operating Company

Shareholders' funds*

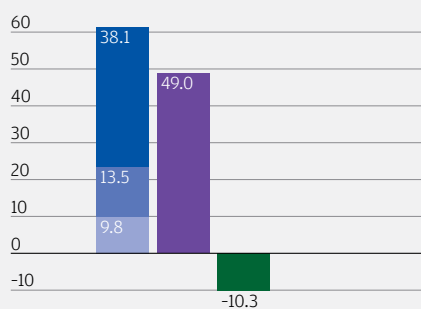


Grosvenor proprietary activities – direct

| | |
|-------------------------------|-----------|
| Grosvenor Britain & Ireland | £1,647.1m |
| Grosvenor Americas | £477.6m |
| Grosvenor Asia Pacific | £268.5m |
| Proprietary assets – indirect | £682.5m |
| Grosvenor Fund Management | £7.1m |

*Excludes the Holding Company.

Revenue profit*



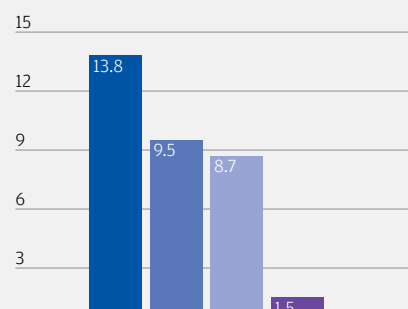
Grosvenor proprietary activities – direct

| | |
|-----------------------------------|----------|
| Grosvenor Britain & Ireland | £38.1m |
| Grosvenor Americas | £13.5m |
| Grosvenor Asia Pacific | £9.8m |
| Proprietary activities – indirect | £49.0m |
| Grosvenor Fund Management | £(10.3)m |

*Excludes the Holding Company.

Total returns*

(excluding currency movement)



Grosvenor proprietary activities – direct

| | |
|-----------------------------------|-------|
| Grosvenor Britain & Ireland | 13.8% |
| Grosvenor Americas | 9.5% |
| Grosvenor Asia Pacific | 8.7% |
| Proprietary activities – indirect | 1.5% |

*Excludes the Holding Company and Grosvenor Fund Management. Total return on property assets is not a relevant measure for Grosvenor Fund Management.

Group operational highlights

 See Glossary on back cover flap for definitions.

 www.grosvenor.com

The environment highlights are taken from the Grosvenor Environment Review 2012 which can be downloaded from our website.

Group

Assets under management

£12.2bn

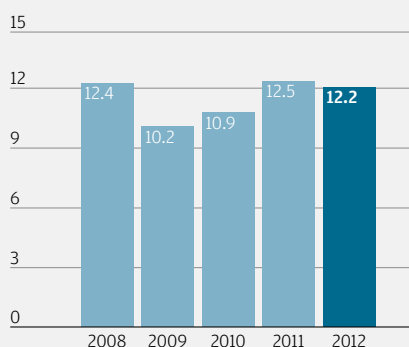
2011: £12.5bn

Why we measure

To monitor the scale of the portfolio of property assets that the Group's management teams are responsible for.

Comment

Increased assets under management in the proprietary Operating Companies were offset by a reduction within Grosvenor Fund Management.



Property assets

£5.8bn

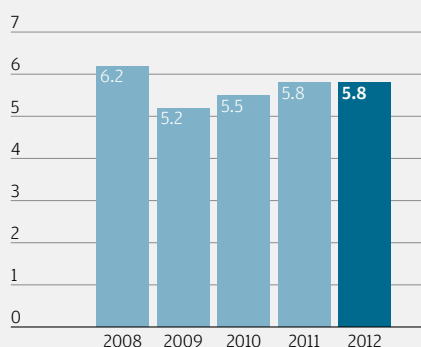
2011: £5.8bn

Why we measure

To quantify the Group's financial investment in property assets.

Comment

Property assets have remained stable with valuation gains being offset by currency movements arising from the relative strengthening of Sterling.



Development exposure

16.7%

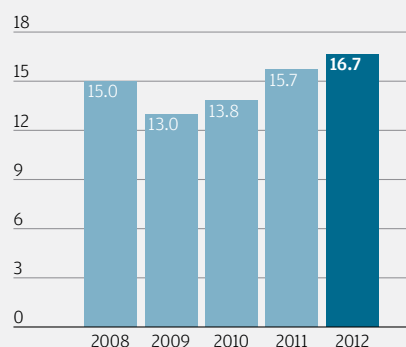
2011: 15.7%

Why we measure

To indicate the level of development activity, expressed as a proportion of total property commitments.

Comment

We continued to increase our development activity to take advantage of new opportunities.



Occupancy

95.1%

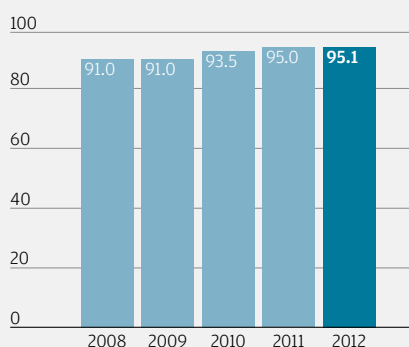
2011: 95.0%

Why we measure

To help us increase revenue profit: maximising occupancy in our buildings is a key driver.

Comment

Despite challenging letting markets, our occupancy levels continued to rise.



Carbon emissions

Like-for-like tons of carbon dioxide emitted (tCO₂e)

39,592 tCO₂e

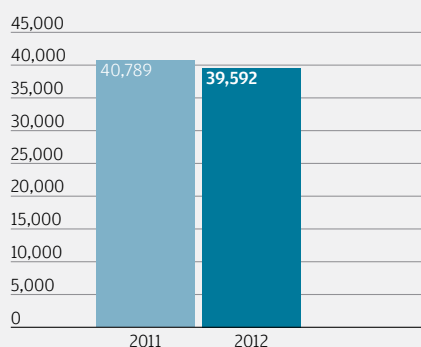
2011: 40,789 tCO₂e

Why we measure

To monitor our carbon footprint so we can identify ways to improve our environmental performance.

Comment

We have reduced carbon emissions across the directly-managed portfolio through improved energy efficiency.



Water consumption

Like-for-like portfolio (m³)

647,287m³

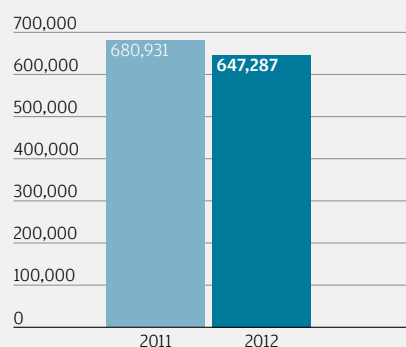
2011: 680,931m³

Why we measure

To assess our water consumption so we can identify ways to improve our environmental performance.

Comment

We have reduced water consumption across our directly-managed portfolio through measures such as using low-flow sanitary ware and improving conservation in landscaped areas.



Group strategy

Our 'Big Six' priorities

1 Optimising capital planning

We will allocate our Shareholders' capital in three ways: first, to each of the three regional businesses which invest directly in property; secondly, to co-investment in Grosvenor Fund Management funds; and thirdly, to investments in other property-related businesses, following a strategy to increase our diversification by geography and sector. We will manage our exposure through the cycle and give more capital to Asia, to benefit from its long-term growth prospects.

What we said we would do in 2012

- Allocate additional capital to Asia.
- Emphasise importance of the China market.
- Maintain a cautious stance with respect to financing and financial capacity.

What we did in 2012

- Increased capital allocation to Asia by £20m.
- Made our first investment in Beijing, a Grade A office building in Chaoyang.
- Increased financial capacity to £865m (2011: £855m).

2 Creating value from proprietary capital

Our aim is to generate total returns from our proprietary capital that are above our weighted average cost of capital and are attractive relative to industry benchmarks. The revenue profit component of these returns is particularly important and we aim to ensure that sustainable income in each Operating Company grows year-on-year.

What we said we would do in 2012

- Increase revenue profit further.
- Make further acquisitions.
- Implement our indirect investment strategy.

What we did in 2012

- Increased revenue profit by 8.2% to £87.4m (2011: £80.8m).
- Acquired assets in Canada, China, England, Hong Kong, Japan and the USA.
- Completed two new third-party managed investments: *zo* Investment LLP and High Street Realty Fund IV.

3 Sustaining our core portfolio in London

Our aim is to ensure that our London estate in Mayfair and Belgravia – the core of our portfolio – is financially sustainable long-term and maintains its pre-eminence as an urban estate. We will achieve this by reinvesting in its fabric so that it has the right mix of properties, community retail and public spaces, and by serving the needs of occupiers and the people who visit for work or pleasure.

What we said we would do in 2012

- Continue reinvestment in our London estate.
- Make further improvements to the public realm.
- Grow income from new rental properties on the London estate.

What we did in 2012

- Reinvested £94.6m in the London estate.
- Improved the public realm around North Audley Street and 50 Grosvenor Hill and began work at Brown Hart Gardens.
- Successfully launched new residential apartments in Mayfair including Carlos Place and Green Street.

4 Creating value from fund management

Our aim is to deliver attractive risk-adjusted returns (relative to agreed benchmarks) and excellent service to clients seeking to invest in property, thus creating value for them through the management of their capital. This activity will generate revenue from fees paid for our services in managing investment vehicles on behalf of those clients.

What we said we would do in 2012

- Build on the momentum in Grosvenor Fund management.
- Focus on creating value for our clients.
- Win new mandates.

What we did in 2012

- Launched an office in Stockholm and combined our UK and Continental European operations into one.
- Created HREI, a joint venture for real estate investment in Greater China.
- Won major mandates in Sweden and France.

5 Investing in our people

Our aim is to recruit the best talent; to ensure that our people understand our brand, its values and ethos; and to invest in developing their skills, experience and careers. In doing so, we not only develop them professionally, personally and financially but also equip them to achieve Grosvenor's business and financial objectives.

What we said we would do in 2012

- Enhance the skills of our people.
- Promote from within wherever possible.
- Invest in career development.

What we did in 2012

- Developed a core curriculum for skills training for managers in Grosvenor Britain & Ireland.
- Appointed two of the individuals who attended the Grosvenor senior leadership course in 2010 to senior leadership positions.
- Hosted a debate for our young business leaders with two other property organisations.

6 'Living cities'

Our understanding of cities and urban design and development is at the heart of Grosvenor. We aim continually to improve this understanding for the benefit of occupiers, investors and other stakeholders. Increasingly, our business strategies and investment and development practices will also respond to Grosvenor's long-term ambition in the creation and management of vibrant, sustainable cities which operate within the world's annually renewable resources.

What we said we would do in 2012

- Improve further the quality and coverage of our environmental data.
- Develop wider sustainability vision and integrate into Operating Company strategic plans.
- Research macro-economic trends which make cities vulnerable.

What we did in 2012

- Increased like-for-like portfolio coverage for carbon by 150% and estimated only 5%, mainly for December 2012's energy invoices.
- Held workshops throughout the Group and developed a sustainability vision reflected in all 2013 strategic plans.
- Reported on the vulnerability of 30 cities to climate change, scarce resources and three other themes.

Chairman's statement



Lesley Knox
Group Chairman

Lesley has been Chairman of the Group since 2011 and Trustee of the Grosvenor Estate for seven years.

What are the Group's main objectives?

“We set business and financial objectives. These are to develop an internationally diversified group invested in urban property and to deliver financial results which meet certain requirements. We also require the Group to protect and enhance Grosvenor's reputation – in particular for social responsibility, but also for long-term trustworthiness.”



Grosvenor photography competition

Lesley Knox launched an internal competition to find the best photograph of a landmark which conveys the personality – the sense of place – of a vibrant city. We show here the 'Living cities' images that took the first, second and third prizes: Putney Bridge, London, by Caroline Pringle; New York City cab, by Albert Bitici; and Pottinger Street, Central Hong Kong, by Sally Yu. Judging was by Bostock and Pollitt, designers of this Report.

Good progress in 2012

In 2012 we made good progress relative to our business and financial objectives, despite the challenges of global and national markets.

As Mark Preston's report makes clear, we continue to address these objectives through the Group's strategy and its 'Big Six' priorities. Highlights included our joint venture for fund management in Asia, which will open up new opportunities in China, and the significant development projects now underway or planned in the USA, Canada and Japan as well as on the London estate, which remains remarkably resilient to economic weakness in the UK. The theme for this year's Report is more obviously illustrative of our focus on 'Living cities' than in previous years, but we feel this is timely: 'Living cities' encapsulates our aspiration for urban places and our own approach to them, and encompasses our desire to tackle environmental concerns together with wider sustainability.

The Group's performance has held up well against the many pressures of 2012. We increased Shareholders' funds to £3.1bn, grew revenue profit to £87.4m and delivered total returns of 7.2% which were consistent with the upper end of our expectations. We would be fortunate to maintain this through 2013 even allowing for some signs of global economic recovery.

Governance matters

Our Board, with seven Non-Executive Directors and two Executive Directors, continues to provide invaluable insight on key business issues as well as the 'sixth sense' of senior practitioners with complementary expertise. Rod Kent, who retires in June, has challenged views at Grosvenor productively for 12 years, his trenchant comments keeping us alert; we are indebted to him. For the first nine years, Rod also chaired the Grosvenor Britain & Ireland board, bringing to it incisive, careful stewardship. Owen Thomas, who joined the Board in 2011, will resign on 31 March 2013 as a consequence of his appointment as Chief Executive of Boston Properties, Inc., a US REIT, in April:

we thank him for his significant contribution during his short tenure and wish him well in his new role. Jeffrey Weingarten, who joins the Board in September, will bring with him experience gained during his investment management career in the UK and the USA and his knowledge of Grosvenor Fund Management.

The same is true of the boards of our Operating Companies, whose Chairmen are appointed by the Group Board. In Grosvenor Asia Pacific we have benefited from Tim Freshwater's guidance since the birth of our Asian Operating Company: he has been hugely supportive of Grosvenor's growth strategy in Asia and his extensive knowledge of business in the region has been invaluable. Keith Kerr succeeds him in July, following a long career in Asia concluding as Chairman and Chief Executive of Swire Properties Ltd.

Grosvenor in the community

Both we and the public increasingly expect standards of behaviour over and above statutory and regulatory requirements.

This document is more explicit than before about our desire to manage our property portfolios in line with our values. We expect and intend to be part of the communities we operate in for the long term and it follows that we expect to 'pull our weight' as employers, owners and managers of the built environment, good citizens and supporters of charitable causes. The Board takes seriously the task of holding the Group to account in these areas, to ensure that we continue to live up to our responsibilities.

Lesley Knox

Group Chairman
14 March 2013

Chief Executive's review



Mark Preston

Group Chief Executive

Mark has held positions in all parts of the Group over the last 23 years. He became Group Chief Executive in 2008.

How does the Group seek to achieve its main objectives?

“We allocate capital carefully between our three distinct areas of business, which each create value and manage risk in complementary ways, and which all share a commitment to our people and to helping create ‘Living cities’. The Group invests directly in property via its regional Operating Companies, indirectly via a centrally-managed team and it manages third-party capital via its international fund management business.”



Multi-family focus in the USA

Grosvenor Americas continues to invest in and develop multi-family housing as a key part of its strategy. Chelsea at Juanita Village (pictured left) in Kirkland, Washington, is one such investment in an apartment community, with 196 units in a village setting with a selection of restaurants, shops and water views.

Grosvenor's share of investment properties, development properties and financial investments in property assets.

The total investment in property assets managed by the Group on behalf of Grosvenor and third-party investors, including the future cost of committed development.

| | Total return % | Property assets | | Assets under management | |
|--|-------------------|-----------------|--------------|-------------------------|--------------|
| | | £m | % | £m | % |
| Proprietary activities – direct | | | | | |
| Britain & Ireland | 13.8 | 2,548 | 43.7 | 4,845 | 39.6 |
| Americas | 9.5 | 803 | 13.8 | 1,349 | 11.0 |
| Asia Pacific | 8.7 | 385 | 6.6 | 676 | 5.5 |
| Proprietary activities – indirect | 1.5 | 2,092 | 35.8 | 1,261 | 10.4 |
| Fund management | N/A | 4 | 0.1 | 4,095 | 33.5 |
| Total | 7.2 | 5,832 | 100.0 | 12,226 | 100.0 |
| Commercial | | 1,804 | 30.9 | 3,320 | 27.2 |
| Retail | | 2,287 | 39.2 | 5,141 | 42.0 |
| Residential | | 1,741 | 29.9 | 3,765 | 30.8 |
| Total | | 5,832 | 100.0 | 12,226 | 100.0 |

Surviving the global financial crisis

Last year I suggested that 2012 would continue to frustrate our search for clarity on the global economic outlook. The cloud of financial, economic and social pressures remains with us and continues to challenge our businesses.

This environment has nevertheless played to Grosvenor's strengths, as the Group's continuing resilience – not least our financial capacity at year end – makes clear. We consider the Group's results to be at the top end of our expectations, with total returns of 7.2% and revenue profit of £87.4m.

Notable successes include: in the UK, a combination of strong returns from our London estate and the fruits of its investment in transformational change; in the Americas, the progress of development projects contributing to stable results; and in Asia Pacific, successful sales of completed residential developments. Our indirect investments portfolio saw mixed results but diversification balanced lows in Continental Europe with highs in Australia and Brazil. Our fund management business saw a loss, largely the consequence of continued investment in growing the business and also planned sales of assets.

How our markets fared

Our prognosis for international real estate markets is crucial to our decision-making; this year's Annual Report includes

commentaries on the trends in each part of the Group which underlie their respective business strategies.

Some themes emerge, notably the impact of e-commerce on global retail markets; the strength of investor demand for 'prime' assets – especially in the residential market in London's West End; the growing trend towards urban renaissance in truly global cities; rapid urbanisation in Asia; and investors' disinclination to commit to illiquid structures anywhere.

We watch such trends closely, guided by our in-house economists and by insights from our professional advisers and the 16 external Non-Executive Directors around the Group.

Sticking to the Group's objectives

How did Grosvenor respond to the external challenges? We stuck to our long-term strategy and made progress in each of our businesses. We maintained our prudent stance with regard to financing and cashflow headroom. We continued to invest in people and infrastructure for the long term while making some efficiency gains by overhauling processes and organisational structures in both the UK and fund management businesses.

The Group's business and financial objectives are to develop an internationally diversified group invested in urban property; deliver financial results which meet our Shareholders'

Chief Executive's review continued

'Real Estate and Globalisation'

In May John Wiley & Co published nearly 100 of our monthly internal property market reports from the last decade, edited by Richard Barkham, Group Research Director, who also contributed a retrospective commentary and some predictions for the future. Richard subsequently spoke at conferences in America, Europe, Asia and Australia about patterns in real estate markets and the lessons for investors in real estate from the global financial crisis.



requirements; while enhancing Grosvenor's reputation for social responsibility and for long-term trustworthiness. I address these below, with commentary on our progress.

Diversifying internationally and delivering financial results

Our strategy requires that we allocate capital appropriately between businesses (hence the first of our 'Big Six' priorities, as detailed on page 6: 'Optimising capital planning').

We invest some of our capital directly into property via our three 'proprietary' operating companies – at 31 December 2012 roughly £2.9bn or 76% of the total allocation. Grosvenor Britain & Ireland, Grosvenor Americas and Grosvenor Asia Pacific invest in and develop commercial and residential property in accordance with locally-set strategies.

We invest further proprietary capital into property through an indirect investments portfolio which we manage centrally – at 31 December 2012 roughly £0.9bn or 24% of the total allocation. This achieves further diversification by co-investing in funds managed by our fund management business, and by investing in other property or property-related companies.

These proprietary investments address the second and third 'Big Six' priorities: 'Creating value from proprietary capital' and 'Sustaining our core portfolio in London'.

The stand-out achievements in our Operating Companies grew our development pipeline. For example: in Grosvenor Britain & Ireland our plans to improve the area around Brown Hart Gardens in North Mayfair, which include a hotel and further public realm works; in Grosvenor Americas our second Drake apartment building in Calgary, which capitalises on a design and marketing model that has proved popular with young buyers; and in Grosvenor Asia Pacific the planned Monterey Court residential development for Jardine's Lookout in Hong Kong. Development exposure grew to 16.7% (2011: 15.7%), reflecting our determination to reinvest to increase future returns.

On the indirect side, our small investments in industrial logistics property have a larger significance, achieving exposure to a 'new' sector. Along with co-investments in funds, we also remain committed to our significant investment in Sonae

Sierra, a pre-eminent European and Brazilian shopping centre developer, owner and manager, whose operational results continue to impress in the face of a difficult retail environment.

Lastly, we have an international business which invests and manages third-party capital. Grosvenor Fund Management creates value by using its expertise in property investment and property management on behalf of its clients and, in so doing, generates revenues from fees. Delivering performance and exceptional service is its priority. Hence the fourth 'Big Six' priority: 'Creating value from fund management'.

We made important progress, in the reach of this business and in the range of its mandates. Our joint venture with Harvest Fund Management, establishing Harvest Real Estate Investments, allows our investor clients to benefit from their in-depth knowledge of China while their clients can access our expertise in international markets. In Europe, Grosvenor Fund Management has made further retail acquisitions in Sweden and gained a new segregated account, acquiring and managing Lyon's main shopping street.

Grosvenor Fund Management decided to close its office in Sydney later in 2013. The Group intends to retain proprietary exposure to the Australian market via its indirect investments strategy.

We announced the next stage in the evolution of the senior management team: in June 2013 James Raynor, who joined the business nine years ago, succeeds Jeffrey Weingarten as Chief Executive; in September Jeffrey joins the Group Board as Non-Executive Director. Jeffrey was the architect of the reorganisation of Grosvenor Fund Management and will be an invaluable addition to the Group Board.

Preserving and enhancing our reputation

Diversification and financial and operational performance, however, do not by themselves set us apart. To meet the objective of preserving and enhancing our reputation for social responsibility, our activities must be conducted for the long-term benefit not only of our shareholders and the investors in our funds, but also of the communities in which we operate.

The Lady Edwina Grosvenor Award

This award, named after the Duke of Westminster's second daughter, is run and funded by The Westminster Foundation and is open to staff from across the Group and the whole of the Grosvenor Estate. It recognises outstanding voluntary charitable work and in 2012 the panel of judges, chaired by Lady Edwina, selected Robin Blacklock, from Grosvenor's Edinburgh office, as the winner. Robin, pictured top left, had raised over £100,000 for Changing Faces and The Sick Kids Foundation, while his EuroChampsChallenge – driving to the grounds of every team that has ever won The Champions League and meeting one of the football players who had helped win the trophy – increased their profile. The £5,000 prize is to be allocated to the winner's chosen charities. Robin shared the prize between the same two charities.



Recently we have emphasised helping to create and manage attractive and vibrant cities through the projects we undertake. This document references the 'Living cities' attributes of what we do – 'Living cities' being another 'Big Six' priority.

We progressed important work in settings such as North Audley Street in London's Mayfair, Barton in Oxford, Ambleside in West Vancouver and Liverpool ONE in North West England. We also broadened our interest in managing our environmental impact to encompass wider issues of sustainability (see our Environment Review at www.grosvenor.com). Our continued focus on environmental improvement has resulted in a decrease in carbon emissions of 3% and water usage of 5% for our like-for-like portfolio.

Over our long history, we have sought to be trusted both for the way we do business, namely by striving to be straightforward in business relationships, and through responsible stewardship of high-quality and well-designed property.

A crucial ingredient in achieving our reputational objective is to attract, keep and develop people who not only have the business qualities we need, but also personify Grosvenor values and identify with the concept of 'Living cities'. Hence our last 'Big Six' priority: 'Investing in our people'.

We continued to improve skills training by developing a core curriculum, promoted people from our group of younger managers with exceptional potential into more senior roles, and provided new opportunities for our leaders of the future to discuss wider business issues with their peers.

People throughout Grosvenor appreciate our support when they devote time to community activities or help charities with their fundraising, and through philanthropic activity and donations to The Westminster Foundation. We say more about this in the Operating Company reviews and in the Accounts.

Market outlook

In spite of the poor visibility I referred to in my opening remarks, I believe the global economic environment is more likely to improve than deteriorate. Its fiscal challenges are worrying but housing starts and employment trends give reason for optimism in the Americas where we have plans and capital in place to invest and develop in the more vibrant cities. With fears of a Eurozone breakup receding, investor interest is returning to the more prosperous Continental European cities and de-leveraging is underway slowly. The recovery in capital values that should cautiously follow will benefit both Sonae Sierra and our funds active there. Asian economies remain a driving force and our commitment there is based on the favourable long-term trends in China particularly. While we remain convinced of London's strengths long-term, the sustainability of current rates of growth in values of prime property is much less certain.

Grosvenor's future

In 2008, our capital was invested through five proprietary Operating Companies, each of which allocated a small proportion to funds managed by Grosvenor Fund Management.

Since then, we have introduced distinct strategies for direct and indirect investments, and have focused the former on three proprietary businesses while centralising our investment in funds as part of our indirect investment activities. Adherence to our strategy will deliver further diversification, continued growth of revenue profit and consistent returns in the long term.

This approach will make us less vulnerable to volatility and more able to meet our financial and business objectives, while ensuring we continue to preserve and enhance our reputation from generation to generation.

I enjoy working with the 525 people around the business to achieve this: it is their endeavours that make it all possible, for which I – and my fellow Directors on boards throughout the Group – remain profoundly grateful.

Mark Preston

Group Chief Executive
14 March 2013

Finance Director's report



Nicholas Scarles
Group Finance Director

Nick has been with Grosvenor since 2004. He became Group Finance Director in 2006.

How does the Group, with its devolved structure, manage its treasury function?

“Managing a loan portfolio of several billion pounds – with multiple facilities, lenders and currencies – requires a blend of treasury expertise and co-ordination, managed by our co-ordinated treasury function, and local commercial understanding and execution, managed by our local finance teams; all delivered under our relationship-based approach.”



Grosvenor finance conference

In 2012, Grosvenor held its first conference for managers in the finance team worldwide. Effie Huang (pictured in top left photo, second from left), Assistant Finance Manager for Grosvenor Asia Pacific, commented: "It is really hard to list everything I learned, but I have started considering the greater meaning of my work – the vision shared with others which will help us add value. I, and other junior staff, may be just a small dot in a big picture, but without us the picture would be less complete and not as beautiful as it could be. So now I feel that everyone is important in the Group, no matter how large or small a dot they are."

Performance

2012 was another record year of revenue profit, which increased 8.2% to £87.4m (2011: £80.8m). Profit before tax increased 12.5% to £354.4m (2011: £315.0m) and total return, reflecting the impact of revaluations around the internationally diverse portfolio, was 7.2% (2011: 9.0%). At 31 December 2012 Shareholders' funds increased 7.8% to £3.1bn (2011: £2.9bn) and now stand at their highest ever level.

Earnings

Within revenue profit, which is Grosvenor's measure of operational performance and includes Grosvenor's share of joint ventures, gross rents were maintained at £309.1m (2011: £309.2m) despite the challenging economic conditions. Fees and other income increased 4.0% to £57.0m (2011: £54.8m): a decline in Grosvenor Fund Management fees due to the expiry of funds and separate accounts was balanced by an increase in development fees upon the completion of developments on the London estate. Net financing costs were flat at £81.2m (2011: £81.0m).

Overheads reduced for the third successive year, by 2.8% to £117.1m (2011: £120.5m), reflecting the continued focus on managing costs across the Group's businesses.

Of the proprietary businesses, Grosvenor Britain & Ireland delivered the largest increase in revenue profit, up 132% to £38.1m (2011: £16.4m) due to increases in development fees and trading profits. Grosvenor Americas increased its revenue profit by 5.5% to £13.5m (2011: £12.8m), while Grosvenor Asia Pacific's fell to £9.8m (2011: £12.4m) due to the majority of profits on The Westminster Terrace development being taken in 2011.

In the indirect investments portfolio, revenue profit declined to £49.0m (2011: £59.1m), due to a loss on the sale of the Omega office park in Spain. Sonae Sierra continued to perform well operationally in difficult markets, although provisions made against development projects reduced profits in 2012.

Grosvenor Fund Management experienced a revenue loss of £10.3m (2011: £1.6m loss), due to planned investment in the business and reduced assets under management reflecting sales

of assets as a number of funds approached the end of their life cycles.

Total return

For the third year running Grosvenor Britain & Ireland delivered the highest total return at 13.8% (2011: 16.2%), reflecting the buoyant London West End market as well as improved operational performance largely resulting from their 'Fast Forward' operational review. Grosvenor Americas' total return was 9.5% (2011: 8.9%) and Grosvenor Asia's was 8.7% (2011: 8.0%).

The return from our indirect investments portfolio fell to 1.5% (2011: 3.0%). This comprised 1.0% (2011: 3.0%) from co-investments in funds managed by Grosvenor Fund Management, 0.5% (2011: 2.9%) from Sonae Sierra, reflecting a blend of negative revaluations in Continental Europe offset by positive revaluations in Brazil, and 1.5% (2011: 3.0%) from Grosvenor's other assets in Australia, France and Spain.

Taxation

The Group operates under a long-established tax policy, approved by the Trustees and Group Board, which reflects the Group's responsibilities to the communities in which we invest.

The 2012 tax charge equates to an effective rate of 24.3%, before the adjustment caused by a reduction in the future rate of UK corporation tax. This reduction is required by accounting standards to be applied to the notional tax (deferred tax) which it is assumed would be paid if all Grosvenor's assets were to be sold at market value. Since Grosvenor's financial statements have previously been required to provide for this deferred tax at a higher rate, the full effect of the rate change on this notional tax is required to be credited to the income statement. The actual tax Grosvenor pays is unaffected by this accounting adjustment.

Operational activity

Grosvenor's assets under management have reduced slightly to £12.2bn (2011: £12.5bn), due the reductions in Grosvenor Fund Management's funds under management, although these reductions were largely offset by valuation increases.

Finance Director's report continued



Treasury team

Our co-ordinated treasury function includes two treasury experts (David Peters and Karen Toh pictured left with Nicholas Scarles) to provide expert advice to our Operating Company finance teams as they implement their local debt strategies and arrange local financings – blending professional expertise and local relationships.

Grosvenor's share of property assets has remained stable at £5.8bn (2011: £5.8bn), reflecting revaluations of £292m, disposals of £477m, acquisitions of £386m and currency falls of £132m.

Portfolio allocation

Grosvenor's diversification objectives are most apparent in the allocation of capital between the proprietary Operating Companies and indirect investment activity. This allocation is determined to deliver a portfolio of investments in regions and cities which are expected to deliver above-average returns over the medium term. Once equity is allocated, the local executive team are empowered to make the best property decisions that only those with local knowledge of their markets can be expected to deliver.

The geographical spread of Grosvenor's economic interests in real estate is shown in the table on page 17. The principal changes since 2011 reflect the relative valuation gains in the UK, North America and Hong Kong compared with declining values in most of Continental Europe. Significant transactions affecting the geographical spread were the sales in UK retail funds, Sonae Sierra assets in Germany and indirect investments in Sydney.

Financial objectives

Part of Grosvenor's financial objective is to deliver, over the long term, financial returns which meet our Shareholders' requirements, and progress against this is outlined in this Annual Report. Unusually amongst international real estate companies, another part of Grosvenor's financial objective is to ensure a level of overall operational risk, an approach to debt and sufficient liquidity which collectively ensure Grosvenor's survival. Ensuring longevity over the long term means embedding the ability to navigate through market and financial crises without significant impairment of value or operating ability.

Operational improvements are covered in the section below. Grosvenor's approach to debt focuses on economic gearing, devolved Operating Company responsibility and diversification of debt and lenders.

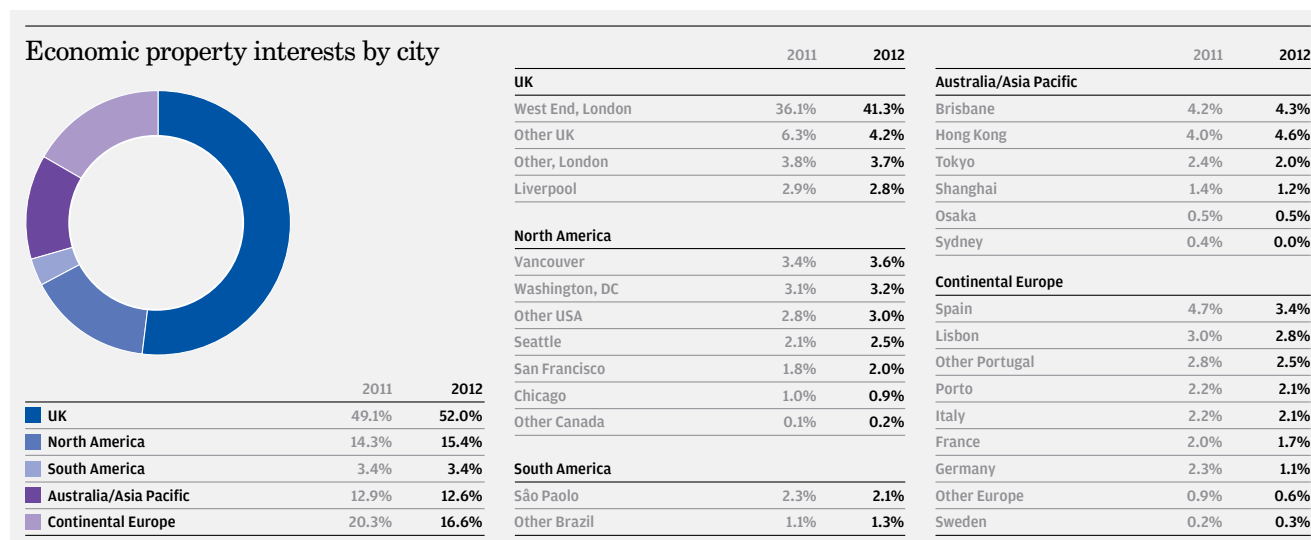
Each Operating Company conducts business within economic gearing limits set by the Group which reflect the Group's attitude to risk in the business within a desire to avoid aggregate over-gearing. At a Group level economic gearing decreased to 43.0% (2011: 51.2%), resulting in Grosvenor's resilience – the extent to which all real estate markets must fall at the same time before Grosvenor Holding Company covenants might be a concern – increasing to 61.2%, well beyond our self-imposed margin of safety.

An important element of Grosvenor's devolved structure is that each executive team, board and business is responsible for its own balance sheet and should not rely upon the rest of the Group. Each Operating Company, joint venture, fund and investment in principle should only borrow debt which it can service and repay through its own resources. Consequently there are no Grosvenor Holding Company guarantees of Operating Company, joint venture or fund borrowings, and no cross-Operating Company guarantees of this kind either.

A diversification approach is applied to the duration and type of debt and the nature of lender, while flexibility is retained to take advantage of debt market opportunities. To this end, and following Grosvenor Britain & Ireland's successful US private placement in 2011, a further placement was made in 2012, raising £90m of debt for terms of 10 and 25 years, at rates of 3.38% and 4.97% respectively. As a result of these debt issues and other debt market activity, over the last two years the weighted average duration of Grosvenor's wholly-owned debt increased from 6.1 years to 7.7 years. In addition, recognising that following the global financial crisis and subsequent changes in regulation, banks are unlikely, in the future, to be such active lenders to the real estate sector, in the last two years Grosvenor has increased the proportion of its wholly-owned debt raised in capital markets from 28% to 40%.

Grosvenor's approach to ensuring liquidity centres on both financial capacity and stressed cash flow forecasts.

Financial capacity – the amount of spare cash and undrawn, committed, general-use facilities which are immediately available – is targeted at a level designed to manage a further



downturn and then take advantage of the opportunities which only arise in such circumstances. Financial capacity at 31 December 2012 was £865m (2011: £855m); more than sufficient to meet our objectives.

Each Operating Company is required to meet stringent stressed cash flow conditions which ensure they can survive, using committed resources, at least two years of extremely stressed markets. When aggregated, and Grosvenor Holding Company backup facilities are taken into account, the Group is confident of its liquidity over the near term.

Collectively, these measures provide comfort that Grosvenor's future is assured irrespective of market conditions.

Operational improvements

The increasing professionalisation of the functions which support our core property expertise has continued. A second professional treasurer has joined our co-ordinated treasury function, which now acts as the treasury for all of our UK operations, including the Grosvenor Holding Company, while maintaining its co-ordination and advisory role for Grosvenor's operations elsewhere. Our legal team now comprises four qualified lawyers and is responsible for all of Grosvenor's UK legal matters and for legal governance elsewhere. The IT shared-service team is now responsible for all IT-related matters within Grosvenor. These support functions, once purely advisers, are becoming deciders within their area of expertise.

Within the Operating Companies, Grosvenor Fund Management's decision to combine its UK and Continental European operations will bring improved efficiency. Grosvenor Britain & Ireland entered the final stage of its 'Fast Forward' programme. Elsewhere, the closure of our Sydney office will further reduce overheads, while allowing Grosvenor to maintain an equity interest in Australia through indirect investments.

Looking back over the last five years, the rationalisation of the then five proprietary Operating Companies into three has improved Grosvenor's structural efficiency. The professionalisation of support functions has enabled a more sophisticated approach in specialist areas, while systems changes are ensuring that information is delivered more efficiently to those who can make

best use of it. In summary: we now operate more efficiently, have more specialist individuals and are armed with more relevant information.

Eurozone

Most of Grosvenor's equity investment in the Eurozone is through Sonae Sierra SGPS, the Portugal-headquartered shopping centre developer, owner and manager, in which Grosvenor has joint control and a 38.75% economic interest. Despite all the challenges of southern Europe, the team at Sonae Sierra continue to deliver solid operating results. Nevertheless, retail takings and valuations have fallen, and with no comparable transactions in Spain and Portugal for two years, there is significant valuation uncertainty. In reaching a conclusion on the value of Grosvenor's investment in that company, we have considered both our strategy as a long-term investor and other relevant factors, including the continued strong operating results, the balance between stronger Brazilian and German markets and weaker Romanian and Iberian markets, improving investor sentiment and interest in Iberian property investment and the particular strength of several large dominant assets in Portugal which are not representative of the Portuguese shopping centre sector.

While the challenges in parts of Europe create uncertainty, for Grosvenor the potential to invest with an experienced management team who understand these markets continues to present an attractive medium-term opportunity.

Conclusion

Grosvenor continues to deliver consistent results through a financially flexible, yet prudently constrained, structure. Grosvenor's ample, protective and empowering financial capacity, diversified portfolio and increasing professional expertise, ensure our property experts can do what they do best – operate as locals, applying their property skills to improve communities and deliver a good return for investors.

Nicholas Scarles

Group Finance Director
14 March 2013

Grosvenor Group

Board of Directors

As at 14 March 2013

Non-Executive Directors

01. Lesley Knox

Position Chairman

Appointed to the Board 2010

Experience Lesley is a Trustee of The Grosvenor Estate and a Director of both SABMiller plc and Centrica Plc. She qualified as a solicitor and then spent 15 years with Kleinwort Benson (1981-1996), first as a Corporate Finance Director and then as Chief Executive of the institutional asset management business. She moved to the British Linen Bank (1997-1999), latterly as Governor, and then was a founder Director of British Linen Advisers (2000-2003). She has held a variety of non-executive directorships with international and British corporates. She is currently involved with a number of charitable and arts organisations and is the Chairman of the V&A at Dundee.

02. Rod Kent

Appointed to the Board 2000

Experience Rod is currently Chairman of Caledonia Investments plc and Chairman of the Trustees of the Calthorpe Estates. Most of his career was spent with Close Brothers Group plc, where he was Managing Director from 1975-2002, then Non-Executive Director and latterly Chairman until 2008. Over the last 20 years, Rod has served as Non-Executive Director on various boards and has been Chairman of the M&G and Bradford & Bingley boards and the BT Pension Scheme. He has also been a Trustee of both the Esmée Fairbairn and Wellcome Trust charitable trusts.

03. Michael McLintock

Appointed to the Board 2012

Experience Michael is a Trustee of the Grosvenor Estate and Chief Executive of M&G. He joined M&G in 1992 as personal assistant to the then Chief Executive and later became Head of the Institutional and International Desks. He was appointed Chief Executive in 1997 and oversaw the sale of M&G to Prudential in 1999; he joined the board of Prudential in September 2000. Michael was a Non-Executive Director of Close Brothers Group from 2001-2008. Since October 2005 he has been a member of the Finance Committee of the MCC. Before moving to Barings as a corporate financier in 1987, he joined Morgan Grenfell in 1983, where he worked in investment management and corporate finance.

04. Alasdair Morrison

Appointed to the Board 2004

Experience Alasdair is a Senior Advisor to Citigroup Asia Pacific, a member of the HKSAR Financial Services Development Council, and an Independent Non-Executive Director of MTR Corporation Ltd and Pacific Basin Shipping Limited. From 2000-2007, he was Chairman of Morgan Stanley Asia, based in Hong Kong. From 2002 to February 2006, he was concurrently Chairman and Chief Executive Officer of Morgan Stanley Asia. 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 1994-2000.

05. Jeremy Newsum FRICS

Appointed to the Board 1989

Experience Jeremy is Executive Trustee of the Grosvenor Estate. He was Group Chief Executive from 1989-2008. He is a member of the Council of Imperial College, a member of Cambridge University's Syndicate for the West and North West Cambridge Estates, a Director of Grupo Lar and an Adviser to the Al Futtain Group. Past appointments include Chairman of the Urban Land Institute (2009-2011), President of the British Property Federation (2001-2002) and Director, TR Investment Property Trust (2000-2007).

06. Domenico Siniscalco Ph.D

Appointed to the Board 2008

Experience Domenico is Vice Chairman, Country Head of Italy, and Head of Government Coverage EMEA for Morgan Stanley. He is also Chairman of Assogestioni (association of Italian asset managers). From 2001-2005, he served in the Italian government as Director General of the Treasury and then Minister of Economy and Finance. He has been Professor of Economics at Torino University since 1990 and has a Ph.D in Economics from Cambridge University.

07. Owen Thomas

Appointed to the Board 2011

Experience Owen is a Chairman of Lehman Brothers Holdings and a former Managing Director and Management Committee member of Morgan Stanley. He was CEO of Morgan Stanley Asia, President of Morgan Stanley Investment Management, Chairman and CEO of Morgan Stanley Real Estate and Chairman of Mitsubishi Morgan Stanley Securities. He is a Director of the University of Virginia Investment Management Company, a Trustee of the Urban Land Institute and the former Chairman of the Pension Real Estate Association.

Executive Directors

08. Mark Preston MRICS

Position Group Chief Executive

Appointed to the Board 2006

Experience Mark joined Grosvenor in the UK in 1989. Seconded to Hong Kong in 1995, he returned to lead Grosvenor's fund management operations in 1997, spent four years in San Francisco from 2002, became Chief Executive of Grosvenor Britain & Ireland in 2006 and Group Chief Executive in 2008. Mark currently holds two Non-Executive Directorships on the boards of Persimmon Plc and Sonae Sierra SGPS. He is a Trustee of The Westminster Foundation and also a member of the Board of The Association of Foreign Investors in Real Estate, the ULI Greenprint Advisory Board and the (University of) Cambridge Land Economy Advisory Board.

09. Nicholas Scarles FCA ATTORNEY AT LAW

Position Group Finance Director

Appointed to the Board 2006

Experience Nicholas joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse and Coopers and Lybrand in London, New York and Toronto. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company and a Non-Executive Director of Sonae Sierra SGPS.

01



02



03



04



05



06



07



08



09



Grosvenor Group

Executive Committee

As at 14 March 2013

01. Mark Preston MRICS

Position Chairman, Executive Committee and Group Chief Executive

Experience Mark joined Grosvenor in the UK in 1989. Seconded to Hong Kong in 1995, he returned to lead Grosvenor's fund management operations in 1997, spent four years in San Francisco from 2002, became Chief Executive of Grosvenor Britain & Ireland in 2006 and Group Chief Executive in 2008. Mark currently holds two Non-Executive Directorships on the boards of Persimmon Plc and Sonae Sierra SGPS. He is a Trustee of The Westminster Foundation and also a member of the Board of The Association of Foreign Investors in Real Estate, the ULI Greenprint Advisory Board and the (University of) Cambridge Land Economy Advisory Board.

02. Nicholas Scarles FCA ATTORNEY AT LAW

Position Group Finance Director

Experience Nicholas joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse and Coopers and Lybrand in London, New York and Toronto. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company and a Non-Executive Director of Sonae Sierra SGPS.

03. Andrew Bibby

Position Chief Executive, Grosvenor Americas

Experience Andrew joined Grosvenor in 1984 and became Chief Executive of Grosvenor Americas in 2009. During this time, he has been involved with the acquisition, development and management of all property types and has worked in Vancouver, Calgary and San Francisco. He is currently a Director of Canadian Western Bank, has served as a past Director of the Real Property Association of Canada and is a former member of the Sauder Business School advisory board.

04. Nicholas Loup

Position Chief Executive, Grosvenor Asia Pacific

Experience Nicholas established the operation in Asia Pacific in 1994. He is a General Committee member of the British Chamber of Commerce and a Director of the Spinal Cord Injury Fund. He is also Chairman of ANREV, of which he is a founder member, and a member of the World Economic Forum's Fiscal Sustainability Global Agenda Council.

05. Peter Vernon FRICS

Position Chief Executive, Grosvenor Britain & Ireland

Experience Peter joined Grosvenor in 2005 and became Chief Executive of Grosvenor Britain & Ireland in 2008. He is a member of the Royal & Sun Alliance London Regional Board and the Board of London First. Previously he was a Partner at IBM Business Consulting Services and PricewaterhouseCoopers.

06. Jeffrey Weingarten

Position Chief Executive, Grosvenor Fund Management

Experience Jeffrey began his career as a Securities Analyst in 1970. In 1977, he joined the research division at Goldman Sachs & Co in New York, becoming Director of Research in London in 1987 and General Partner of Goldman Sachs & Co in 1990. From 1991-1995 Jeffrey was the Chief Investment Officer and Managing Director of Goldman Sachs Asset Management International, before returning to International Equity Research as Global Strategist. From 1998-2008, Jeffrey was General Partner and Chief Investment Officer of Buttonwood Capital Partners.

01



02



03



04



05

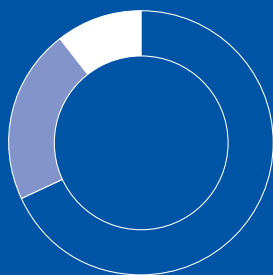


06



Proprietary activities – direct

Property assets by Operating Company
Total £3,736.3m



| | | | |
|-----------------------------|------|-----------|-------|
| Grosvenor Britain & Ireland | 2012 | £2,548.5m | 68.2% |
| | 2011 | £2,283.3m | |
| Grosvenor Americas | 2012 | £803.3m | 21.5% |
| | 2011 | £744.8m | |
| Grosvenor Asia Pacific | 2012 | £384.5m | 10.3% |
| | 2011 | £385.3m | |

Grosvenor's *direct* proprietary investment in property encompasses Europe, North America and Asia where we have 241, 66 and 62 people respectively.

We have been managing land in Mayfair and Belgravia since 1677 and from a dedicated London office since 1836. For the past 40 years we have also had assets elsewhere in the UK – hence our office in Edinburgh, opened in 1987.

North America was the location of Grosvenor's first international projects: we have been active here for 60 years. We have had an office in Vancouver since 1953, in San Francisco since 1977, in Washington, DC since 1988 and in Calgary – with one small gap – since 1997.

Our knowledge of the Asia Pacific market stretches back nearly 20 years and we have had offices in Hong Kong since 1994, in Tokyo since 2001, in Shanghai since 2004 and in Beijing since 2010.

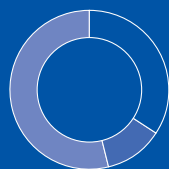
Grosvenor Britain & Ireland

Total £2,548.5m

 Grosvenor Britain & Ireland
page 22

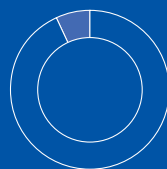
Grosvenor's share
of property assets

Sector



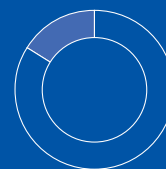
| | | | | | |
|-------------|------|-----------|------|-----------|-------|
| Office | 2012 | £871.2m | 2011 | £690.6m | 34.2% |
| Retail | 2012 | £308.4m | 2011 | £304.5m | 12.1% |
| Residential | 2012 | £1,368.9m | 2011 | £1,288.2m | 53.7% |

Region



| | | | | | |
|-----------------|------|-----------|------|-----------|-------|
| London West End | 2012 | £2,374.4m | 2011 | £2,095.9m | 93.2% |
| Outside London | 2012 | £174.1m | 2011 | £187.4m | 6.8% |


Activity



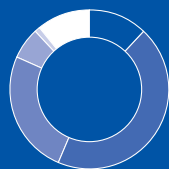
| | | | | | |
|-------------|------|-----------|------|-----------|-------|
| Investment | 2012 | £2,142.0m | 2011 | £1,913.3m | 84.0% |
| Development | 2012 | £406.5m | 2011 | £370.0m | 16.0% |

Grosvenor Americas

Total £803.3m

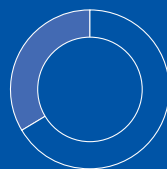
 Grosvenor Americas
page 36

Sector



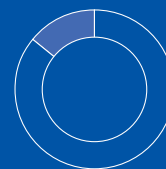
| | | | | | |
|-------------|------|---------|------|---------|-------|
| Office | 2012 | £97.9m | 2011 | £101.7m | 12.2% |
| Retail | 2012 | £355.1m | 2011 | £360.9m | 44.2% |
| Residential | 2012 | £203.6m | 2011 | £153.6m | 25.4% |
| Mixed-use | 2012 | £50.7m | 2011 | £35.0m | 6.3% |
| Hotel | 2012 | £10.5m | 2011 | £10.0m | 1.3% |
| Industrial | 2012 | £85.5m | 2011 | £83.6m | 10.6% |

Region



| | | | | | |
|--------|------|---------|------|---------|-------|
| USA | 2012 | £534.1m | 2011 | £502.5m | 66.5% |
| Canada | 2012 | £269.2m | 2011 | £242.3m | 33.5% |


Activity



| | | | | | |
|-------------|------|---------|------|---------|-------|
| Investment | 2012 | £691.6m | 2011 | £682.6m | 86.1% |
| Development | 2012 | £111.7m | 2011 | £62.2m | 13.9% |

Grosvenor Asia Pacific

Total £384.5m

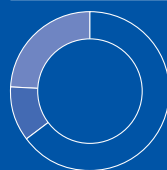
 Grosvenor Asia Pacific
page 48

Sector



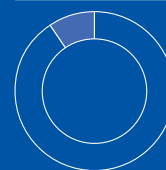
| | | | | | |
|-------------|------|---------|------|---------|-------|
| Office | 2012 | £238.0m | 2011 | £249.2m | 61.9% |
| Retail | 2012 | £24.9m | 2011 | £28.9m | 6.5% |
| Residential | 2012 | £121.6m | 2011 | £107.2m | 31.6% |

Region



| | | | | | |
|-----------|------|---------|------|---------|-------|
| Hong Kong | 2012 | £249.5m | 2011 | £222.8m | 64.9% |
| China | 2012 | £43.0m | 2011 | £54.5m | 11.2% |
| Japan | 2012 | £92.0m | 2011 | £108.0m | 23.9% |

Activity



| | | | | | |
|-------------|------|---------|------|---------|-------|
| Investment | 2012 | £349.0m | 2011 | £359.6m | 90.8% |
| Development | 2012 | £35.5m | 2011 | £25.7m | 9.2% |

Grosvenor Britain & Ireland

Peter Vernon Chief Executive

Peter joined Grosvenor in 2005 following a career in management consultancy.



What are you trying to achieve at Grosvenor Britain & Ireland?

“We are on a mission to create inspiring places that help to improve people’s quality of life in London and elsewhere. By doing so we satisfy our customers, our Shareholders and the wider community.”

Business objective

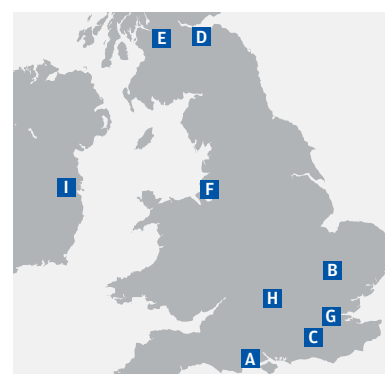
Our objective is to create value through our skills in placemaking and design, repositioning locations in ways that change customer perceptions and deliver outperformance for our Shareholders and co-investors.

Number of assets by city*

| | | |
|----------------|-------------|-------|
| Britain | | |
| A | Bournemouth | 1 |
| B | Cambridge | 3 |
| C | Crawley | 1 |
| D | Edinburgh | 108 |
| E | Glasgow | 81 |
| F | Liverpool | 5 |
| G | London | 1,480 |
| H | Oxford | 1 |

| | | |
|----------------|--------|---|
| Ireland | | |
| I | Dublin | 2 |

*Some assets we hold directly; others we manage on behalf of the Grosvenor Trusts.



What we said we would do in 2012

What we did in 2012

| | |
|--|---|
| ■ Increase revenue profit. | ■ Increased revenue profit from £16.4m to £38.1m. |
| ■ Improve income generation through new products and greater efficiency in our processes. | ■ Improved income by £5m. |
| ■ Identify new value-adding opportunities to increase our total return. | ■ Contributed 2.5% (£63m) to our total return through value-add activities. |
| ■ Secure future profit growth by building our development pipeline on and off the London estate. | ■ Increased development under construction to 89,000m ² (gross development value £1.2bn), with a further 30,000m ² (gross development value £912m) in the pipeline. |

2012 summary

Revenue profit

£38.1m

2011: £16.4m

Total return


13.8%

2011: 16.2%

Assets under management

£4.8bn

2011: £4.2bn



Grosvenor Square
London, United Kingdom
The second largest square
in London, Grosvenor
Square sits at the heart
of our Mayfair estate.

Community spirit

We actively manage the 300 acres of Mayfair and Belgravia that we call our London estate, and our focus on customer needs has helped ensure its continuing pre-eminence. In our role as stewards of the estate, we work hard not only to improve the experience of living, working and relaxing there, but also to maintain a sense of community for residents, businesses and visitors alike. The public spaces and retail streets are key to this: they are as important as the buildings themselves and offer coveted ‘community space’.

We work closely with local communities to make the most of these spaces, supporting local street parties, cultural events in the squares and gardens and taking part in the London Garden Squares weekend. Grosvenor Square – the second largest garden square in London – is a particularly significant space, situated amidst Mayfair’s leading retail streets. It remains the peaceful heart of the neighbourhood and helps ensure that the area still feels accessible to all.

Summer 2012 events on our London estate

2012 was a momentous year for London: it was the stage for Her Majesty The Queen’s Diamond Jubilee, and for the Olympic Games and the Paralympics. These events evoked a remarkable community spirit across the UK and our London estate was no exception.

Opposite:

Attendees enjoy one of the many live performances at ‘Summer in the Square’ – a programme of events in Grosvenor Square to entertain local people and visitors alike during the 2012 Olympics.

To celebrate the Jubilee, our Belgravia retail streets – Motcomb Street, Pimlico Road and Elizabeth Street – put on a packed programme of performances, activities and street parties during the first weekend in June.

Coinciding with the Olympics, Grosvenor also celebrated 2012 by hosting ‘Summer in the Square’ – a two-week programme of free cultural performances, games and children’s entertainment – in Grosvenor Square in July and August. The event, staffed by Grosvenor volunteers, gave the local community and visitors an ‘urban retreat’ amidst the hustle and bustle of London’s West End.

“Collaboration with the local community is a vital part of what we do on our London estate. This will continue as we work with residents, businesses and other stakeholders to establish new ‘neighbourhood forums’ and to maintain a cohesive community for the long term.”

Giles Clarke Executive Director,
London estate





Grosvenor Britain & Ireland continued

Mayfair, London

Individual development projects on North Audley Street, Duke Street, Brown Hart Gardens and Mount Street are designed, collectively, to create a ‘better Mayfair’ on our London estate.



Reaping the benefits

2012 was an encouraging year, despite an anaemic UK economy. Total return for the year reflects strong growth in the value of Central London real estate. More important are the enduring gains achieved from active management and more efficient operations. We completed our three-year ‘Fast Forward’ programme, a root and branch upgrade of the way we work (see page 30). This had a very positive impact on our 2012 revenue profit and indeed has brought recurring gains each year since it started. In addition, active management of the portfolio contributed 2.5% (£63m) to our total return this year.

We deployed more of our financial capacity, investing £176m in new assets and development projects to create future revenue streams. During the year we started on site with 23,000m² of new projects, with a further 30,000m² in the pipeline. Our trading projects have done well, despite the slow market, with sales at £119m, roughly triple that of two years ago, enabling us to recycle capital into new investments. Taking advantage of favourable market conditions, we raised £90m through an issue of long-term unsecured loan notes to provide additional funding for investment in our London estate.

Assets under management grew to £4.8bn, while total return decreased to 13.8%.

Grosvenor’s London strategy

We have chosen to deploy much of our capital – 90% by portfolio value – in the 300 acres of Mayfair and Belgravia, unique estates in London’s West End. These urban neighbourhoods retain their vibrancy and appeal through a mix of owner-occupied homes, rental properties and social housing, as well as office, retail and amenity buildings. They are home to a diverse and thriving community – as was evident during the Jubilee and Olympics celebrations of 2012 (see pages 23 to 25).

The West End has remained resilient in the current economic climate and our own occupancy levels have remained high at 97.8%: London is still seen as a safe haven for capital, with prices strong despite the changes to Stamp Duty Land Tax, those proposed to Capital Gains Tax and the suggested Annual Charge. Our London estate has benefited from this strength but

it is the impact of our active management that is the real test of our performance: we have continued to reinvest our profits in a constant cycle of refurbishment and development projects.

The strategy ‘off-estate’

Off the estate, our strategy with the rest of our capital has evolved in recent years to maintain a judicious balance between doing more of what we are best known for, such as city centre residential-led development, and growing other areas of activity to diversify our portfolio.

Here, as on the London estate, we aim to create developments that provide our customers with inspiring places to live and work, growing sustainable income or a trading profit for Grosvenor. In an increasingly competitive market our challenge is identifying opportunities that will allow us to create value for our customers and our Shareholders.

Reinvesting in Mayfair and Belgravia

We manage our London estate as an interlocking web of places that we seek to improve for the benefit of the commercial and residential communities that occupy them, as well as those who visit them. For us, the relationship between buildings, the public realm, the diversity of use and amenity and the soft infrastructure that binds communities together is what placemaking and ‘Living cities’ is all about. Placemaking, as opposed to the management of discrete property assets, is where we focus our attention: our approach is therefore long-term and holistic.

Mayfair continues to be a priority (see above). Following the completion of work to improve hard landscaping in North Audley Street, our focus has been on transforming the raised piazza at Brown Hart Gardens, which will re-open in 2013, and its immediate surroundings, where we are creating the Beaumont, a new luxury boutique hotel. Elsewhere in Mayfair we have been undertaking several developments to regenerate our **office portfolio** and grow income (see page 29).

In North Belgravia we have significant development activity to trade and to hold, notably at our recent redevelopment of 3-10 Grosvenor Crescent where we sold ten of the 15



Springside, Edinburgh

Fountainbridge in Edinburgh is rich in industrial heritage, but the advent of the 21st century has seen the last of the breweries close and the area evolve. Grosvenor is leading the way with a development at Springside which has already provided over 200 residential units, accommodation for 300 students and an impressive new public square, while also opening a new pedestrian route from Fountainbridge to Haymarket. When complete, Springside will include 600 apartments, student accommodation, office accommodation, amenity retail and – with a favourable planning hearing – a four star hotel.

apartments, and at the site that we manage on behalf of the Grosvenor Trusts, **1-5 Grosvenor Place** where, with our partners Derwent London, we appointed Michael Hopkins & Partners as architects (see page 29).

In 2012 we brought forward development starts to maximise the cost advantage from a weak construction market. Some of these are covered in the ‘Stories from the year’ pages that follow. We also undertook a record number of renovation projects to add value to the London estate, not least by ‘retrofitting’ properties to improve energy efficiency. Our research shows that customers are increasingly interested in the amount of energy their properties consume and we too are committed to making progress here.

Improving customer satisfaction continues to be a major focus and, while we recognise that we still have some way to go, our annual MORI survey shows an encouraging increase in satisfaction levels, in particular among our retailers – a group which plays a vital role in the vibrancy of our communities.

“Spending time with customers is vital to understanding what service and products they want from us: building those relationships in the part of Belgravia north of Eaton Square is my priority.”

Xavier Peirani Management Surveyor,
North Belgravia, London estate



The Supreme Court’s decision in October, in *Hosebay v Day*, reassured us that we can continue to invest in the many properties on the estate that were originally built as houses but are now in commercial use, without fear of losing freeholds (and our cumulative investment) through enfranchisement.

Adding value off the estate

We also have high-quality residential development projects to the west, south and north of our London estate, in Chelsea, at Bankside and in Holland Park – all with our partner Native Land. At **Chelsea Manor Street**, we have successfully started selling off plan (see page 30); at NEO Bankside, we are

now marketing the fourth and final block and the premium apartments, and, together with our joint venture partners, acquired Pavilion D to hold for rental income; while at Campden Hill we are considering the options for the scheme ahead of obtaining vacant possession in September 2013.

Our latest projects in Cambridge progressed well. Sales of the new apartments at Parkside Place vindicate our decision to redesign the scheme we took over from the original development partner and to focus primarily on local buyers rather than international investors: at year end all units had been sold or reserved. Our larger-scale projects at Trumpington Meadows and Abbey Stadium reinforce our commitment to the city (see page 31 for detail on all three projects.)

Our joint venture with Oxford City Council at Barton is advancing fast and the first stage of the planning process (the Area Action Plan) for this housing-led development has been approved by the Government Inspector and adopted by Oxford City Council (see page 31).

“After a competitive procurement process, we selected Grosvenor as our investment partner to bring forward a scheme of around 900 houses on our land at Barton. We are delighted to be working with Grosvenor here, as they have embraced the Council’s vision of a high-quality environment, community cohesion, exemplary design and sustainability.”

Jane Winfield Major Projects & Disposals Manager,
Oxford City Council



In Edinburgh, where we have built strong relationships with the civic authorities, we have sold over 90% of the first phase of the apartments – Foundry – at Springside to a variety of owner-occupiers and investors (see above).

The Grouss residential portfolio in Edinburgh and Glasgow continues to perform well, with rising rents and full occupancy.

Grosvenor Britain & Ireland continued

Our team

We have continued to invest heavily in our team, business processes and IT infrastructure. We have improved the training and development of staff, focusing particularly on our 'Business Principles' – making sure everyone at Grosvenor understands and adopts a values-based approach to doing business (see page 31). We went live with our new finance and property management system: it is increasing efficiency and providing better management information to drive financial performance and better customer service at that all important point where the 'back-office' becomes, for our customers, the public face of Grosvenor.

As part of our values-based approach, we also encourage and support our staff in their commitment to good causes, alongside our support for The Westminster Foundation (see page 30).

Sharing responsibility for the urban fabric

We believe that a vibrant West End is part of what makes London attractive, bringing new residents and businesses to the country, helping to keep the capital 'open for business' internationally as well as contributing to its role as a thriving multi-cultural city enjoyed by its inhabitants and visitors alike.

The skills and expertise that we have been able to develop in this part of the city are applicable to many other residential and mixed-use neighbourhoods. With a nationwide shortage of housing, particularly acute in London (see the commentary from our Head of Research, right) there is a strong commercial, as well as a social, case for deploying such know-how widely, working with local authorities elsewhere in and outside the capital to create the physical conditions for thriving communities. We have done this in places such as Cambridge, Edinburgh, Liverpool and Oxford and we hope there will be the opportunity to do more in the years to come.

Peter Vernon

Chief Executive, Grosvenor Britain & Ireland

Market outlook

Graham Parry Head of Research,
Grosvenor Britain & Ireland



Institutional investment in the private rented sector

Although housing remains a relatively minor asset class for most institutional investors in the UK, the 2012 Montague Review into institutional investment in the UK residential sector has revived interest in the private rented sector.

At the heart of the investment case are compelling fundamentals. London suffers from a chronic housing shortage, reflecting rapid household formation and insufficient new housing supply. Housing construction has not kept pace.

The shortage has made housing less affordable. Strong growth in house prices and tougher lending criteria make home ownership impossible for many, particularly in the 25–34 year old group, who increasingly prefer to rent.

The net result has been a pronounced shift towards renting over owning. The private rented sector has doubled its share of the UK housing market over the past 20 years. The opportunity is there for investors to partner with existing residential developers to deliver new private rented housing. Good quality schemes in the right location should be very well placed to capitalise on demand, which explains our interest in this area.

Grosvenor Britain & Ireland

Stories from the year



Fifty Grosvenor Hill, Mayfair: *part of our office pipeline*

Grosvenor Hill lies between Grosvenor Street and Berkeley Square in the heart of the Mayfair Conservation Area. In May, we celebrated the launch of Fifty Grosvenor Hill, a 2,800m² office development with a BREEAM 'Excellent' rating. 'Fifty' aims to mix

the traditional and the modern: respecting the buildings that stood on the site for so long, it retains four façades of historic and architectural interest, while a solar-glazed elevation rises from the second floor, hinting at the state-of-the-art interior.

In addition to building this office development, we improved the public realm with new surfacing, trees and public art created by Neal French, commemorating the iconic 1960s



photographer Terence Donovan who had his studio in this discreet enclave.

'Fifty' is just part of the pipeline of new office developments that we are delivering in the West End over the next three years. The next four schemes – three on Grosvenor Street and one on Davies Street – focus on increasing the quality of office space in the area.



www.fiftygrosvenorhill.com

1–5 Grosvenor Place, Belgravia: *a unique landmark site*

1–5 Grosvenor Place has a commanding position on Hyde Park Corner and is a major development opportunity. On behalf of the Grosvenor Trusts, we are working with our joint venture partner, Derwent London, to replace an office block with an imaginative mixed-use scheme. The current building has unrivalled views of Hyde Park Corner to the north towards Green Park, Buckingham Palace to the east, and Belgravia to the south and west. Our vision is to deliver a truly exceptional and fully-integrated development that transforms the north-east gateway to Belgravia. Design work will begin



Grosvenor Britain & Ireland Stories from the year continued



‘Fast Forward’: an award-winning change programme

In 2010 Grosvenor Britain & Ireland launched the ‘Fast Forward’ performance improvement programme. This sought to upgrade all parts of the business, enabling improved operational performance and faster value creation. The aim has been to improve results for customers, employees and Shareholders. The programme delivered immediate benefits:

an increase in revenue profit, value from active management and customer satisfaction. It helped change our culture and has enhanced our ability to continue to innovate, evolve and prosper for the longer term. It also won the 2012 Management Consultancies Association Award for Change Management in the Private Sector.



Chelsea Manor Street, Cheyne Terrace: *luxury London apartments*

Chelsea Manor Street – 25 luxury apartments being developed by Grosvenor in a joint venture with Native Land and Mountcity – offers large, contemporary living space in the heart of London’s Chelsea, just off the King’s Road.

Unusually, most units have generous roof terraces for relaxing and entertaining. The scheme also includes a private swimming pool and leisure facility, a wine store, a concierge and 24-hour security. We have improved the original scheme to maximise its appeal, notably by relocating the main entrance to Chelsea Manor Street.

Though completion of the property is not scheduled until Summer 2014, seven apartments have already been pre-sold.

This is a computer-generated image.



Grosvenor staff and The Westminster Foundation: *philanthropy at work*

Our London office has an active staff charity committee which complements support from The Westminster Foundation (see Accounts page 89) – to which Grosvenor donated £1.7m in 2012 – with staff fund-raising, volunteering and pro-bono advice. In 2012, this combination supported a number of causes in the UK, including Farms for City Children, Land Aid (the property industry charity) and Stoll (housing and helping veterans).

In addition, in collaboration with the staff charity committee, The Westminster Foundation commissioned New Philanthropy Capital to conduct research into social need within the Borough of Westminster. The findings helped to clarify the Foundation’s priorities for giving in London: from 2013 its ‘Supporting Communities’ programme will help charities which aim substantially to improve community cohesion and tackle isolation.



Barton, Oxford: *consulting with the public*

We are working in partnership with Oxford City Council to create state-of-the-art facilities for the community at Barton in Oxford. Design of the masterplan progressed well in 2012 following a series of community engagement programmes, and we are on track to submit a planning application in April 2013.

This provides for much needed housing in three distinctive new areas which will be integrated with neighbouring communities and the wider city; for retail facilities, which will act as a catalyst to improve the area's vitality and viability; for green open spaces; and for a new primary school in the heart of the community. We aim to deliver the first new homes and community facilities in early 2015.



www.bartonoxford.org.uk



Parkside Place, Cambridge: *building on a 30-year track record*

Our knowledge of a city is important to local councils. We know Cambridge very well as a result of 30 years' experience there – including, most significantly, the development of the Grand Arcade shopping centre – and we remain committed to its long-term development.

Our understanding of the area has guided our development of Parkside Place: 99 new high-quality apartments with commanding views over Parker's Piece in a location at the heart of all that Cambridge has to offer – the city's central colleges, parks and main shopping and entertainment areas.

Other Cambridge projects include Trumpington Meadows – a 350-acre project to create a high-quality extension of the southern edge of the city and provide 1,200 homes, Phase 1 of which is now under construction – and the redevelopment of Abbey Stadium with provision of a new stadium for Cambridge United Football Club.

This is a computer-generated image.



www.parkside-place.com



The Business Principles Awards: *influencing the 'how' rather than the 'what'*

How we do business is as important as what business we do. Grosvenor Britain & Ireland reflects this in its 'Business Principles' and, in 2012, held its Business Principles Awards to recognise success in their implementation. Teams were invited to video examples of these principles in everyday practice; the videos were posted on the Group intranet and voted for by staff and a panel of judges. Winners for each category and an overall winner – the Liverpool team above – were presented with their awards at an Oscar-style event hosted by our Chief Executive, and Non-Executive Director, Heather Rabbatts.

"Having been closely involved as the teams developed our Business Principles with feedback from our partners and customers, it is exciting to see staff bring them to life with such pride and enthusiasm."

Heather Rabbatts
Non-Executive Director

Grosvenor Britain & Ireland

Board of Directors

As at 14 March 2013

Non-Executive Directors

01. Graham Pimlott CBE

Position Chairman

Appointed to the board 2009

Experience Graham was a Partner in the law firm Lovells before taking senior roles within BZW and Barclays PLC. He is currently Chairman of Tesco Personal Finance Plc and has held several other non-executive director roles in the past.

02. Michael Gradon

Appointed to the board 2007

Experience Michael is the Senior Independent Director of Modern Water plc, a Non-Executive Director of AerCap Holdings NV and Exclusive Hotels, and is on the Committee of Management of the All England Lawn Tennis Club and Wimbledon Tennis Championships. He was previously a Main Board Director at P&O.

03. Heather Rabbatts

Appointed to the board 2009

Experience Heather is a Non-Executive Director of Cross London Rail Links Limited, the Football Association and the Royal Opera House, and has been appointed to the supervisory board of the Foreign and Commonwealth Office. She has just established a media company, Smuggler Entertainment.

04. Mark Preston MRICS

Position Group Chief Executive

Appointed to the board 2006

Experience Mark joined Grosvenor in the UK in 1989. Seconded to Hong Kong in 1995, he returned to lead Grosvenor's fund management operations in 1997, spent four years in San Francisco from 2002, became Chief Executive of Grosvenor Britain & Ireland in 2006 and Group Chief Executive in 2008. Mark currently holds two Non-Executive Directorships on the boards of Persimmon Plc and Sonae Sierra SGPS. He is a Trustee of The Westminster Foundation and also a member of the Board of The Association of Foreign Investors in Real Estate, the ULI Greenprint Advisory Board and the (University of) Cambridge Land Economy Advisory Board.

05. Nicholas Scarles FCA ATTORNEY AT LAW

Position Group Finance Director

Appointed to the board 2006

Experience Nicholas joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse and Coopers and Lybrand in London, New York and Toronto. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company and a Non-Executive Director of Sonae Sierra SGPS.

Executive Directors

06. Peter Vernon FRICS

Position Chief Executive

Appointed to the board 2005

Experience Peter joined Grosvenor in 2005 and became Chief Executive of Grosvenor Britain & Ireland in 2008. He is a member of the Royal & Sun Alliance London Regional Board and the Board of London First. Previously he was a Partner at IBM Business Consulting Services and PricewaterhouseCoopers.

07. Roger Blundell ACA

Position Finance Director

Appointed to the board 2008

Experience Roger joined Grosvenor in 2007. He was previously Group Finance Director at Kensington Group Plc, Finance Director at BSKyB Interactive, and Director of Group Finance, Tax and Treasury at Kingfisher.

08. Giles Clarke MRICS

Position Executive Director, London estate

Appointed to the board 2008

Experience Giles joined Grosvenor in 2007 and is responsible for the London estate, including all investment, development and property management activity. He is a Non-Executive Director of Realty Insurance and Chairman of the Westminster Property Association.

09. Craig McWilliam FRICS

Position Executive Director, Development

Appointed to the board 2010

Experience Craig joined Grosvenor in 2010 and is responsible for Grosvenor Developments which includes all of the development activities outside the London estate. He was previously a Managing Director at Fortress Investment Group.

10. Ulrike Schwarz-Runer DOCTOR OF LAWS

Position General Counsel

Appointed to the board 2011

Experience Ulrike Schwarz-Runer joined Grosvenor in 2010 and is responsible for legal governance in relation to the businesses of Grosvenor Group Limited and advises on all of Grosvenor's legal matters in the UK. Ulrike is a Non-Executive Director of the Barclays Pension Fund. Previously she was General Counsel of a sovereign wealth fund and prior to that she was an Executive Director at Goldman Sachs. Ulrike is qualified to practise law in England and Wales, New York and Austria.

01



02



03



04



05



06



07



08



09



10



Grosvenor Britain & Ireland Portfolio

Investment properties

| | Passing rent £m | ERV £m | Running yield % | Reversionary yield % | Number of properties | Grosvenor share £m | Assets under management £m |
|---------------|--------------------|-----------|--------------------|-------------------------|----------------------|-----------------------|-------------------------------|
| Office | 27.4 | 39.9 | 4.0 | 5.8 | 234 | 691.0 | 1,080.3 |
| Retail | 14.5 | 15.4 | 4.9 | 5.2 | 91 | 294.6 | 583.5 |
| Residential * | 23.3 | 24.8 | 2.0 | 2.1 | 533 | 1,156.4 | 1,915.8 |
| | 65.2 | 80.1 | 3.0 | 3.7 | 858 | 2,142.0 | 3,579.6 |

*The majority of the residential portfolio is ground rented and because of this it has a low average yield. The average yield on the rack rented portfolio is 4.4%.

Development properties

| | Number of properties | Grosvenor share £m | Assets under management £m |
|-------------|----------------------|-----------------------|-------------------------------|
| Office | 4 | 180.2 | 370.4 |
| Retail | 2 | 13.8 | 21.0 |
| Residential | 14 | 212.5 | 874.0 |
| | 20 | 406.5 | 1,265.4 |

Geographic analysis

| | Grosvenor share | | | Assets under management Total £m |
|----------------|------------------|-------------------|-------------|--|
| | Investment £m | Development £m | Total £m | |
| London | 2,073.3 | 301.1 | 2,374.4 | 4,548.2 |
| Outside London | 68.7 | 105.4 | 174.1 | 296.8 |
| | 2,142.0 | 406.5 | 2,548.5 | 4,845.0 |

Grosvenor Britain & Ireland

Portfolio

continued

Grosvenor Britain & Ireland manages a portfolio of assets across 300 acres of Mayfair and Belgravia, some parts of which are owned directly by the Grosvenor Trusts. The portfolio comprises more than 1,500 retail, residential and commercial properties, managed through four location teams.

A summary of the London estate investment portfolio is set out below. In addition, Grosvenor Britain & Ireland manages a small portfolio of investment properties outside the London estate. Development activity is managed by the London estate team (for projects in Mayfair and Belgravia) and by the Grosvenor Developments team (for all projects outside the London estate). A summary of principal development projects is presented opposite.

A Mayfair

| | | |
|---------------|-----------------------|-----|
| Sector | Office | 185 |
| | Retail | 81 |
| | Residential | 219 |
| Area | 717,720m ² | |

With a mix of commercial and residential properties, Mayfair is home to some of the world's leading hotels and restaurants. The location includes London's second largest garden square, Grosvenor Square, and one of the capital's most fashionable shopping destinations, Mount Street.

B North Belgravia

| | | |
|---------------|-----------------------|-----|
| Sector | Office | 81 |
| | Retail | 23 |
| | Residential | 275 |
| Area | 316,140m ² | |

Just north of Eaton Square, this location is centred around Belgrave Square. To the west, lies Motcomb Street, a discreet enclave of high-end retailers and fine restaurants.

C Eaton Square

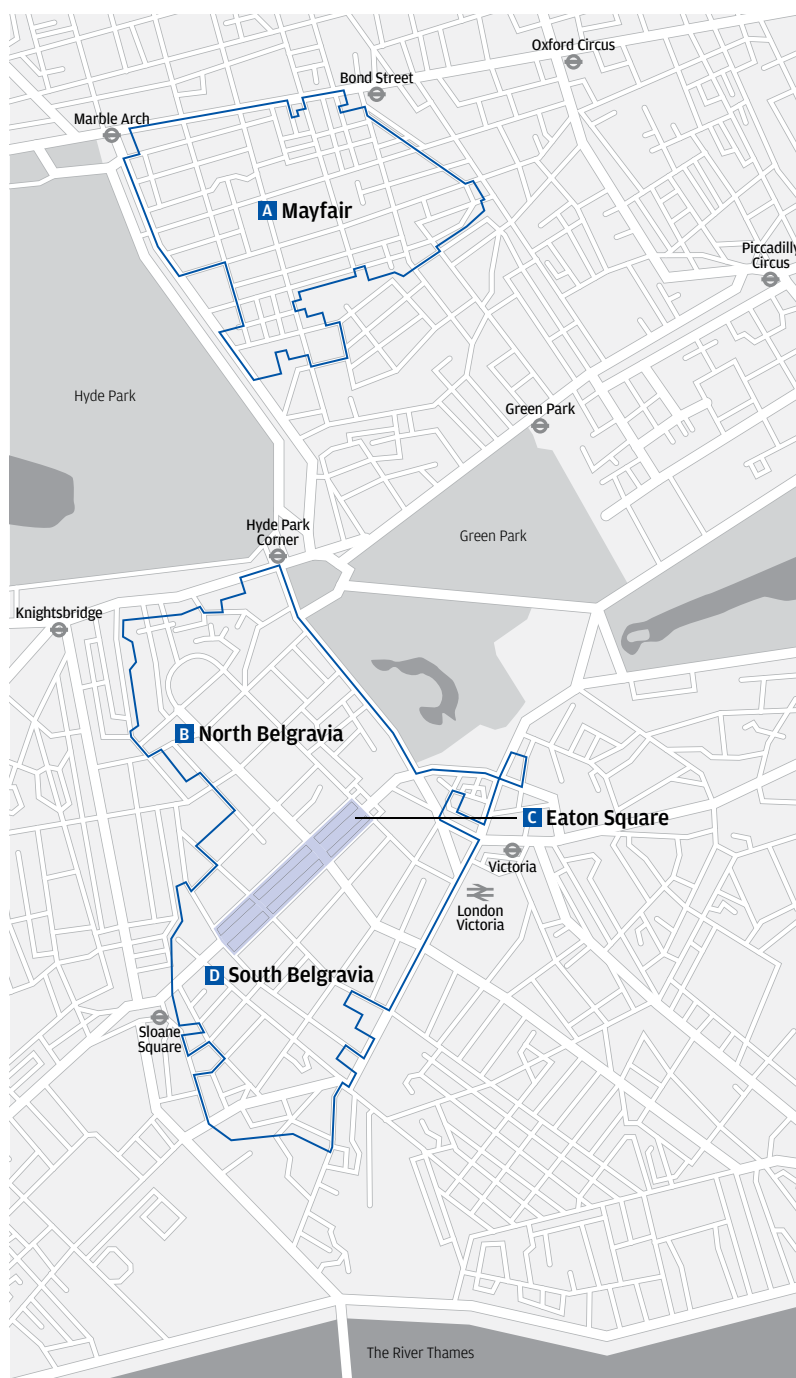
| | | |
|---------------|----------------------|----|
| Sector | Office | 3 |
| | Residential | 77 |
| Area | 77,245m ² | |

At the heart of Belgravia, Eaton Square is recognised as one of the finest residential addresses in the world. Arranged around six private gardens, the square is a series of imposing stucco-fronted terraces.

D South Belgravia

| | | |
|---------------|-----------------------|-----|
| Sector | Office | 110 |
| | Retail | 133 |
| | Residential | 289 |
| Area | 255,280m ² | |

This location is home to two retail destinations, Elizabeth Street and Pimlico Road, as well as quiet residential streets. Buckingham Palace Road and Grosvenor Gardens contain contemporary and period office buildings.



| Property | Description | Location | Area m ² | Completion date |
|---|--|-------------------------------|---------------------|-----------------|
| Principal development and trading properties – directly owned | | | | |
| Office | | | | |
| 50 Grosvenor Hill | Prime commercial offices with retained façades | West End, London | 2,800 | 2012 |
| 18–20 Grosvenor Street | Part new, part refurbished prime commercial offices | West End, London | 5,300 | 2014 |
| 33 Grosvenor Street | Townhouse offices | West End, London | 1,600 | 2015 |
| 69 Grosvenor Street | Townhouse offices | West End, London | 2,000 | 2014 |
| Residential | | | | |
| 55–73 Duke Street | 16 apartments and 1,500m ² retail | West End, London | 5,000 | 2012 |
| One Park West | Residential apartment block | Liverpool, Merseyside | 19,100 | 2009 |
| Parkside Place | Residential apartment block | Cambridge, Cambridgeshire | 11,600 | 2013 |
| Hotel | | | | |
| 8 Balderton Street | 80-bed boutique hotel and restaurant | West End, London | 7,900 | 2014 |
| Development and trading properties – jointly owned/managed on behalf of Grosvenor Trusts | | | | |
| Office | | | | |
| 29–37 Davies Street | New prime commercial offices and retail | West End, London | 4,800 | 2013 |
| Residential | | | | |
| Abbey Stadium | Residential development | Cambridge, Cambridgeshire | 29,000 | 2018 |
| Barton | Development land | Oxford, Oxfordshire | 364,000 | 2019 |
| Campden Hill | Luxury apartment block | Holland Park, London | 18,000 | 2016 |
| Chelsea Manor Street | Luxury apartment block | Chelsea, London | 9,000 | 2015 |
| 3–10 Grosvenor Crescent | Grade II* Listed apartment building with 15 units | West End, London | 7,600 | 2012 |
| 1–5 Grosvenor Place | Mixed-use hotel, commercial and residential | West End, London | 36,500 | 2018 |
| Grouss | Portfolio of just under 200 flats, townhouses, and serviced apartments | Edinburgh & Glasgow, Scotland | 20,000 | 2010 |
| NEO Bankside | Luxury apartment block | Central London | 38,000 | 2010–2012 |
| Trumpington Meadows | Development land | Cambridge, Cambridgeshire | 240,000 | 2016 |
| Mixed-use | | | | |
| Springside | Mixed-use, city-centre scheme | Edinburgh, Scotland | 85,000 | 2019 |

Grosvenor Americas

Andrew Bibby Chief Executive



Andrew has held many roles in our North American business since joining Grosvenor in 1984.

Why have so many development projects underway at once?

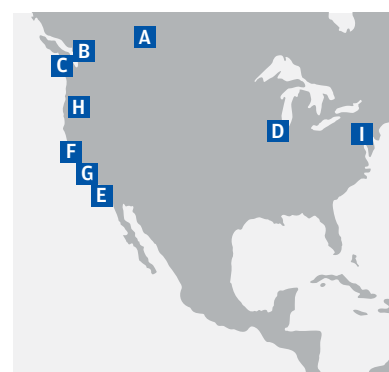
“With development activity subdued since the financial crisis, we are determined to establish positions early in the recovery that provide both cost and first mover advantages. With the economy moving toward recovery, our projects will be in demand.”

Business objective

Our aim is straightforward: through continued focused expansion, to maintain a financially sustainable business and achieve a leading position in a select few geographic and sectoral markets in Canada and the United States of America. We use our knowledge of these cities and all our other skills to ensure that each project provides a creative but practical solution to the ambitions of our stakeholders. Every time we get these essentials right we stimulate the flow of attractive deals with value-creating investment and development opportunities.

Number of assets by city

| | | |
|---------------|----------------|----|
| Canada | | |
| A | Calgary | 6 |
| B | Vancouver | 6 |
| C | Victoria | 1 |
| USA | | |
| D | Chicago | 3 |
| E | Los Angeles | 2 |
| F | San Francisco | 6 |
| G | San Jose | 3 |
| H | Seattle | 8 |
| I | Washington, DC | 12 |



What we said we would do in 2012

- Attract financial partners for our development projects.
- Secure planning entitlements to maximise their potential.
- Decide when to commit to construction and marketing.
- Acquire well-priced, income-producing investments with opportunities for value-add improvement for potential acquisition.

What we did in 2012

- Achieved commitments from Alberta Teachers' Retirement Fund Board, Kingswood Capital Corporation, Manitoba Civil Service Superannuation Board and a North American investor.
- Won permission on 15 West and made good progress with discussions on Ambleside, Square 701 and the North 40.
- Started on site at 15 West and 1645 Pacific Avenue.
- Acquired 3023 Hamaker Court and Waterford Place apartments.

2012 summary

Revenue profit
C\$21.5m

2011: C\$20.3m

Total return
9.5%

2011: 8.9%

Assets under management
C\$2.2bn

2011: C\$2.0bn

Ambleside
West Vancouver, Canada
This signature, mixed-use
development on the waterfront
is in the public process phase.



Ambleside has been a centre of life in the District of West Vancouver for the last century. A combination of its outstanding natural environment and 'West Coast' culture makes it one of Vancouver's most sought-after neighbourhoods.

Grosvenor, an active developer and investor in Greater Vancouver since 1953, now has a rare opportunity to revitalise this waterfront community and shopping district, redeveloping the 1300 block of Marine Drive. The proposed scheme, designed by James Cheng, features two terraced buildings that step from two to eight storeys and will have shops, cafés and restaurants at street level, with residential condominiums and green roofs above. Between the two buildings will be a 650m² glazed pedestrian galleria, open at both ends. A major sculptural installation by West Vancouver artist Douglas Coupland has been proposed to add a significant finishing touch to the development.

Ambleside, West Vancouver, Canada

Engaging effectively with communities helps citizens contribute to decisions that affect the places in which they live, work and play.

Opposite:

James Cheng, architect for the Ambleside development, engages members of the West Vancouver community during a public meeting.

After completing the site assembly for the Ambleside project, we asked hundreds of West Vancouver residents of all ages to envision the future of the area. They were clear about what they wanted: an outdoor 'living room' for West Vancouver (more public spaces); a hub for festivals and events; restaurants and shops; commitment to the arts, culture and architectural tradition of the West Coast; and a vibrant Ambleside. Their input informed the re-zoning application that we submitted in October 2012 to the District of West Vancouver.

"We believe the Ambleside scheme shows what our commitment to place-making in key urban sites can deliver. Opportunities such as this are rare. We are grateful to have had extensive discussion with the community in the crucial planning stages: it helped us to show what our belief in 'Living cities' really means."

James Patillo Senior Vice-President
and General Manager, Grosvenor Americas





Grosvenor Americas continued

Signs of recovery

With the US and Canadian markets continuing a moderate pace of growth and our solid financials – revenue profit was C\$21.5m (2011: C\$20.3m), total return was 9.5% (2011: 8.9%), and assets under management were C\$2.2bn (2011: C\$2.0bn) – we have an unprecedented pipeline of development projects underway: C\$1.3bn development value of projects at various stages. Fuelled in part by proceeds from asset sales completed at the beginning of the downturn, we have 16.5% of our capital allocated to this expanding development pipeline.

Our mantra is ‘Focus!’

Our approach is to focus closely on areas in which we excel. We concentrate on cities in which we have a physical presence and, to a limited extent, other cities which we know well. We are also selective about our product types, leading with retail, multi-family residential and mixed-use as our main sectors.

A demanding development pipeline

In the stable economic environment of Vancouver, we are partnering with Manitoba Civil Service Superannuation Board to redevelop **Ambleside**, a prominent waterfront gateway site (see pages 37 to 39). Additionally, we recently secured a prime development site at Edgemont Village in North Vancouver, where we are studying the feasibility of a large retail-led scheme (see page 42). Nearby, we commenced construction of 15 West with a 115-unit, 18-storey residential and retail tower.

“Grosvenor is one of a handful of developers who are interested in trying different models and connecting to our city’s aspirations. They also want to be a long-term land owner: to manage a property after they have developed it. And you know that they will be on your wavelength: you’ll get the quality you’re looking for.”

Larry Beasley, C.M. Former Director of City Planning for the City of Vancouver, British Columbia, Founding Principal, Beasley and Associates



© Marina Dodis

In Calgary, the success of condominium sales at **Drake**, which is on time and budget for completion in Autumn 2013, has emboldened us to embark on a similar project at the end of the block, **Smith** (see page 42). With our partner Cressey, we have revived a residential scheme, **Avenue**, on 15th Avenue at the west end of downtown, that we mothballed during the downturn; we plan to launch sales in Spring 2013. Also on the West Coast, we continue to acquire and sell apartment communities in the Greater Seattle market.

In San Francisco, which enjoys a strong technology-driven economy, we are examining the feasibility of developing a 18,600m² open-concept retail centre at Pleasant Hill after the anchor tenant, Kmart, surrendered its lease; we are moving closer to achieving entitlements for our residential and retail project North 40 in Los Gatos; and we commenced construction of our condominium building at **1645 Pacific Avenue** (see page 42).

In **Washington, DC**, we acquired Square 701, a very large riverfront development site from three landowners, with potential for 42,000m² of retail, hotel and 325 residential units; an office site was concurrently sold. We completed the public engagement process at 8415 Fenton Street in Silver Spring, Maryland, where our mixed-use project includes construction of a new church for the vendor on adjacent land. At year-end, our 125-unit apartment block at **District** on 14th Street (see page 41) was almost complete and under contract for sale to an investor.

Steady improvement in the investment portfolio

Roughly 86% of our portfolio is allocated to income-producing investments that have faced challenges due to the economic climate. We have disposed of some income properties because they did not meet our requirements for rental growth. Because record low interest rates will make it difficult to rely upon further declining capitalisation rates to meet our objectives, we are targeting assets with income-growth potential.



District, Washington, DC

District is a mixed-use residential/retail development located in the vibrant 14th Street Corridor of Washington, DC. It features 125 luxury apartments, a fitness centre, roof-top lounge water feature and fire pit and 1,700m² of ground floor retail. A 50/50 partnership with The JBG Companies, District will be delivered in early 2013.

This is a computer-generated image.

With intense competition, high prices and short timescales for investigating high-quality assets, it has been difficult to augment our portfolio whilst maintaining our selective stance on acquisitions. Nonetheless, declining construction prices have allowed us to embark on two shopping centre renovation projects, Broadmead Village Shopping Centre in Saanich and Westgate West in San Jose, and to implement our reinvestment plans for our assets at Annacis Business Park in Vancouver, which we have held for 60 years.

We have done well with leasing existing assets: occupancy levels remain high at 92.2% (2011: 95%), despite a major tenant bankruptcy. We have confidence in our portfolio and have the financial strength to withstand the pressure to accept poor terms.

People and community

Working at capacity, it has been important to have people in the right place at the right time. In the past year we have recruited three investment specialists, promoted Don Capobres to lead the Washington, DC development team and increased our research capability.

“Our C\$8.1m renovation of Broadmead Village Shopping Centre includes the transformation of the open-air galleria into an interactive public realm that will become the heart of the shopping centre and the gathering place for the Broadmead community.”

Alison Miles Cork Senior Asset Manager,
Grosvenor Americas, Vancouver



With strong local teams, we have close ties to the communities in which we operate. We enjoy our involvement in public events like the ‘Calgary Stampede’ and San Francisco’s ‘Rebuilding Day’ (see page 43), and take pride in the impact of our environmental initiatives. We have four major projects under construction, which were designed with community consultation, and are striving for LEED® certification. Both 251 Post Street in San Francisco, California and Carlyle Gateway I and II in Alexandria, Virginia were awarded LEED® Gold status and Broadmead Village Shopping Centre received BOMA BEST certification (see our Environment Review at www.grosvenor.com).

Looking ahead

We look forward to creating further investment partnerships like the one we formed with Grosvenor Maple Leaf Ventures, L.P. to invest in two northern Virginia office properties, 3023 Hamaker Court (see page 43) and Campus at Sunrise and a Seattle apartment community, Waterford Place (see page 43). Our mezzanine lending programme – which funded loans totalling C\$24m in 2012 – is one more way we are taking advantage of the recovery.

Such collaborations complement the careful preparations we have made on our own account to ensure that we are ready for the upturn.

Andrew Bibby

Chief Executive, Grosvenor Americas

Market outlook

Eileen Marrinan Director of Research,
Grosvenor Americas



Trends in the US housing market

US housing market indicators began improving in mid-2011 and strengthened during 2012. Sales volumes have increased, inventory has dwindled and home prices are registering gains.

Today’s low home prices and historically low interest rates make home ownership very affordable. The average annual mortgage payment represents only 9% of household income, 40% below its long-term average. Government intervention and private enterprise are mitigating the impact of the nation’s ‘shadow inventory’ of vacant and foreclosed homes. Returning demand, driven by increasing household formation and greater housing affordability, suggests a positive outlook for this sector for the next five years.

Grosvenor Americas

Stories from the year

Edgemont Village, North Vancouver: *a mixed-use development opportunity*

Development sites in Edgemont Village are rare. An established shopping enclave only 15 minutes from downtown Vancouver, it offers schools, parks and other amenities. While it is a desirable place in which to live, it lacks the high-quality multi-family housing stock which is in strong demand, particularly by people looking to downsize.

In 2012 we entered into a purchase and sale agreement for a one-hectare site in the Village, the largest development site ever assembled in the area. We believe that our proposed mixed-use development – comprising for-sale condominiums and town-homes, retail space anchored by an upgraded, full-service grocery store and new office space – will greatly benefit the community.



www.drake17.com

Drake and Smith, Calgary: *replicating success*

Drake – a development of 135 residential condominiums over 17 storeys – is located in Calgary's Beltline, an established residential, retail and commercial area. Its popularity shows the desire amongst a young demographic for new, high-end but affordable, energy-efficient homes close to existing shops and restaurants. We used social media to create awareness and, since sales launch, realised 11 sales from our Twitter and Facebook campaigns – 10% of the total: at year end, Drake was 80% pre-sold.

The success of Drake has encouraged us to commit to Smith – a near replica at the opposite end of the same block, with 140 units in a similar structure and floor plan. With design work progressing efficiently, we plan to hold our pre-sale launch much earlier than anticipated – in Autumn 2013.

“A quick walk to work, and a quicker one to nightlife, make the location phenomenal: it's at the confluence of 17th Avenue, Downtown, Mission and 1st Street areas. The floor plan, interior details and price sealed the deal.”

Jessie Shire
A purchaser at Drake

1645 Pacific Avenue, San Francisco: *a creative solution*

In March 2007, Grosvenor offered a mezzanine loan to a San Franciscan developer with whom we had a previous successful relationship. On a site in Pacific Heights, this developer had planned construction of 39 large condominium units and three street-level retail spaces. The scheme was moving forward with entitlements when the global financial crisis challenged its viability. In a mutually beneficial arrangement, we acquired the entitled property and retained the developer as a consultant.

The resulting collaboration will deliver a luxury condominium building in one of the city's most exclusive neighbourhoods. With the condominium market improving and a technology-driven local economy that is leading the US in performance, this project promises favourable returns for both parties while enhancing our reputation as a high-quality, mixed-use residential developer.

This is a computer-generated image.



www.1645pacific.com



Waterford Place, Seattle: *rural living in an urban setting*

In August 2012 we acquired Waterford Place in Woodinville, Washington, to help meet our strategic objective of building a portfolio of value-add rental properties in the Puget Sound region.

This suburb provides easy access to downtown Seattle and the region's largest employment centres, including Microsoft's Redmond headquarters,

the Bothell Technology Corridor and Boeing's Everett aircraft assembly facility. The area also offers hiking and biking on the Burke-Gilman Sammamish trails, summer concerts at local wineries and other recreation. Our seven-hectare property comprises 17 three-storey apartment buildings and a single-storey community clubhouse. We plan a substantial renovation, under the new brand name of Campbell Run, upgrading the community's amenities, clubhouse, landscaping, apartment interiors and signage.



The 'Calgary Stampede' and 'Rebuilding Day': *supporting our communities*



Grosvenor has been active in Calgary since 1997 and maintaining ties with the local community is important to us. We like to sponsor events that many people can enjoy. One such event is an outdoor concert called 'Stampede Roundup', held during the annual Calgary Stampede in July. The concert provides an ideal opportunity to increase our visibility in the Calgary market and our support increases our visibility amongst a wide audience of over one million visitors who come to the rodeo, exhibition and festival.

Working with property-focused charities is another good way of giving back to our local community. 'Rebuilding Together' is a national not-for-profit organisation that helps preserve affordable home ownership and revitalise neighbourhoods in the

USA by providing critical home repairs to low-income homeowners free of charge. In April 2012, six of our San Francisco staff participated in 'Rebuilding Day', a city-wide effort that brings together thousands of volunteers to repair the homes of low-income, disabled or elderly San Francisco residents and renovate schools.

"The 'Rebuilding Day' was an excellent way to get involved and to help people in our community. Our team worked with a local resident to repaint the inside of her house and clean debris from her backyard. It is possible to make a difference in one long day of concerted effort."

Whitney Sylvester
Development Coordinator,
Grosvenor Americas

Hamaker Court, Fairfax: *a rare medical facility*

In July 2012 we acquired a 11,200m² medical office building in the Merrifield area of Fairfax, Virginia. Located at 3023 Hamaker Court, minutes from the new amenity-rich Merrifield Town Center and Dunn Loring Metro station, the property includes a seven-storey car

park and adjacent land entitled for development of a second building with additional parking. The only facility of its kind built in this submarket in the last decade, it has exceptional quality and access, prestigious tenants and proximity to INOVA Fairfax, one of the country's best hospitals. We plan to lease the rest of the space to additional medical practitioners whose specialties complement those of our existing tenants.



Grosvenor Americas

Board of Directors

As at 14 March 2013

Non-Executive Directors

01. Brandt C. Louie OBC LL D FCA
Position Chairman

Appointed to the board 2010

Experience Brandt is Chairman and Chief Executive Officer of H.Y. Louie Co. Limited and Chairman of the Board for London Drugs Ltd. He is Chancellor Emeritus of Simon Fraser University and serves as a board member, officer or trustee of numerous organisations, including Royal Bank of Canada, IGA Canada, World Economic Forum, Duke University Medical Center, Duke Heart Center, Vancouver Community College, Vancouver Board of Trade, Fraser Institute and Harvard University's John F. Kennedy School of Government.

02. James E. Hyman

Appointed to the board 2011

Experience James has more than 25 years of experience in international business leadership. He is currently President and Chief Executive Officer of TestAmerica. Prior to that, he was Chairman, President, Chief Executive Officer and a Director of Cornell Companies. Earlier, he held executive positions in the USA and Europe with FTI, Starwood Hotels & Resorts Worldwide, GE Capital, McKinsey & Company and J.P. Morgan among others. He chairs the non-profit Mega-Cities Project, focused on urban development issues in the world's largest cities.

03. John T. Roberts, Jr.

Appointed to the board 2010

Experience John has more than 25 years of experience in the commercial real estate industry, having served most recently as President of AMB Capital Partners. Before that, he served as Senior Vice President and Director of Capital Markets for AMB Property Corporation. Earlier in his career, he held positions at Ameritech Pension Trust in Chicago, Richard Ellis, Inc. and LJ Hooker International Realty. He is currently a board member of DuPont Fabros Technology.

04. Mark Preston MRICS

Position Group Chief Executive

Appointed to the board 2008

Experience Mark joined Grosvenor in the UK in 1989. Seconded to Hong Kong in 1995, he returned to lead Grosvenor's fund management operations in 1997, spent four years in San Francisco from 2002, became Chief Executive of Grosvenor Britain & Ireland in 2006 and Group Chief Executive in 2008. Mark currently holds two Non-Executive Directorships on the boards of Persimmon Plc and Sonae Sierra SGPS. He is a Trustee of The Westminster Foundation and also a member of the Board of The Association of Foreign Investors in Real Estate, the ULI Greenprint Advisory Board and the (University of) Cambridge Land Economy Advisory Board.

05. Nicholas Scarles FCA ATTORNEY AT LAW

Position Group Finance Director

Appointed to the board 2006

Experience Nicholas joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse and Coopers and Lybrand in London, New York and Toronto. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company and a Non-Executive Director of Sonae Sierra SGPS.

Executive Directors

06. Andrew Bibby

Position Chief Executive

Appointed to the board 2009

Experience Andrew joined Grosvenor in 1984 and became Chief Executive of Grosvenor Americas in 2009. During this time, he has been involved with the acquisition, development and management of all property types and has worked in Vancouver, Calgary and San Francisco. He is currently a Director of Canadian Western Bank, has served as a past Director of the Real Property Association of Canada and is a former member of the Sauder Business School advisory board.

07. Rekha Patel CPA

Position Finance Director

Appointed to the board 2003

Experience Rekha joined Grosvenor in 2003 following 12 years with the real estate investment arm of GIC Real Estate, the Singaporean sovereign wealth fund. She is a member of Commercial Real Estate Women and a Director on the Board of the Yerba Buena Center for the Arts.

01



02



03



04



05



06



07



Grosvenor Americas Portfolio

Investment properties

| | Passing rent C\$m | ERV C\$m | Running yield % | Reversionary yield % | Number of properties | Grosvenor share C\$m | Assets under management C\$m |
|-------------|-------------------------|-------------|-----------------------|----------------------------|-------------------------|----------------------------|------------------------------------|
| Office | 12.8 | 14.3 | 8.1 | 9.0 | 5 | 158.5 | 399.9 |
| Retail | 31.7 | 36.1 | 5.5 | 6.3 | 21 | 574.8 | 1,053.7 |
| Residential | 18.4 | 19.9 | 8.0 | 8.6 | 8 | 230.8 | 278.8 |
| Hotel | 2.7 | 2.7 | 16.0 | 16.0 | 1 | 16.9 | 67.7 |
| Industrial | 7.7 | 6.1 | 5.6 | 4.4 | 1 | 138.4 | 138.4 |
| | 73.3 | 79.1 | 6.5 | 7.1 | 36 | 1,119.4 | 1,938.5 |

Development properties

| | Number of properties | Grosvenor share C\$m | Assets under management C\$m |
|-------------|-------------------------|----------------------------|------------------------------------|
| Mixed-use | 5 | 82.1 | 82.1 |
| Residential | 6 | 78.5 | 142.7 |
| | 11 | 160.6 | 224.8 |

Geographic analysis

| | Grosvenor share | | | | Assets under management C\$m |
|--------|--------------------|---------------------|-----------------------------|---------------|------------------------------------|
| | Investment C\$m | Development C\$m | Financial assets C\$m | Total C\$m | |
| USA | 779.9 | 77.4 | 7.1 | 864.4 | 1,629.0 |
| Canada | 339.5 | 83.2 | 13.1 | 435.8 | 554.4 |
| | 1,119.4 | 160.6 | 20.2 | 1,300.2 | 2,183.4 |

Grosvenor Americas

Portfolio

continued

| Property | Description | Location | Area m ² |
|---|---|------------------------|---------------------|
| Investment properties – directly owned | | | |
| Retail | | | |
| DVC Plaza | Community shopping centre | Pleasant Hill, CA, USA | 18,100 |
| Hamilton Marketplace | Grocery-anchored, community shopping centre | Novato, CA, USA | 8,400 |
| La Colonnade | Three-storey, mixed-use building with retail and office space | Beverly Hills, CA, USA | 2,300 |
| Los Gatos Village Square | Two-storey, grocery-anchored community shopping centre with retail and shopping space | Los Gatos, CA, USA | 4,300 |
| Venator Building | Urban retail building | Calgary, AB, Canada | 2,500 |
| Westgate West | Community shopping centre | San Jose, CA, USA | 21,700 |
| Residential | | | |
| BluWater | 152-unit apartment community | Everett, WA, USA | 13,000 |
| Peloton | 150-unit apartment community | Redmond, WA, USA | 11,800 |
| Industrial | | | |
| Annacis Business Park | Warehouse and distribution park | Delta, BC, Canada | 86,000 |
| Mixed-use | | | |
| 1520 Fourth Street | Ten-storey office building with 2,200m ² retail | Calgary, AB, Canada | 9,900 |
| Chelsea at Juanita Village | Mixed-use storefront retail with 196-unit apartment community above | Kirkland, WA, USA | 16,700 |
| Investment properties – jointly owned | | | |
| Hotel | | | |
| Courtyard by Marriott Chevy Chase | 226-room hotel | Chevy Chase, MD, USA | 10,500 |
| Office | | | |
| 3023 Hamaker Court | Medical office building with seven-levels of parking | Fairfax, VA, USA | 11,200 |
| The Campus at Sunrise | Three low-rise office buildings | Reston, VA, USA | 23,600 |
| Carlyle Gateway I & II | Two six-storey office buildings with ground floor retail and parking | Alexandria, VA, USA | 23,200 |
| 1701 Pennsylvania Avenue, N.W. | 12-storey office building with ground floor retail and parking | Washington, DC, USA | 18,000 |
| Retail | | | |
| Broadmead Village Shopping Centre | Community shopping centre | Saanich, BC, Canada | 11,800 |
| Church Street Plaza | Community lifestyle centre | Evanston, IL, USA | 16,500 |
| Coventry Hills Shopping Center | Community shopping centre | Calgary, AB, Canada | 12,600 |
| Frontier Drive Metro Center | Community shopping centre | Springfield, VA, USA | 9,800 |
| 830 North Michigan Avenue | Six-storey retail building | Chicago, IL, USA | 11,700 |
| 308-310 North Rodeo Drive | Retail building | Beverly Hills, CA, USA | 1,400 |
| Rice Lake Square | Nine-building community shopping centre | Wheaton, IL, USA | 23,400 |
| Residential | | | |
| Borgata Apartments | 83-unit apartment and town-home community | Renton, WA, USA | 8,700 |
| Northshore Townhomes | 86-unit town-home community | Kenmore, WA, USA | 11,600 |
| Waterford Place | 360-unit apartment community | Woodinville, WA, USA | 27,500 |
| West Ridge Park | 239-unit apartment community | Seattle, WA, USA | 21,900 |
| Woodcreek Apartment Homes | 164-unit apartment community | Lynwood, WA, USA | 15,500 |

| Property | Description | Location | Area m ² | |
|---|---|--------------------------------------|---------------------|-----------------|
| Investment properties – jointly owned (continued) | | | | |
| Mixed-use | | | | |
| 180 Post Street | Three-storey, mixed-use building with retail and office space | San Francisco, CA, USA | 2,700 | |
| 185 Post Street | Six-storey, mixed-use building with retail and office space | San Francisco, CA, USA | 1,900 | |
| 251 Post Street | Six-storey, mixed-use building with retail and office space | San Francisco, CA, USA | 3,100 | |
| Dupont Circle properties | Three-building retail portfolio | Washington, DC, USA | 4,300 | |
| Friendship Heights properties | Two-building retail portfolio | Washington, DC/ Chevy Chase, MD, USA | 14,400 | |
| High Street | Suburban street-front retail in a mixed-use building | Surrey, BC, Canada | 1,600 | |
| The RISE | Mixed-use shopping centre development with 92 live-work rental lofts | Vancouver, BC, Canada | 26,500 | |
| Woodley Park properties | Three-building retail portfolio | Washington, DC, USA | 5,100 | |
| Property | Description | Location | Area m ² | Completion date |
| Principal development and trading properties – wholly owned | | | | |
| Residential | | | | |
| Drake | 135-unit, multi-family development in the construction phase | Calgary, AB, Canada | 10,000 | 2013 |
| Smith | 140-unit, multi-family development in the pre-entitlement phase | Calgary, AB, Canada | 10,500 | 2016 |
| 1645 Pacific Avenue | 39-unit, boutique condominium with underground parking | San Francisco, CA, USA | 7,400 | 2014 |
| Mixed-use | | | | |
| Ambleside | Full-block, waterfront, residential-retail re-zoning in the public-process phase | Vancouver, BC, Canada | 23,800 | 2016–2018 |
| Fenton Street | 250-unit, multi-family development with 2,300m ² retail in the pre-entitlement phase | Silver Spring, MD, USA | 21,800 | N/A |
| North 40 | 33-acre, phased, mixed-use village development in the Specific-Plan phase | Los Gatos, CA, USA | 74,300 | 2015–2020 |
| Square 701 | 325-unit, mixed-use development with 3,000m ² of retail and a 170-key hotel | Washington, DC, USA | 42,000 | 2016 |
| Principal development and trading properties – jointly owned | | | | |
| Residential | | | | |
| 15 West | 115-unit, multi-family development in the construction phase | North Vancouver, BC, Canada | 12,300 | 2014–2015 |
| Mixed-use | | | | |
| Avenue | 319-unit, mixed-use development with 200m ² of retail | Calgary, AB, Canada | 30,300 | 2016–2018 |
| District | 125-unit, mixed-use development with 1,700m ² of retail | Washington, DC, USA | 11,100 | 2013 |
| Edgemont Village | 90-unit, mixed-use development in the pre-entitlement phase with 6,300m ² of retail | North Vancouver, BC, Canada | 15,100 | 2017 |

Grosvenor Asia Pacific

Nicholas Loup Chief Executive



Nicholas has had over 20 years with Grosvenor, almost all based in Asia.

Why do you put such emphasis on the standards of design?

“The aesthetic and functional quality of our buildings is what will set them – and us – apart over the long term. Marrying local expertise with international designers should ensure that our developments remain admired features of the urban landscape for many decades.”

Business objective

We are positioning ourselves for the long term in Asia, with three distinct aims. First, we are building a luxury residential brand under the Grosvenor banner, differentiated by the quality and internationalism of its design; secondly, we are growing a diversified portfolio of core investments in this and other sectors through co-investment partnerships; and thirdly, looking further ahead, we are preparing to develop best-in-class buildings in the central business districts of Shanghai and Beijing as high-quality long-term investments, solely or in partnership.

Number of assets by city

| | | |
|--------------|-----------|---|
| China | | |
| A | Hong Kong | 2 |
| B | Shanghai | 2 |
| Japan | | |
| C | Osaka | 1 |
| D | Tokyo | 4 |



What we said we would do in 2012

■ Invest the capital raised for our residential development partnership.

■ Deploy remaining proprietary capital in investment opportunities.

What we did in 2012

■ Expanded our programme of residential developments by acquiring Monterey Court, Hong Kong.

■ Committed remaining proprietary capital to our first office asset in Beijing – a strategic milestone.

2012 summary

Revenue profit

HK\$120.5m

2011: HK\$154.8m

Total return

8.7%

2011: 8.0%

Assets under management

HK\$8.5bn

2011: HK\$7.6bn

The Westminster Terrace
Hong Kong, China
Castle Peak Road, running
along the waterfront,
provides quick access
to both Hong Kong
International Airport and
Mainland China.



Our approach to developing residential property in Asia is to bring fresh ideas to this market, introducing innovative materials and high-specification finishes which complement local traditions and preferences. We do this by working with a team of trusted, influential consultants who understand how to create very high-quality spaces that are uniquely sensitive to our customers' requirements. This has allowed us to grow a portfolio of award-winning developments across the region, including Grosvenor Place Kamizono-cho, in Tokyo; and Grosvenor Place Repulse Bay and The Westminster Terrace, both in Hong Kong.

The Westminster Terrace, Hong Kong, China

The Westminster Terrace – the most recent example of this approach, completed in 2009 – is a signature residential development, designed in collaboration with the English architect Paul Davis and interior designers Koichiro Ikebuchi and Tara Bernerd, from Japan and England respectively. The scheme provides 59 duplex apartments, including two panoramic units and one penthouse apartment, with unit sizes ranging from 300m² to 550m².

Opposite:

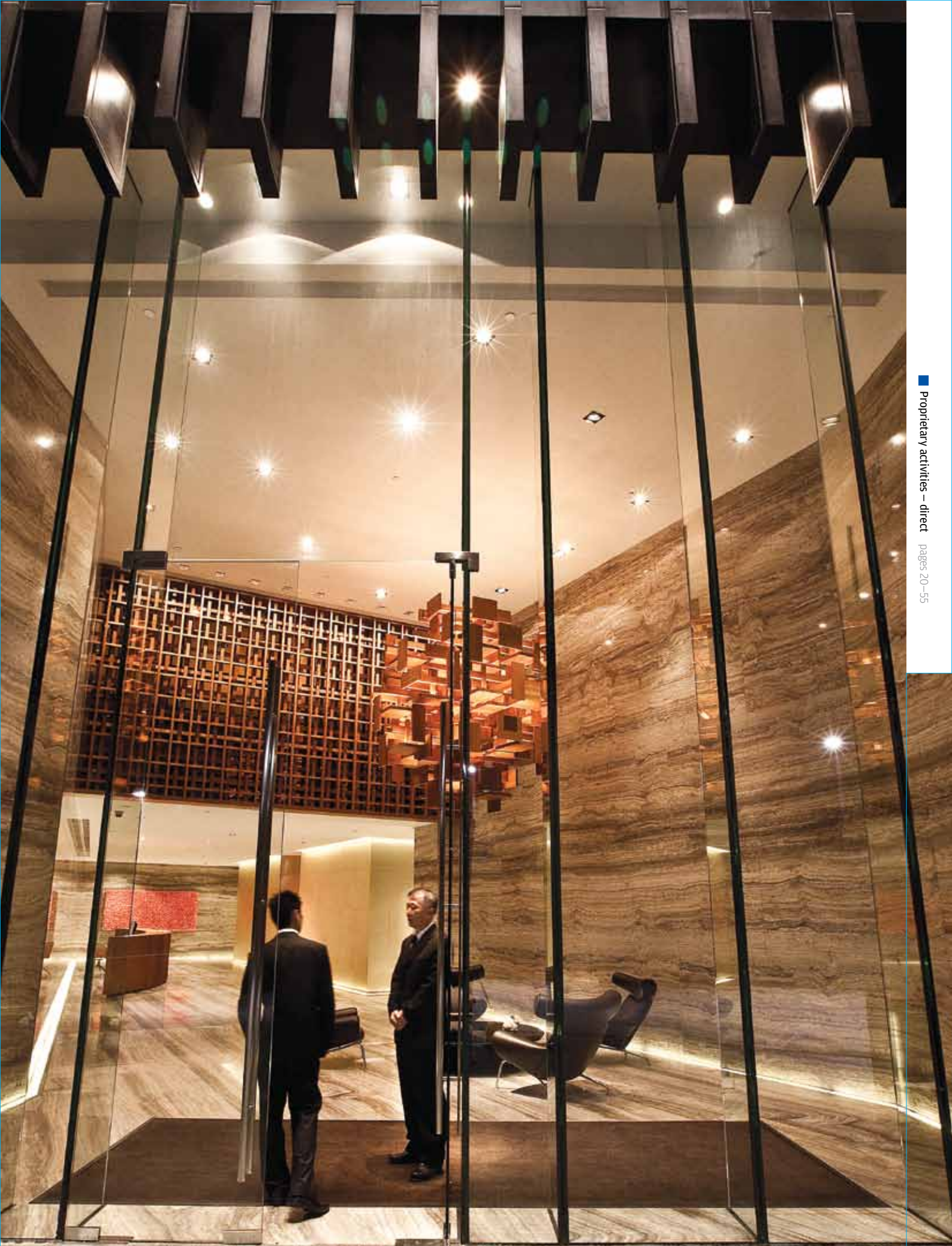
The entrance lobby at The Westminster Terrace features interior design by Koichiro Ikebuchi.

Through a design process co-ordinated with all three practices, we were able to make the most of the development's surroundings and we set a benchmark for generous floor plans. The last of the apartments in The Westminster Terrace sold in May 2012, rounding off total sales at 17% above initial estimates – a mark, we believe, of the success of the collaboration between consultants and client.

“Given the marvellous panoramic views available at The Westminster Terrace's site on Castle Peak Road, we decided – amongst other things – to provide unusually large balconies that would allow residents to enjoy their surroundings to the full.”

SH Fung Projects Director,
Grosvenor Asia Pacific





Grosvenor Asia Pacific continued

Roppongi Arents, Tokyo

Retrofitting at Roppongi Arents, to be completed in Q3 2013, will bring the development up to Grosvenor's international design standards – with good space-planning, modern aesthetics and the highest-quality materials.

This is a computer-generated image.



Strong markets

In Hong Kong, housing prices remained strong despite government measures to temper price growth. China was more resilient than expected, although credit will remain tight in the property market until the new leadership has time to settle. In Tokyo, improved fundamentals and tight supply will continue to drive housing prices higher, offering further good opportunities to invest. At year end, revenue profit was HK\$120.5m, down on 2011 (HK\$154.8m) due to lower trading profits; total returns increased to 8.7% (2011: 8.0%); assets under management increased to HK\$8.5bn (2011: HK\$7.6bn). Our financial capacity remains sufficient to meet our investment plans.

Playing the long game

We made good strategic advances in 2012, investing in our residential development pipeline in Hong Kong and Japan, which now stands at HK\$820m, representing HK\$5.1bn under management. We invested HK\$245m in residential investment properties in Japan. All this will help us improve long-term revenue and trading profit. We are increasing our development ratio towards 13% in 2016: currently it stands at 9.2%.

Growing into a leading residential development brand

We sold the remaining 13 units at **The Westminster Terrace** (see pages 49 to 51), Hong Kong, significantly exceeding our budget.

The acquisition of **Monterey Court** at Jardine's Lookout with our partners Asia Standard and Couture Homes provides a development opportunity to exceed the standards and scale of The Westminster Terrace at a superb residential site on Hong Kong Island (see page 53).

"It is vital to create homes that not only catch the eye but are also practical to live in. With Monterey Court – our fourth residential development in Asia with Grosvenor – we hope again to achieve this balance."

Paul Davis Founder, Paul Davis & Partners



In Tokyo we signed an agreement to acquire Park Habio Azabu Tower, a 99-unit, high-rise apartment building to be a value-add residential project.

Creating and nurturing enduring investments

We committed to the acquisition of nine floors of China Merchants Tower, a Grade A office building in Chaoyang, Beijing, and our first substantial investment in the office sector in China.

We acquired The Mark Minami Azabu, an 11-unit luxury residential building built in 2008 in Tokyo. A wholly-owned asset, it should contribute significantly to our recurring income.

Refurbishment at **Roppongi Arents**, Tokyo will improve a key common area and a first selection of units (see above).

Our investment at PCCW Tower, Island East, Hong Kong, remained at 100% occupancy. In Japan, Nazaka Cuidaore in Osaka and Shinsen in Tokyo also performed strongly, at 99.8% and 100% respectively. Overall the occupancy figure was 95.5% (2011: 97%).

We sold the penultimate unit at Grosvenor Place, Lakeville Regency, in Shanghai, and Yoshiyasu Kanda in Tokyo, releasing HK\$240m for our development and investment programme.

Integrated operations across three markets

Our able Chairman Tim Freshwater will hand over in July to his successor Keith Kerr (see page 9): we are grateful for Tim's good counsel over many years.

Yu Yang joined the Executive Directors on our board in November, an important recognition of the quality of our locally-based expertise. Koshiro Hiroi's remit has been extended to Managing Director, Development, across the region to facilitate sharing of know-how.

We are seeing the benefits of further investment in our management team to ensure integration and consistent rigour across our expanding operations. Our professional probity is particularly important, not only to Grosvenor but also to our partners and staff, who value training in matters such as business ethics.

Collaboration with leading institutions

We were invited to join the annual China Development Forum for the first time (see right). Together with a group of Fortune 500 companies, we are contributing to a report on sustainable urbanisation to be submitted to the new leadership at the 2013 Forum.

We continue our support of the China Development Research Foundation. A report on their research into sustainable affordable housing on the mainland was published in March 2013.

Our involvement with the World Economic Forum and with ANREV, the Asian association for investors in non-listed real estate vehicles, continues.

Nick Loup

Chief Executive, Grosvenor Asia Pacific

Market outlook

Harry Tan Head of Research,
Grosvenor Asia Pacific



Asia's megacities are centred on China

The world's urban landscape is changing and Asia will be at the epicentre of a decisive shift from West to East in the coming decades. By 2050, about 63% of the world's population will be living in cities, 35% of them in the East.

Many of tomorrow's economic success stories will arise from Asia's cities. In China, new transport infrastructure, including 14 new intra-urban metro systems in the pipeline, will open up new areas of land for development. Rapid urbanisation will increase household and wealth growth, strengthening demand for housing. Grosvenor's strategy of contributing to urban development by providing environmentally-sound, high-quality residences is well-founded.

Grosvenor Asia Pacific

Stories from the year

The China Development Forum: *global debating*

Lesley Knox and Nick Loup attended the 9th China Development Forum, held at the Diaoyutai State Guesthouse in Beijing, in March 2012. Lesley was a speaker at a session on the dilemmas facing the property market in China and possible solutions, and was one of a select group of international delegates greeted by Premier Wen Jiabao in person. The Forum brings together senior ministers and officials from China with senior leaders from top multi-national corporations, prominent academics, scholars and leaders of major NGOs, to discuss the wider issues around China's future development.



Monterey Court, Hong Kong: *building partnerships*

Partnerships remain a key part of our strategy in Asia. Our joint investment with Couture Homes Limited and Asia Standard International in Monterey Court is the latest reminder of the gains from working with like-minded and capable partners. It continues our fruitful relationship with Asia Standard, with whom this will be our third residential development; it also marks the beginning of our partnership with Couture Homes, who share Grosvenor's passion for crafting special residences for buyers. The prize in 2017 should be a truly iconic building on Hong Kong's skyline.



Grosvenor Asia Pacific Board of Directors

As at 14 March 2013

Non-Executive Directors

01. Tim Freshwater

Position Chairman

Appointed to the board 2005

Experience Tim is currently an Advisory Director of Goldman Sachs, having been Vice Chairman there from 2005–2012. Prior to that, he was Chairman of Jardine Fleming, following 29 years with Slaughter and May. Tim is a Director of several listed companies, including Swire Pacific and Hong Kong Exchanges and Clearing Limited, and is a Director of the Community Chest of Hong Kong.

02. Kensuke Hotta

Appointed to the board 2008

Experience Kensuke is currently Chairman of Greenhill & Co. Japan Ltd, and previously served as Chairman of Morgan Stanley Japan from 2001–2007. Prior to that, he was Deputy President of Sumitomo Bank and also worked for Japan's Ministry of Finance for two years. He has served as a Director or Adviser for various institutions, universities and foundations.

03. Michael Lee

Appointed to the board 2008

Experience Michael is Managing Director of MAP Capital Ltd, as well as an independent Non-Executive Director of Chen Hsong Holdings Ltd, Hong Kong Exchanges and Clearing Ltd and Trinity Ltd. He was Managing Director of Hysan Development Company Ltd from 2003–2007 and was appointed to the board of Hysan as a Non-Executive Director in January 2010.

04. Norman Lyle OBE

Appointed to the board 2008

Experience Norman is a Non-Executive Director of Standard Chartered Bank (Hong Kong) Ltd and Msheireb Properties. He was Group Finance Director of Jardine Matheson Holdings Ltd until his retirement in 2005 and, prior to this, worked for Zeneca Group Plc and ICI Plc where he was Group Treasurer and worked in the UK, Kenya and Malaysia.

05. Mark Preston MRICS

Position Group Chief Executive

Appointed to the board 2008

Experience Mark joined Grosvenor in the UK in 1989. Seconded to Hong Kong in 1995, he returned to lead Grosvenor's fund management operations in 1997, spent four years in San Francisco from 2002, became Chief Executive of Grosvenor Britain & Ireland in 2006 and Group Chief Executive in 2008. Mark currently holds two Non-Executive Directorships on the boards of Persimmon Plc and Sonae Sierra SGPS. He is a Trustee of The Westminster Foundation and also a member of the Board of The Association of Foreign Investors in Real Estate, the ULI Greenprint Advisory Board and the (University of) Cambridge Land Economy Advisory Board.

06. Nicholas Scarles FCA ATTORNEY AT LAW

Position Group Finance Director

Appointed to the board 2007

Experience Nicholas joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse and Coopers and Lybrand in London, New York and Toronto. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company and a Non-Executive Director of Sonae Sierra SGPS.

Executive Directors

07. Nicholas Loup

Position Chief Executive

Appointed to the board 1998

Experience Nicholas established the operation in Asia Pacific in 1994. He is a General Committee member of the British Chamber of Commerce and a Director of the Spinal Cord Injury Fund. He is also Chairman of ANREV, of which he is a founder member, and a member of the World Economic Forum's Fiscal Sustainability Global Agenda Council.

08. William Lo FCCA CFA

Position Chief Operating Officer

Appointed to the board 2002

Experience William joined Grosvenor in 2002 as Finance Director. He was appointed Chief Operating Officer in March 2012, responsible for driving performance and operational efficiencies across Grosvenor Asia Pacific. Before joining Grosvenor he worked for 11 years with AIA Capital Corporation as Finance Director for the region, and six years with Coopers and Lybrand in Hong Kong.

09. Christopher Ip

Position Finance Director

Appointed to the board 2012

Experience Christopher joined Grosvenor in March 2012 after seven years with the Jardine Matheson Group, where he was Finance Director of several companies. He was Executive Director of Hopewell Highway Infrastructure between 2003 and 2005 and prior to that was in the mergers and acquisitions divisions of Morgan Stanley and Deutsche Bank in Hong Kong.

10. Koshiro Hiroi

Position Managing Director, Development

(Asia Pacific), Chief Representative Japan

Appointed to the board 2011

Experience Koshiro joined Grosvenor in 2001 as Chief Representative and led the growth of the business in Japan. Before joining Grosvenor, he worked for American private fund Lone Star Group and Japanese developer Tokyo Tatemono.

11. Yu Yang

Position Managing Director,

Investment (Greater China)

Appointed to the board 2012

Experience Yu Yang joined Grosvenor in 2004 as Chief Representative for China, building up Shanghai operations and spearheading the company's investment activities in China. Before joining Grosvenor, Yang worked at First China Property Group, an opportunistic fund managed by Macquarie Bank.



Grosvenor Asia Pacific Portfolio

Investment properties

| | Passing rent HK\$m | ERV HK\$m | Running yield % | Reversionary yield % | Number of properties | Grosvenor share HK\$m | Assets under management HK\$m |
|-------------|-----------------------|--------------|--------------------|-------------------------|----------------------|--------------------------|----------------------------------|
| Office | 123.3 | 141.2 | 4.1 | 4.7 | 2 | 2,979.4 | 2,979.4 |
| Retail | 18.6 | 18.6 | 5.9 | 5.9 | 1 | 313.8 | 627.5 |
| Residential | 63.6 | 67.5 | 6.0 | 6.3 | 4 | 1,065.2 | 1,865.3 |
| | 205.5 | 227.3 | 4.7 | 5.2 | 7 | 4,358.4 | 5,472.2 |

Development and trading properties

| | Number of properties | Grosvenor share HK\$m | Assets under management HK\$m |
|-------------|----------------------|--------------------------|----------------------------------|
| Residential | 2 | 447.6 | 3,000.9 |

Geographic analysis

| | Grosvenor share | | | | Assets under management Total HK\$m |
|-----------|---------------------|----------------------|---------------------------|----------------|---|
| | Investment HK\$m | Development HK\$m | Financial assets HK\$m | Total HK\$m | |
| Hong Kong | 2,810.0 | 294.8 | 39.2 | 3,144.0 | 4,322.1 |
| China | 542.2 | — | — | 542.2 | 542.2 |
| Japan | 1,006.2 | 152.8 | — | 1,159.0 | 3,648.0 |
| | 4,358.4 | 447.6 | 39.2 | 4,845.2 | 8,512.3 |

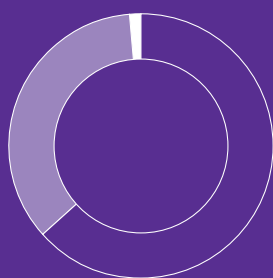
| Property | Description | Location | Area m ² |
|---|---|------------------|---------------------|
| Investment properties – directly owned | | | |
| Office | | | |
| Shinsen Building | Office building in Shibuya-ku | Tokyo, Japan | 2,800 |
| Residential | | | |
| Chester Court at Gubei | High-end, serviced apartment building in Gubei | Shanghai, China | 13,800 |
| Grosvenor Place at Lakeville Regency | One unit in a luxury residential apartment building in Jingan | Shanghai, China | 970 |
| The Mark Minami Azabu | Residential property in Minato-Ku | Tokyo, Japan | 3,600 |
| Investment properties – jointly owned | | | |
| Office | | | |
| PCCW Tower | Office building in Quarry Bay | Hong Kong, China | 57,600 |
| Retail | | | |
| Nakaza Cuidaore Building | Retail property in Chuo-ku | Osaka, Japan | 8,700 |
| Residential | | | |
| Grosvenor Place, Kamizono-cho | Residential development in Shibuya-ku | Tokyo, Japan | 18,100 |




| Property | Description | Location | Area m ² | Completion date |
|---|--|------------------|---------------------|-----------------|
| Development and trading properties – jointly owned | | | | |
| Residential | | | | |
| Roppongi Arents | Residential property in Minato-ku | Tokyo, Japan | 21,700 | 2003 |
| Monterey Court | Residential development in Jardine's lookout | Hong Kong, China | 5,400 | 2017 |

Proprietary activities – indirect

Equity

Total £747.5m



| | | | | |
|---|--------------------------------------|------|---------|-------|
|  | Managed by Grosvenor Fund Management | 2012 | £473.8m | |
| | | 2011 | £528.7m | 63.4% |
|  | Sonae Sierra | 2012 | £264.3m | |
| | | 2011 | £312.3m | 35.3% |
|  | Managed by third-parties | 2012 | £9.4m | |
| | | 2011 | – | 1.3% |

Grosvenor invests *indirectly* in property in two ways.

We currently have co-investments in 23 investment vehicles managed by Grosvenor Fund Management – five in the UK, four in the US, six in Continental Europe, six in Asia Pacific and two international funds.

We also have indirect investments in property, managed by third-parties. Our largest indirect investment is our shareholding in Sonae Sierra, a shopping centre specialist whose sector focus and geographical reach complements our own. We first invested in Sonae Sierra in 1996 and since then have twice increased our holding: we now control 50% of the company.

Our indirect portfolio is managed centrally by a small team in the Grosvenor Holding Company led by Chris Taite, Group Investment Director, based in our London office.

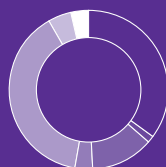
Managed by Grosvenor Fund Management Total £473.8m

Sector



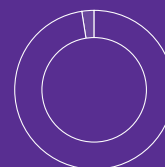
| | | | | | |
|-------------|------|---------|------|---------|-------|
| Office | 2012 | £267.8m | 2011 | £264.3m | 56.5% |
| Retail | 2012 | £141.7m | 2011 | £196.0m | 29.9% |
| Residential | 2012 | £35.6m | 2011 | £46.8m | 7.5% |
| Other | 2012 | £28.7m | 2011 | £21.6m | 6.1% |

Region



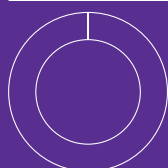
| | | | | | |
|--------------------|------|---------|------|---------|-------|
| Australia | 2012 | £166.8m | 2011 | £166.8m | 35.1% |
| China | 2012 | £7.1m | 2011 | £7.1m | 1.5% |
| Continental Europe | 2012 | £59.5m | 2011 | £66.4m | 12.6% |
| Japan | 2012 | £16.9m | 2011 | £22.1m | 3.6% |
| UK | 2012 | £184.2m | 2011 | £232.5m | 38.9% |
| USA | 2012 | £22.8m | 2011 | £24.0m | 4.8% |
| International | 2012 | £16.5m | 2011 | £9.3m | 3.5% |

Activity

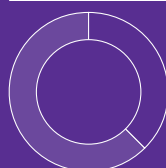


| | | | | | |
|-------------|------|---------|------|---------|-------|
| Investment | 2012 | £462.3m | 2011 | £501.8m | 97.6% |
| Development | 2012 | £11.5m | 2011 | £26.9m | 2.4% |

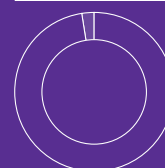
Sonae Sierra Total £264.3m



| | | | | | |
|--------|------|---------|------|---------|--------|
| Retail | 2012 | £264.3m | 2011 | £312.3m | 100.0% |
|--------|------|---------|------|---------|--------|

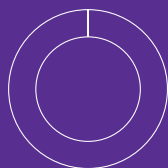


| | | | | | |
|--------------------|------|---------|------|---------|-------|
| Brazil | 2012 | £99.4m | 2011 | £125.4m | 37.6% |
| Continental Europe | 2012 | £164.9m | 2011 | £186.9m | 62.4% |

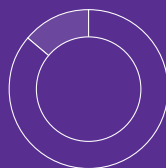


| | | | | | |
|-------------|------|---------|------|---------|-------|
| Investment | 2012 | £257.9m | 2011 | £306.4m | 97.6% |
| Development | 2012 | £6.4m | 2011 | £5.9m | 2.4% |

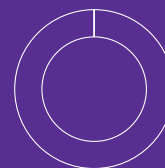
Managed by other third-parties Total £9.4m



| | | | | | |
|------------|------|-------|------|---|--------|
| Industrial | 2012 | £9.4m | 2011 | – | 100.0% |
|------------|------|-------|------|---|--------|



| | | | | | |
|-----|------|-------|------|---|-------|
| UK | 2012 | £8.1m | 2011 | – | 86.2% |
| USA | 2012 | £1.3m | 2011 | – | 13.8% |



| | | | | | |
|------------|------|-------|------|---|--------|
| Investment | 2012 | £9.4m | 2011 | – | 100.0% |
|------------|------|-------|------|---|--------|

Indirect investments

Mark Preston Group Chief Executive



Since 2011, Grosvenor's indirect investments have been managed centrally. Mark chairs the Group Investment Committee.

Why is it so important for Grosvenor to co-invest in Grosvenor Fund Management's investment vehicles?

“The spread of investments assists in the pursuit of our diversification objective. Also, by putting Grosvenor capital to work alongside other investors in Grosvenor Fund Management's funds, we aim to reassure investors that Grosvenor's interests are aligned with theirs.”

Business objective

The Group's objective, through indirect investments in property, is to diversify its property portfolio further and achieve strong risk-adjusted returns by exposure to sectors, countries, investment types and management teams which its direct property investments do not provide. We achieve this by investing in funds, clubs and other investment vehicles run by Grosvenor Fund Management, and by investing with specialist third-parties.

Number of investments by country

| | | |
|----------|--------------------|---|
| A | Australia | 2 |
| B | Brazil* | 1 |
| C | China | 1 |
| D | Continental Europe | 7 |
| E | Japan | 3 |
| F | UK | 6 |
| G | USA | 5 |
| | International | 2 |



*Exposure to Brazil is through the investment in Sonae Sierra which is also in Continental Europe.

What we said we would do in 2012

■ Seek new investment opportunities with Grosvenor Fund Management.

■ Look for further investment opportunities with third-parties.

■ Strengthen evaluation of our performance as investment manager internally and against benchmarks.

What we did in 2012

■ Through Grosvenor Fund Management:

- invested in a global real estate equity fund;
- invested in a new Swedish shopping centre; and
- committed to invest in core real estate in the USA.

■ Invested with specialist third parties:

- *io* Investment LLP (UK industrial); and
- High Street Realty Fund IV, (US industrial and logistics).

■ Developed historic performance analysis at individual and portfolio investment level, facilitating benchmark analysis.

2012 summary

Revenue profit

£49.0m

2011: £59.1m

Total return

1.5%

2011: 3.0%

Equity invested

£747.5m

2011: £841.0m



Connecting cities

Through the indirect element in our proprietary portfolio, we seek to invest in sectors and geographies in which our proprietary operating companies do not have broad in-house capability. As in other parts of the Grosvenor Group, we focus on cities, taking careful account of what makes them successful over the long term.

2012 saw the Group make its first foray into a real estate sector that is vital to sustainable city growth: logistics. Urban centres are constantly vying for business and need continuously to increase their competitiveness; better logistics help achieve this by improving connectivity – enabling businesses and individuals to get their goods and services to market quicker, more reliably and at lower cost.

Investment in the industrial and logistics sector with High Street Equity Advisors

As the pace of globalisation and urbanisation increases, the demand for good logistics from both individual and business customers grows more intense, making it a thriving real estate market. To gain exposure to it, we took an indirect investment position in a specialist fund with High Street Equity Advisors, based in Boston, USA. The founding Directors of High Street average more than 33 years of real estate experience. Since the company was formed in 2002, it has acquired over 1,500,000m² of industrial and logistics property at a total cost in excess of US\$900m. With a team of 20 highly focused regional and sector specialists, they are able to use their extensive knowledge of local markets to understand both tenant and investor demand.

Opposite:

2012 saw us diversify into the logistics sector, investing in property that helps people get their goods more efficiently.

“We take great pride in having Grosvenor as partner and investor, and hope that through execution, performance and communication we will earn the opportunity to expand our relationship over time.”

Bob Chagares President and Chief Investment Officer, High Street Equity Advisors





Indirect investments continued

A difficult year for investment returns

In 2012, the return to Grosvenor from our indirect investment in property fell, largely attributable to our exposure to European retail. The portfolio contributed £49.0m in revenue profit (2011: £59.1m), and a 1.5% total return (2011: 3.0%).

This performance is disappointing but it should be put in the context of the current low point in the property cycle together with the overall weakness of the world economy. On the positive side, the composition of our indirect portfolio evolved to increase the Group's exposure to countries such as Brazil and Sweden, sectors such as industrial, and new third-party investment vehicles such as *io* Investment LLP and **High Street Realty Fund IV** (see pages 59 to 61), all of which have enhanced the indirect portfolio's longer-term performance prospects and diversification. We also continue to benefit from the centralisation of all our indirect investments into a single portfolio: globally aggregated information provides greater transparency, visibility and consistency in managing and evaluating overall performance.

A strategy for diversification

The Group has a strategic allocation of 26% of its capital to indirect investment in property, to help achieve its desired diversification of investment returns. Our strategy for our indirect portfolio is to focus on two types of investment vehicle: those managed by Grosvenor Fund Management; and those run by specialist third-parties. Together, these activities complement the direct property investments made through Grosvenor's proprietary Operating Companies.

Investing through Grosvenor Fund Management

We took the important strategic decision to establish a separate investment vehicle for global real estate equities. This global real estate equity fund commenced trading in October 2012 and has made a very promising start.

We also made a strategic investment in a new Swedish shopping centre with the existing investors in the Grosvenor European Retail Partnership (see page 73); a commitment to invest in core real estate in the USA; and are looking forward to the possibilities offered by Grosvenor Fund Management's joint

venture with Harvest Fund Management for funds in Greater China (see page 74).

In total these fund and club investments amount to £286m of equity which delivered a total return of 1.0% in 2012, reflecting the difficult investment conditions in UK retail markets on the one hand, compensated by strong returns in our office investments on the other.

The Group is also a client of Grosvenor Fund Management in respect of separate accounts totalling £187m of equity for assets in Australia and in Continental Europe. The Australian investments are by far the largest part of this portfolio, and delivered a total return of 15.3% in 2012.

Investing through Sonae Sierra

Our investment in this very experienced retail developer and manager remains an important contributor to our overall diversification strategy. Given the high quality and dominance of the shopping centres in its portfolio in Continental Europe, we believe it will continue to perform relatively well despite the ongoing challenges in the consumer economies of these countries, while its exposure in Brazil is becoming increasingly important.

"We managed to keep global occupancy rates relatively stable at 96%, with global rents increasing by 0.3%, as a result of our attentive property management and in spite of sharper falls in average consumer sales figures in Europe."

Fernando Guedes de Oliveira Chief Executive,
Sonae Sierra



Sonae Sierra performed well given the travails of the economy in its heartland of southern Europe. Occupancy held up and revenue profits before trading losses remained at 2011 levels. Returns were impacted, however, by valuation falls and trading provisions, resulting in a total return for the year of 0.5%. It opened two new shopping centres – in Italy (Le Terrazze in La Spezia in March, a 50/50 joint venture with ING Real Estate) and Brazil (**Uberlândia Shopping** – see right). It delivered strong growth in management services to third-parties – with 27 new



Uberlândia Shopping, Brazil

This shopping centre opened in March 2012. With 201 shops, 21 restaurants, a hypermarket and five cinemas, its unveiling has created 2,000 jobs in the 'Triângulo Mineiro' region. Sonae Sierra has been rewarded with 92% occupancy at year end. Tenants sales over the year were R\$183.2m from 4,000,000 visitors.

contracts including seven instructions in Algeria for the first time, through Sierra Cevital, jointly-owned with an Algerian group, and nine further instructions in Morocco, for the new EMEA Sierra Services division. It also continued its policy of recycling capital, with four sales during the year (Shopping Penha, Tivoli Shopping and Pátio Brasil Shopping in Brazil, and Münster Arkaden in Germany) and three projects now at advanced stages of construction (Boulevard Londrina Shopping and Passeio das Aguas in Brazil and Hofgarten Solingen in Germany).

New investments in property or property-related companies

In April 2012 we made our first new investment in a third-party manager with the creation of *io* Investment LLP, managed by *io* Asset Management, which is buying multi-tenanted industrial estates and small business parks throughout the UK. It has an initial £35m to invest and at year end it had already made three investments totalling £9.7m.

*"John Sims and I were delighted to have launched *io* Investment LLP in partnership with Grosvenor. John's untimely death in January is a great sadness, but the team and I remain committed to deliver on the ambitions we shared with him. With a number of new acquisitions in the pipeline, we aim to be fully invested during 2013."*

Angus Scott-Brown Partner, *io* Investment LLP



In November we complemented this with an investment in a third party US east coast industrial and logistics fund, High Street Realty Fund IV. This fund focuses on existing industrial and logistics properties in the eastern half of the USA, investing in assets with recurring income and strong current cash yields.

Evaluation of results

We measure our success as an indirect investment manager in terms of delivery against both internal targets and external benchmarks. As we continue to improve our measurement and benchmark analysis, the strengths and weaknesses of our investment performance become more evident. Similarly, our growing exposure to specialist third-parties enables us to emulate market best practice as it evolves.

Market outlook

Maurizio Grilli Group Senior Research Analyst



Slow progress in Europe

The Outright Monetary Transactions programme has brought stability to a situation where Greece/Italy/Portugal/Spain were in danger of losing market funding, by establishing the European Central Bank as the lender of last resort to Eurozone countries. However, while the programme has significantly improved financial market conditions, the extent of its impact on the real economy is unclear. Reduced uncertainty will improve household and corporate confidence. Moreover, banks should increasingly loosen their lending standards and reduce interest rates on new loans to the private sector. Progress will be slow. By contrast, the policy of austerity adopted by Eurozone governments has driven unemployment across the continent to record levels. Youth unemployment is over 55% in Greece and Spain. The inevitable consequence is a significant increase in poverty and hardship.

In an uncertain economic and political environment, investors in Europe will remain risk-averse. They will focus on good-quality defensive assets. Our research shows that wealth, the presence of high-growth sectors alongside good public services and tight supply explains the resilience of property values in some European cities. Grosvenor's expertise in urban investment will be an advantage in securing out-performance in this market.

Proprietary activities – indirect

Portfolio

| Portfolio | | Property assets £m | Equity £m |
|--------------------|--------------------------------------|-----------------------|--------------|
| By category | Managed by Grosvenor Fund Management | 841.1 | 473.8 |
| | Sonae Sierra | 1,242.2 | 264.3 |
| | Managed by other third-parties | 8.4 | 9.4 |
| | | 2,091.7 | 747.5 |
| By sector | Office | 418.1 | 267.8 |
| | Retail | 1,572.7 | 406.0 |
| | Residential | 46.7 | 35.6 |
| | Mixed-use | 43.1 | 27.0 |
| | Industrial | 8.4 | 9.4 |
| | Other | 2.7 | 1.7 |
| | | 2,091.7 | 747.5 |
| By region | Australia | 239.9 | 166.8 |
| | Brazil | 243.4 | 99.4 |
| | Canada | 2.1 | – |
| | China | 22.7 | 7.1 |
| | Continental Europe | 1,158.3 | 240.9 |
| | Japan | 40.2 | 16.9 |
| | UK | 334.8 | 192.3 |
| | USA | 50.3 | 24.1 |
| | | 2,091.7 | 747.5 |
| By activity | Investment | 2,054.2 | 729.6 |
| | Development | 37.5 | 17.9 |
| | | 2,091.7 | 747.5 |

Property assets represent the Group's share of properties as included in the consolidated financial statements, including assets attributable to minority interests.
Equity represents the Group's economic interest in investments.

Investments

| | Location | Sector |
|---|--------------------|-----------------|
| Investments managed by Grosvenor Fund Management | | |
| Funds | | |
| Grosvenor Capital Advisors Partnership | Japan | Residential |
| Grosvenor Diamond Capital – Stable Residential Fund | Japan | Residential |
| Grosvenor French Retail Investments | Continental Europe | Retail |
| Grosvenor Liverpool Fund | UK | Mixed-use |
| Grosvenor London Office Fund | UK | Office |
| Grosvenor Office Retail Fund | Japan | Office & Retail |
| Grosvenor Residential Investment Fund | UK | Residential |
| Grosvenor Residential Investment Partners | USA | Residential |
| Grosvenor Retail European Properties | Continental Europe | Retail |
| Grosvenor Shopping Centre Fund | UK | Retail |
| Grosvenor Vega – China Retail Fund | China | Retail |
| ISPT Grosvenor International Property Trust | International | Diversified |
| Shmael US Real Estate Fund | USA | Office |
| Clubs | | |
| Grosvenor European Retail Partnership | Continental Europe | Retail |
| Grosvenor Hexagone Partnership | Continental Europe | Office |
| Grosvenor Office Limited Partnership | UK | Office |
| Paris Antiques Market | Continental Europe | Retail |
| US Healthcare Venture | USA | Healthcare |
| Separate accounts | | |
| Bank of Queensland Centre, Brisbane | Australia | Office |
| Confidential mandate | USA | Office & Retail |
| 400 George Street, Brisbane | Australia | Office |
| Global Equities Fund | International | Diversified |
| Omega II | Continental Europe | Office |
| Investments managed by third-parties | | |
| Sonae Sierra | Continental Europe | Retail |
| io Investment | UK | Industrial |
| High Street Realty Fund IV | USA | Industrial |

Fund management

Equity invested by partner type

Total £1,978.6m



| | | | | |
|---|------------------------|------|-----------|-------|
|  | Grosvenor | 2012 | £473.8m | 24.0% |
| | | 2011 | £528.7m | |
|  | Pension funds | 2012 | £747.4m | 37.8% |
| | | 2011 | £1,139.5m | |
|  | Sovereign Wealth Fund | 2012 | £212.6m | 10.7% |
| | | 2011 | £75.0m | |
|  | Insurance companies | 2012 | £94.5m | 4.8% |
| | | 2011 | £113.6m | |
|  | Family Trust Endowment | 2012 | £4.4m | 0.2% |
| | | 2011 | £84.0m | |
|  | Fund of funds | 2012 | £25.8m | 1.3% |
| | | 2011 | £34.9m | |
|  | Other | 2012 | £420.1m | 21.2% |
| | | 2011 | £364.7m | |

Grosvenor has been working in partnerships for over 50 years. We launched our first fund in 1976 and formally established Grosvenor Fund Management in 2005.

Grosvenor Fund Management offers a range of sector-and region-specific property investment vehicles which aim to deliver attractive, risk-adjusted returns and a high level of client service. Operating from 11 offices in the United States of America, Europe and Asia, we employ 117 professionals with local knowledge and skills to execute our strategic investment decisions and create value for our investors.

We have 67 investor partners in 26 property funds, club deals and separate accounts. Aligning our interests with our partners and building long-term investor relationships is of paramount importance to us.

Sector

Total assets under management £4,095.0m



| | | | |
|-------------|------|-----------|-------|
| Office | 2012 | £1,174.1m | 28.7% |
| | 2011 | £1,935.0m | |
| Retail | 2012 | £2,541.2m | 62.0% |
| | 2011 | £2,596.5m | |
| Residential | 2012 | £315.5m | 7.7% |
| | 2011 | £428.3m | |
| Other | 2012 | £64.2m | 1.6% |
| | 2011 | £46.7m | |

Location

Total assets under management £4,095.0m



| | | | |
|--------------|------|-----------|-------|
| Europe | 2012 | £2,764.7m | 67.5% |
| | 2011 | £2,954.5m | |
| USA | 2012 | £322.1m | 7.9% |
| | 2011 | £852.7m | |
| Asia Pacific | 2012 | £1,008.2m | 24.6% |
| | 2011 | £1,204.3m | |

Type of investment vehicle

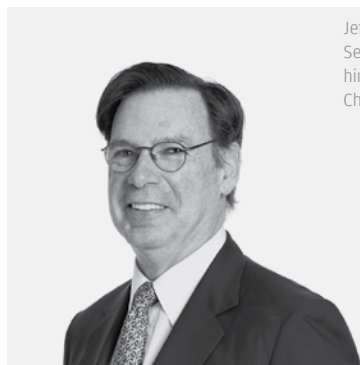
Total assets under management £4,095.0m



| | | | |
|------------------|------|-----------|-------|
| Funds | 2012 | £2,607.2m | 63.7% |
| | 2011 | £3,250.2m | |
| Clubs | 2012 | £561.1m | 13.7% |
| | 2011 | £412.6m | |
| Separate account | 2012 | £926.7m | 22.6% |
| | 2011 | £1,343.7m | |

Grosvenor Fund Management

Jeffrey Weingarten Chief Executive



Jeffrey joins the Group Board in September; James Raynor will succeed him as Grosvenor Fund Management Chief Executive.

Why is the launch of your China joint venture of such strategic significance?

“Harvest Real Estate Investments is a dedicated real estate fund management business providing investors with exciting opportunities to invest in Greater China’s emerging real estate industry.”

Business objective

Grosvenor Fund Management’s objective is to create value for our investors, Shareholders and staff. We are a client-focused business with over 50 years’ experience of working in partnership and believe in delivering strong performance and superior service. We treat our investors as long-term partners and combine our history with a desire to innovate. We are real estate specialists and have highly-skilled staff with expertise in their local markets. We provide a long-term view of investment while always seeking to maximise short-term opportunities in order to enhance returns.

Number of assets by region

| | | |
|----------|--------------|-----|
| A | Asia Pacific | 42 |
| B | Europe | 128 |
| C | USA | 23 |



What we said we would do in 2012

- Explore new investment opportunities in Japan, Australia, Europe and the USA.
- Research a global real estate securities product.

What we did in 2012

- Created our joint venture with Harvest Fund Management for real estate investment in Greater China.
- Acquired and began managing the Burlöv Shopping Centre, Malmö, for the Grosvenor European Retail Partnership.
- Acquired and began managing a portfolio on the Rue de la République, Lyon, for a client.
- Established a global real estate equity fund.

2012 summary

Assets under management

£4.1bn

2011: £5.0bn

Revenue profit

£(10.3)m

2011: £(1.6)m

Disposals made

£703.0m

2011: £137.0m

Acquisitions made

£391.0m

2011: £762.0m

Rue de la République
Lyon, France
This 1km pedestrianised
street provides outstanding
retail, office and living
space in the heart of Lyon.



Creating opportunities

Grosvenor Fund Management's strategy is to offer our clients a range of opportunities to invest in property, in locations in which we have experienced local teams. In line with this, in December 2012 we completed the acquisition of a 30-property portfolio in the historic heart of Lyon for a segregated account.

Lyon is France's 'second city' and accounts for 10% of the country's gross domestic product. The 62,000m² majority retail portfolio is located in a protected city centre retail parade on the Rue de la République.

From London to Liverpool to Lyon

To create value for our client in the Lyon portfolio, we will build on our established expertise in estate management.

This expertise derives not only from Grosvenor's experience on our London estate, which we have managed for over 300 years, but also from Liverpool ONE, 149,000m² of retail and leisure space which Grosvenor developed and now manages. Liverpool ONE moved Liverpool up the UK retail rankings from 17th to 5th, a position it has maintained.

Opposite:

The Rue de la République is the prime destination for retailers wishing to be in Lyon.

"We will be drawing on our experience in managing town-centre real estate around the world in order to bring something new to this exceptional portfolio and create value for our client."

Giles Wintle Managing Director,
Grosvenor Fund Management, Europe





Grosvenor Fund Management continued

Testing times in which to grow a business

The challenging economic conditions, combined with funds reaching the end of their life cycles, fed through to our performance as a business. Assets under management dipped to £4.1bn (2011: £5bn) due to planned asset sales and lower than expected investment volumes. Revenue profit decreased to a loss of £10.3m due to continued investment to enhance our future capabilities – including launching our joint venture in China, establishing a global real estate equity fund and growing our US team – and to reduced fee income.

Investment activity

We continue to listen closely to our clients and provide them with appropriate products and structures to achieve their investment objectives in our core markets.

A highpoint of the year was a major strategic move with the launch of our joint venture with Harvest Fund Management, China's second largest asset management group, and a management team led by Rong Ren, well known for his experience in Chinese real estate fund management (see page 74).

In Continental European retail, despite the challenging capital raising and investment markets, we acquired the **Burlöv shopping centre** in Malmö, Sweden, for Grosvenor European Retail Partnership, extending our relationship with our existing investor partners (see page 73). We also acquired a €330m portfolio of 30 buildings on the **Rue de la République** in Lyon, France (see pages 69–71), which we will manage on behalf of our client. Both deals were examples of our teams on the ground showing real insight into their market and of the trust we have gained as an investment adviser.

“The attention we pay to developing long-term investment strategies and the focus we give to creating specialist teams to deliver them has led to a number of successes, notably in European retail, which we expect to deliver real value for our clients.”

James Raynor Chief Investment Officer,
Grosvenor Fund Management



In the UK our new business focus remains on the retail and London office markets. In the USA we continued the evolution of our urban investment theme, looking at core city centre real estate and how best to execute this type of opportunity.

Building on Grosvenor's prior experience in real estate equities, we established a separate investment vehicle with Grosvenor's capital for **global real estate equities** (see page 74).

Portfolio management highlights

Maintaining strong relationships with our tenants has never been more important given the challenging economic environment. Our teams' efforts were rewarded with consistently strong occupancy levels across our portfolio: highlights included the **Grosvenor Liverpool Fund** (100%) – see pages 74 and 75 – and **Grosvenor French Retail Investments** (98%).

Selling assets in order to return capital to investors is an important discipline and we exited £703m of investments in 2012 where we had delivered our business plan or the fund had reached the end of its agreed life-cycle.

We continue to work closely with our 28 relationship banks and were pleased to arrange £328m of new or refinanced debt in the course of the year – a significant achievement as the overall deleveraging of real estate markets continues.

Investors express growing interest in the impact that sustainability has on investment returns, as tenants and occupiers alike become more demanding of the buildings they occupy. We were one of the first fund managers to join the **Global Real Estate Sustainability Benchmark** and participate in their annual benchmarking survey (see our Environment Review at www.grosvenor.com).

Operational developments

We officially opened our new office in Stockholm in May 2012 to support our continued expansion in this market (see page 75) and we took the decision to close our Sydney office later in 2013.



Burlöv, Malmö

In November 2012 we acquired the Burlöv shopping centre for Grosvenor European Retail Partnership, confirming the partnership's long-term commitment to the Swedish property market. This 42,000m² asset has a strong tenant base with more than 70 retailers providing a diverse and secure income stream for our clients.

In January 2013, we consolidated our UK and Continental European operations into one, led by Giles Wintle as Managing Director for Europe. At the same time, to emphasise the importance of a long-term approach to new investment products and sustainability, we created a new role of Managing Director for Corporate Development, taken by Mervyn Howard.

We have established working groups to monitor the raft of new regulations affecting the fund management industry, notably the Alternative Investment Fund Manager Directive in Europe, and to ensure we proactively implement any necessary enhancements to our business.

We are active members in a range of industry bodies, supporting transparency and increased governance for both investors and managers.

Satisfying clients

We ended the year managing 26 investment vehicles for a total of 67 clients, taking account of existing investment vehicles reaching the end of their life and new partnerships commencing.

“It has been a pleasure to see how Grosvenor Fund Management built up the retail portfolio in Europe and now how successfully they execute the disposal of the assets in line with the fund strategy.”

Niels Hessel Dahl Senior Consultant,
Sampension



The strength of our relationships with investors is fundamental to the success of our business. This year, to complement the anecdotal feedback which comes from clients, Non-Executive Directors of our funds and at events such as our investor seminar, we commissioned our first independent **client survey**: it gave structured feedback about our performance and service overall, most of it positive (see page 75).

We are grateful yet never complacent with the trust our clients place with us and look forward to continuing to expand existing and new relationships to create value for our investors, Shareholders and staff. James Raynor, who succeeds me as Chief Executive in June, has championed these relationships for nearly a decade with Grosvenor Fund Management and is ideally placed to take the business forward.

Jeffrey Weingarten

Chief Executive, Grosvenor Fund Management

Market outlook

Richard Barkham Group Research Director
and Director, Grosvenor Fund Management



Safe havens grab capital flows in 2012

Real estate capital flows are driven by GDP growth. The 10% fall in global transaction volumes during 2012 reflects the weakening of the global economy over the year. However, global transaction volumes hit US \$770bn in 2012 (up from \$400bn in 2009), reminding us that the year saw a reasonable property level of market activity. Data from Real Capital Analytics shows that investors from Asia accounted for 20% of cross-border real estate acquisitions in 2012, up from 5% in 2007. This increase reflects wealth from tax revenues, pension savings and growing confidence. Asian investors and others have focused on offices in the largest and most liquid property markets, such as London and New York. ‘Safe haven’ capital flows have boosted London’s property values in recent years.

Another trend is the emergence of sovereign wealth funds as global real estate players. Real estate, because of its low volatility and duration, is a very suitable asset class for these organisations which invest their countries’ wealth for the long term.

Grosvenor Fund Management

Stories from the year

China: *innovation in a dynamic market*

Harvest Real Estate Investments (HREI) brings together Grosvenor's long history of investing in international real estate and managing fiduciary relationships with the experience of Harvest Alternative Investments Group, a subsidiary of Harvest Fund Management, China's second largest asset manager.

"We are extremely pleased to have formed this joint venture with Grosvenor. The HREI management team has an enviable track record in the China real estate market and is passionate about delivering results for all our investors."

Dr. Henry Zhao
Chief Executive Officer, Harvest Fund Management



Real estate equities: *liquid real estate*

"In September, building on our prior experience in real estate equities, we established a global real estate equity fund with Grosvenor capital. The fund is designed to provide Grosvenor with the opportunity to access some of the highest-quality real estate around the world whilst maintaining a high level of liquidity with some downside protection. The fund offers the Group access to an investment vehicle that combines our top-down real estate research with bottom-up stock-picking and portfolio construction skills."

Matthew Norris
Portfolio Director, Grosvenor Fund Management



Stockholm: *our first office in Scandinavia*

When we launched our Stockholm office in May, Anneli Jansson (pictured right in Väsby Centrum, one of four shopping centres in our Swedish portfolio), our Country Manager in Sweden, said: “The fundamentals of the Swedish market appeal to us and our partners. Opening an office here underlines our long-term commitment to the region.”

The local knowledge we are providing makes it easier to identify new opportunities in the region and thus to create value for our investor partners. We are complementing such know-how with relevant expertise from elsewhere. Sarah Greenaway, Asset Manager, seconded from our London office to the growing team explains: “It is great to share experiences from our long-established UK presence and fantastic to have this opportunity to broaden my own know-how.”



Client-focused: *what it means in practice*

Our clients are our priority. We seek to provide them with superior service, attractive risk-adjusted returns, insightful information and new investment opportunities; and at the heart of our approach to our client relationships is the principle of compatibility and alignment of interest.

Take two examples from 2012.

First, our client seminar in London: 27 investors joined us for discussions on issues ranging from sustainability to the growth of financial services in China.

Second, our client survey undertaken for us by Property Funds Research: this provided valuable feedback on our products and services, helping us to identify areas for improvement as well as what our clients enjoy about working with us.

“32 investors gave feedback. The results show appreciation for our integrity, reporting and transparency; also a desire for greater clarity on strategy, further specialisation and more proactivity. Our recent European retail transactions, where our specialist teams proactively sourced and acquired off-market deals, are examples of us acting on this feedback.”

James O'Neill
Director, Capital Markets,
Grosvenor Fund Management

Liverpool ONE: *a milestone year*

In November 2012, Harvey Nichols opened its ‘Beauty Bazaar’ concept store (pictured left) in Liverpool ONE – a world first. The arrival of the 2,000m² store is a testament to Liverpool ONE’s success.

This was another highlight in a great year for the retail centre, managed by Grosvenor Fund Management: in August, Liverpool ONE received its 100,000,000th visitor; in September, eight new brands took over 6,500m² of space, taking South John Street, Paradise Street and Peter’s Lane to 100% occupancy; and at year end footfall exceeded 26 million for the first time, with stores trading on average 26% ahead of their UK average.

“Beauty Bazaar, Harvey Nichols, is the first one-stop destination for all things beauty. This truly unique space, spread across three floors, houses the very best brands in the market, alongside the very latest services that ensure grooming of the highest level, all within the convenience of a single space. We are very proud to have launched this ‘world first’ concept at Liverpool ONE, given the city’s reputation for beauty.”

Daniela Rinaldi
Harvey Nichols Group Concessions and Beauty Director



www.liverpool-one.com

Grosvenor Fund Management

Board of Directors

As at 14 March 2013

Non-Executive Directors

01. Mark Preston MRICS

Position Chairman, Grosvenor Fund Management and Group Chief Executive

Appointed to the board 2008

Experience Mark joined Grosvenor in the UK in 1989. Seconded to Hong Kong in 1995, he returned to lead Grosvenor's fund management operations in 1997, spent four years in San Francisco from 2002, became Chief Executive of Grosvenor Britain & Ireland in 2006 and Group Chief Executive in 2008. Mark currently holds two Non-Executive Directorships on the boards of Persimmon Plc and Sonae Sierra SGPS. He is a Trustee of The Westminster Foundation and also a member of the Board of The Association of Foreign Investors in Real Estate, the ULI Greenprint Advisory Board and the (University of) Cambridge Land Economy Advisory Board.

02. Nicholas Scarles FCA ATTORNEY AT LAW

Position Group Finance Director

Appointed to the board 2005

Experience Nicholas joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse and Coopers and Lybrand in London, New York and Toronto. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company and a Non-Executive Director of Sonae Sierra SGPS.

03. Richard Barkham MRICS

Position Group Research Director

Appointed to the board 2011

Experience Richard joined Grosvenor in 2000 as Research Director for Grosvenor Britain & Ireland. He was appointed Group Research Director in 2006, responsible for risk analysis, long-range forecasts and capital allocation. In 2011 he was appointed to the Board of Grosvenor Fund Management and has responsibility for economic analysis, strategic development and the development of new funds.

Executive Directors

04. Jeffrey Weingarten

Position Chief Executive

Appointed to the board 2010

Experience Jeffrey began his career as a Securities Analyst in 1970. In 1977, he joined the research division at Goldman Sachs & Co in New York, becoming Director of Research in London in 1987 and General Partner of Goldman Sachs & Co in 1990. From 1991-1995 Jeffrey was the Chief Investment Officer and Managing Director of Goldman Sachs Asset Management International, before returning to International Equity Research as Global Strategist. From 1998-2008, Jeffrey was General Partner and Chief Investment Officer of Buttonwood Capital Partners.

05. James Raynor

Position Chief Investment Officer

Appointed to the board 2005

Experience James joined Grosvenor in 2004 from The Royal Bank of Scotland in Paris, where he was Senior Director of European Real Estate. He was promoted to his present role at Grosvenor in March 2011, having previously run our Capital Markets & Continental European businesses. He sits on the INREV Training & Education Committee and the ULI French Council.

06. Robert Davis

Position Chief Operating Officer

Appointed to the board 2006

Experience Robert joined Grosvenor in 2006 from General Motors, where he undertook a number of roles within the Group's finance function and was most recently Chief Operating Officer, European Operations, for GMAC Commercial Finance Plc. He was promoted to his present role at Grosvenor in March 2011, retaining his previous role of Finance Director.

07. Alexia Gottschalch

Position Managing Director, USA

Appointed to the board 2011

Experience Alexia joined Grosvenor in 2011 and was appointed Managing Director of our US fund management business and Head of Capital Markets in the US. Prior to joining Grosvenor she held senior management positions at Independence Capital Partners, Cheswold Real Estate Investment Management, Prudential Real Estate Investors and Tishman Speyer.

08. Mervyn Howard

Position Managing Director, Corporate Development

Appointed to the board 2005

Experience Mervyn 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. He was responsible for Grosvenor Fund Management's UK business prior to moving to his current international corporate development role.

09. Giles Wintle

Position Managing Director, Europe

Appointed to the board 2011

Experience Giles joined Grosvenor in September 2011 from GIC Real Estate, where he oversaw investment activity in France, Italy, Nordics, CEE and Russia. He previously worked for BNP Paribas Corporate and Investment Banking in Paris and Jones Lang LaSalle in London and Paris.

01



02



03



04



05



06



07



08



09



Grosvenor Fund Management Portfolio

Assets under management

| | Number of investment vehicles | Gross asset value | | | | |
|---------------|-------------------------------|-------------------|-----------|-----------|----------------|----------|
| | | Total £m | Office £m | Retail £m | Residential £m | Other £m |
| Asia Pacific | 5* | 1,008.2 | 524.0 | 219.3 | 260.7 | 4.2 |
| Europe | 13* | 2,764.7 | 493.1 | 2,251.6 | 20 | — |
| USA | 6* | 322.1 | 157.0 | 70.3 | 34.8 | 60.0 |
| International | 2 | included above | | | | |
| Total | 26 | 4,095.0 | 1,174.1 | 2,541.2 | 315.5 | 64.2 |

*Includes separate account clients.

Asia Pacific

Name: GROSVENOR CAPITAL ADVISERS PARTNERSHIP

Launch date: 2004

Sector: Residential

Risk profile: Value-add

Gross asset value: JP¥13bn (£95m)

Number of assets: 10

Number of investors: 6

Grosvenor Capital Advisers Partnership is focused on opportunistic investment in residential assets in the greater metropolitan areas of Tokyo and Osaka, which both benefit from cyclical upturns. Returns are enhanced through a value-add approach.

Name: GROSVENOR DIAMOND CAPITAL – STABLE RESIDENTIAL FUND

Launch date: 2005

Sector: Residential

Risk profile: Core

Gross asset value: JP¥23bn (£166m)

Number of assets: 17

Number of investors: 6

Grosvenor Diamond Capital – Stable Residential Fund is focused on high-quality, well-managed residential properties with stable recurring income. 90% of assets are in Tokyo with the remaining 10% in other major Japanese cities.

Name: GROSVENOR OFFICE RETAIL FUND

Launch date: 2007

Sector: Office and retail

Risk profile: Core and Value-add

Gross asset value: JP¥22bn (£161m)

Number of assets: 12

Number of investors: 8

Grosvenor Office Retail Fund focuses on Grade B/C office and retail properties, primarily in Tokyo and Osaka. Returns are enhanced through both a stable income and value-add approach.

Name: GROSVENOR VEGA – CHINA RETAIL FUND

Launch date: 2008

Sector: Retail

Risk profile: Value-add

Number of assets: 1

Number of investors: 7

Grosvenor Vega-China Retail Fund owns and actively manages the Parkside Plaza shopping centre in Shanghai.

Name: SEPARATE ACCOUNT CLIENT – AUSTRALIA

Launch date: 2011

Sector: Office

Risk profile: Various

Gross asset value: A\$569m (£363m)

Number of assets: 2

Number of investors: 1

Two modern, energy-efficient office buildings in Brisbane are actively managed by Grosvenor Fund Management.

Grosvenor Fund Management

Portfolio

continued

Europe

Name: GROSVENOR EUROPEAN RETAIL PARTNERSHIP

| | | | |
|----------------------|--------|-----------------------------|---------------|
| Launch date: | 2011 | Gross asset value: | €547m (£443m) |
| Sector: | Retail | Number of assets: | 7 |
| Risk profile: | Core | Number of investors: | 3 |

Grosvenor European Retail Partnership was created as a club vehicle to acquire a portfolio of urban shopping centres in dynamic cities in France and Sweden.

Name: GROSVENOR FRENCH RETAIL INVESTMENTS

| | | | |
|----------------------|--------|-----------------------------|---------------|
| Launch date: | 2006 | Gross asset value: | €349m (£283m) |
| Sector: | Retail | Number of assets: | 45 |
| Risk profile: | Core | Number of investors: | 9 |

Grosvenor French Retail Investments is focused on creating a balanced income-producing portfolio of high-quality high street and retail warehousing properties in France. It has established a well diversified portfolio located within the strongest French urban areas.

Name: GROSVENOR HEXAGONE PARTNERSHIP

| | | | |
|----------------------|-----------|-----------------------------|---------------|
| Launch date: | 2006 | Gross asset value: | €147m (£119m) |
| Sector: | Office | Number of assets: | 3 |
| Risk profile: | Core plus | Number of investors: | 2 |

Grosvenor Hexagone Partnership is a tactical office club, created to take advantage of the attractive investment opportunities in select Continental European office markets.

Name: GROSVENOR RETAIL EUROPEAN PROPERTIES

| | | | |
|----------------------|--------|-----------------------------|---------------|
| Launch date: | 2004 | Gross asset value: | €194m (£158m) |
| Sector: | Retail | Number of assets: | 24 |
| Risk profile: | Core | Number of investors: | 8 |

Grosvenor Retail European Properties has built up a diverse portfolio of high-quality retail properties located within robust cities in Continental Europe. The fund provides a mixed risk profile of secure income-producing assets along with core plus opportunities through the properties' repositioning.

Name: SEGREGATED AND SEPARATE ACCOUNT CLIENTS – CONTINENTAL EUROPE

| | | | |
|----------------------|-------------|-----------------------------|---------------|
| Launch date: | Various | Gross asset value: | €408m (£332m) |
| Sector: | Diversified | Number of assets: | 34 |
| Risk profile: | Various | Number of investors: | 3* |

*Number of separate account clients.

Assets in Paris, Madrid and Lyon actively managed to create maximum value for our clients.

Europe

Name: GROSVENOR LIVERPOOL FUND

| | | | |
|----------------------|--------|-----------------------------|---|
| Launch date: | 2004 | Number of assets: | 1 |
| Sector: | Retail | Number of investors: | 6 |
| Risk profile: | Core | | |

Grosvenor Liverpool Fund was established in 2004 to finance the regeneration of and investment in the 42-acre Paradise Street area in Liverpool. Now branded 'Liverpool ONE', the scheme has won more than 65 awards since completion, attracts more than 25 million visitors a year and reached 100% occupancy in 2012.

Name: GROSVENOR LONDON OFFICE FUND

| | | | |
|----------------------|--------|-----------------------------|-------|
| Launch date: | 1999 | Gross asset value: | £343m |
| Sector: | Office | Number of assets: | 3 |
| Risk profile: | Core | Number of investors: | 4 |

Grosvenor London Office Fund invests in large, high-quality office buildings in central London, providing secure and stable income to a club of investors.

Name: GROSVENOR OFFICE LONDON PARTNERSHIP

| | | | |
|----------------------|-----------|-----------------------------|-----|
| Launch date: | 2011 | Gross asset value: | £0m |
| Sector: | Office | Number of assets: | 0 |
| Risk profile: | Value-add | Number of investors: | 2 |

This club deal was created in 2011 to invest in value-add assets in London's West End and Midtown office markets.

Name: GROSVENOR RESIDENTIAL INVESTMENT FUND

| | | | |
|----------------------|-------------|-----------------------------|------|
| Launch date: | 2005 | Gross asset value: | £20m |
| Sector: | Residential | Number of assets: | 6 |
| Risk profile: | Core | Number of investors: | 3 |

Grosvenor Residential Investment Fund was established in 2005 to invest in residential properties in clearly researched and defined clusters of cities and towns situated throughout the UK.

Name: GROSVENOR SHOPPING CENTRE FUND

| | | | |
|----------------------|--------|-----------------------------|----|
| Launch date: | 1998 | Number of assets: | 3 |
| Sector: | Retail | Number of investors: | 16 |
| Risk profile: | Core | | |

Grosvenor Shopping Centre Fund was established in 1998. It owns and actively manages a portfolio of three shopping centres in medium-sized towns in the UK, which are dominant in their catchment areas.

Name: SEGREGATED ACCOUNT CLIENT – UK

| | | | |
|----------------------|-----------|-----------------------------|---|
| Launch date: | 2011 | Number of assets: | 1 |
| Sector: | Retail | Number of investors: | 1 |
| Risk Profile: | Core plus | | |

We actively manage a UK shopping centre on behalf of a major bank.

Grosvenor Fund Management

Portfolio

continued

USA

Name: GROSVENOR RESIDENTIAL INVESTMENT PARTNERS

| | | | |
|----------------------|-------------|-----------------------------|----------------|
| Launch date: | 2007 | Gross asset value: | US\$57m (£35m) |
| Sector: | Residential | Number of assets: | 12 |
| Risk profile: | Debt | Number of investors: | 5 |

Grosvenor Residential Investment Partners is a closed-end fund focused on the USA for-sale residential market. The fund closed in 2007 and is now fully invested, having provided participating senior and mezzanine loans to 16 projects throughout the USA.

Name: SEPARATE ACCOUNTS CLIENTS – USA

| | | | |
|----------------------|-------------|-----------------------------|------------------|
| Launch: | Various | Gross asset value: | US\$199m (£123m) |
| Sector: | Diversified | Number of assets: | 4 |
| Risk profile: | Various | Number of investors: | 3* |

*Number of separate accounts

In the USA we manage separate account mandates on behalf of US, European and Middle Eastern clients.

Name: SHMAEL US REAL ESTATE FUND

| | | | |
|----------------------|-----------|-----------------------------|----------------|
| Launch date: | 2005 | Gross asset value: | US\$84m (£52m) |
| Sector: | Office | Number of assets: | 5 |
| Risk profile: | Core plus | Number of investors: | 15 |

The Shmael US Real Estate Fund is a closed-end fund, the focus of which was to invest in Class A and B+ office buildings in the USA. The fund closed in 2005 is fully invested in five properties.

Name: US HEALTHCARE VENTURE

| | | | |
|----------------------|------------|-----------------------------|----------------|
| Launch date: | 2011 | Gross asset value: | US\$88m (£54m) |
| Sector: | Healthcare | Number of assets: | 1 |
| Risk profile: | Core | Number of investors: | 2 |

US Healthcare Venture, LLC is a partnership with Kuwait Finance House to invest in healthcare-related real estate in the USA. The partnership will invest in the acquisition and development of senior living communities and medical office buildings.

International

Name: GROSVENOR GLOBAL EQUITY FUND

Launch date: 2012

Number of investors: 1

Sector: Diversified

Risk profile: Core

The fund is designed to provide Grosvenor with the opportunity to access some of the highest quality real estate securities around the world whilst maintaining a high level of liquidity.

Name: ISPT GROSVENOR INTERNATIONAL PROPERTY TRUST (IGIPT)

Launch date: 2004

Gross asset value: A\$163m (£104m)

Sector: Mixed-use

Number of assets: 4

Risk profile: Core

Number of investors: 7

IGIPT was established to provide a balance of secure income flow and long-term growth potential by investing in institutional grade property, outside Australia and New Zealand.

Ten-year summary

Income statement

| | 2003 £m | 2004 £m | 2005 £m | 2006 £m | 2007 £m | 2008 £m | 2009 £m | 2010 £m | 2011 £m | 2012 £m |
|---|--------------|--------------|--------------|----------------|--------------|----------------|----------------|--------------|--------------|---------------|
| Net rental income | 101.1 | 51.3 | 50.9 | 65.2 | 61.4 | 68.3 | 87.4 | 73.7 | 86.9 | 84.2 |
| Other income | | 10.4 | 29.9 | 52.9 | 45.7 | 37.0 | 35.1 | 54.0 | 40.7 | 38.7 |
| Administrative expenses | (41.5) | (46.7) | (53.3) | (75.8) | (81.5) | (82.7) | (84.5) | (86.2) | (89.8) | (89.3) |
| Net gains/(losses) on trading properties | 6.5 | 9.6 | (7.3) | (176.6) | (35.4) | (106.6) | (1.4) | (5.7) | (12.5) | (13.7) |
| Net gains/(losses) on other investments | 3.3 | 22.9 | — | 0.3 | 12.6 | (12.0) | (12.8) | (1.5) | (7.1) | 0.9 |
| Net gains/(losses) on revaluation and sale of investment properties | 37.2 | 198.8 | 246.8 | 518.7 | 413.9 | (267.7) | (87.6) | 292.4 | 324.4 | 312.7 |
| Impairment of goodwill | — | — | (3.3) | (0.2) | — | — | — | — | (0.7) | — |
| Share of profit/(loss) from joint ventures | 22.3 | 123.8 | 121.6 | 145.0 | 120.0 | (209.7) | (134.4) | 103.7 | 25.0 | 58.5 |
| Profit/(loss) before net financing costs and tax | 128.9 | 370.1 | 385.3 | 529.5 | 536.7 | (573.4) | (198.2) | 430.4 | 366.9 | 392.0 |
| Net financing costs | (37.2) | (28.0) | (17.2) | (20.8) | (12.7) | (20.5) | (37.6) | (35.6) | (51.9) | (37.6) |
| Profit/(loss) before tax | 91.7 | 342.1 | 368.1 | 508.7 | 524.0 | (593.9) | (235.8) | 394.8 | 315.0 | 354.4 |
| Revenue profit | - | 43.5 | 46.6 | (107.9) | 73.4 | (76.7) | 62.2 | 64.2 | 80.8 | 87.4 |

Balance sheet

| | 2003 £m | 2004 £m | 2005 £m | 2006 £m | 2007 £m | 2008 £m | 2009 £m | 2010 £m | 2011 £m | 2012 £m |
|---|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total property assets including share of joint ventures | 2,728.8 | 3,237.3 | 3,727.7 | 4,592.4 | 5,963.3 | 6,172.8 | 5,221.9 | 5,460.0 | 5,839.6 | 5,832.2 |
| Investment property | 2,050.5 | 1,809.1 | 2,007.4 | 2,350.0 | 2,921.6 | 2,785.8 | 2,279.1 | 2,525.9 | 2,812.7 | 3,061.0 |
| Investment in joint ventures | 222.4 | 694.6 | 819.4 | 1,050.1 | 1,156.0 | 1,093.3 | 859.6 | 1,063.3 | 1,074.8 | 1,003.9 |
| Other financial assets | 85.6 | 58.3 | 71.0 | 50.0 | 55.4 | 46.6 | 38.7 | 42.6 | 36.9 | 51.5 |
| Other non-current assets | 23.9 | 100.1 | 132.7 | 113.8 | 124.6 | 133.8 | 133.4 | 144.4 | 148.1 | 155.9 |
| | 2,382.4 | 2,662.1 | 3,030.5 | 3,563.9 | 4,257.6 | 4,059.5 | 3,310.8 | 3,776.2 | 4,072.5 | 4,272.3 |
| Trading properties | 94.4 | 44.1 | 34.5 | 48.7 | 147.1 | 164.2 | 142.3 | 138.7 | 245.2 | 294.8 |
| Cash and cash equivalents | 204.0 | 264.2 | 385.5 | 455.4 | 323.6 | 91.5 | 505.2 | 269.4 | 237.5 | 238.4 |
| Other net current (liabilities)/assets | 8.4 | 1.4 | (34.2) | 42.7 | (28.7) | 57.7 | (22.3) | 54.5 | 31.3 | 40.2 |
| | 306.8 | 309.7 | 385.8 | 546.8 | 442.0 | 313.4 | 625.2 | 462.6 | 514.0 | 573.4 |
| Borrowings (including current) | (687.6) | (614.5) | (575.4) | (659.5) | (671.4) | (785.9) | (775.4) | (738.7) | (805.5) | (818.9) |
| Deferred tax | (31.5) | (317.9) | (450.6) | (555.2) | (604.4) | (519.3) | (431.5) | (522.1) | (576.4) | (600.1) |
| Other non-current liabilities | (7.9) | (130.1) | (203.8) | (329.2) | (360.3) | (231.2) | (185.8) | (202.1) | (241.5) | (262.8) |
| | (727.0) | (1,062.5) | (1,229.8) | (1,543.9) | (1,636.1) | (1,536.4) | (1,392.7) | (1,462.9) | (1,623.4) | (1,681.8) |
| Net Assets | 1,962.2 | 1,909.3 | 2,186.5 | 2,566.8 | 3,063.5 | 2,836.5 | 2,543.3 | 2,775.9 | 2,963.1 | 3,163.9 |
| Share capital and share premium | 233.9 | 233.9 | 233.9 | 233.9 | 229.9 | 229.9 | 306.8 | 193.2 | 167.3 | 130.8 |
| Reserves | 1,614.5 | 1,561.4 | 1,857.7 | 2,184.0 | 2,658.5 | 2,420.4 | 2,080.0 | 2,456.1 | 2,688.0 | 2,946.7 |
| Shareholders' funds | 1,848.4 | 1,795.3 | 2,091.6 | 2,417.9 | 2,888.4 | 2,650.3 | 2,386.8 | 2,649.3 | 2,855.3 | 3,077.5 |
| Non-controlling interest | 113.8 | 114.0 | 94.9 | 148.9 | 175.1 | 186.2 | 156.5 | 126.6 | 107.8 | 86.4 |
| Total equity | 1,962.2 | 1,909.3 | 2,186.5 | 2,566.8 | 3,063.5 | 2,836.5 | 2,543.3 | 2,775.9 | 2,963.1 | 3,163.9 |

International Financial Reporting Standards were adopted with effect from 1 January 2004. Figures for 2003 are presented under UK GAAP. Revenue profit was reported on a statutory basis from 2004.

**You will find a list of offices
and a glossary under
this flap. The flap unfolds
so you can refer to the
glossary as you read
through the document.**

Grosvenor offices

Beijing

Room 1001, Tower A
Jiahui International Centre
14 Jiqingli
Chaoyang District
Beijing 100020
PRC
Tel: +86 10 6553 3553
Fax: +86 10 6553 3503

Calgary

The Watermark Tower
Suite 1920
530-8th Avenue
SW Calgary
Alberta
T2P 3S8
Canada
Tel: +1 403 699 9822
Fax: +1 403 699 9833

Edinburgh

33 Castle Street
Edinburgh
EH2 3DN
Scotland
Tel: +44 (0) 131 225 5775

Hong Kong

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

Liverpool

1 Kenyon's Steps
Liverpool
L1 3DF
England
Tel: +44 (0) 151 232 3210
Fax: +44 (0) 151 232 3217

London

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

Lyon

73 rue de la République
69002 Lyon
France
Tel: +33 (0) 4 72 40 44 67

Luxembourg

46a, Avenue John F Kennedy
1855 Luxembourg
Luxembourg
Tel: +352 26 00 52 13
Fax: +352 26 00 58 03

Madrid

Plaza de Colon 2
Torre 2 Planta 7
28046 Madrid
Spain
Tel: +34 (0) 91 292 08 90
Fax: +34 (0) 91 292 08 91

Milan

Corso Garibaldi 86
20121 Milano
Italy
Tel: +39 0 2 43 912 517
Fax: +39 0 2 43 912 531

Paris

5th Floor
69 Boulevard Haussmann
75008 Paris
France
Tel: +33 (0) 1 44 51 75 00
Fax: +33 (0) 1 44 51 75 01

Philadelphia

Two Liberty Place
50 S. 16th Street
Suite 2600
Philadelphia PA 19102
USA
Tel: +1 215 575 3700
Fax: +1 215 575 3701

San Francisco

One California Street
Suite 2500
San Francisco CA 94111
USA
Tel: +1 415 434 0175
Fax: +1 415 434 2742

Shanghai

Unit 601-603 Platinum 233
Taicang Road
Shanghai 200020
PRC
Tel: +86 21 2322 3666
Fax: +86 21 5382 3431

Stockholm

Smålandsgatan 10, 4tr.
111 46 Stockholm
Sweden
Tel: +46 8 4073170
Fax: +46 8 4073171

Sydney

Level 16
20 Hunter Street
Sydney
New South Wales 2000
Australia
Tel: +61 (0) 2 8227 7233
Fax: +61 (0) 2 8227 7230

Tokyo

24th Floor
ARK Mori Building 1-12-32
Akasaka Minato-Ku
Tokyo 107-6024
Japan
Tel: +81 (0) 3 5575 5300
Fax: +81 (0) 3 5575 5301

Vancouver

2000 The Grosvenor Building
1040 West Georgia Street
Vancouver BC
V6E 4H1
Canada
Tel: +1 604 683 1141
Fax: +1 604 684 5041

Washington, DC

1701 Pennsylvania Avenue, NW
Suite 1050
Washington, DC 20006
USA
Tel: +1 202 293 1235
Fax: +1 202 785 2632

Designed and produced Bostock and Pollitt Limited, London.

Print production ArbiterDrucken.

Photography credits Ji Chang, Lars Clason, Paul Comerford, Dave Delnea, Marina Dodis, Jesse Goff, Larry Goldstein, Nick Ingram, Edmon Leong, Chris Lord, Jean-François Martin, PDP East.

This report is printed on paper made from a combination of recycled, de-inked pulp and is identified as Forest Stewardship Certified (FSC) virgin pulp. The laminate on the cover is 100% bio-degradable and will decompose in 3-6 months of correct disposal. This report is 100% recyclable and has been printed using the ISO 14001 Environmental Management Standard and is FSC certified. Up to 90% of the solvents and developer chemicals used in the production of this report have been recycled for future use.



Glossary

| |
|---|
| Area All figures given are for the gross area. |
| Assets under management The total investment in property assets managed by the Group, including the future costs of committed developments. |
| BREEAM Building Research Establishment Environmental Assessment Method for buildings. |
| Co-investment Where Grosvenor invests equity in joint venture or fund vehicles alongside third-parties. |
| Condominium A form of real property where a specified part of real estate (usually a multi-family property) is individually owned while use of and access to common facilities are controlled by an association of owners. |
| Core* A fund which is considered to be a low-risk fund that invests in stabilised income-producing assets. |
| Core plus* A fund that invests in a core-style asset but adopts a more aggressive management style. |
| Currency Financial information is presented in Sterling, with the exception of the Proprietary assets – direct reports on pages 22–55, where it is presented in the principal currency of the respective Operating Company. |
| Development exposure Grosvenor's share of development properties, including its share of the future development commitment, as a percentage of property assets including the future development commitment. |
| Development pipeline The development programme, including proposed projects that are not yet committed but are likely to proceed. |
| Development property A property that is being developed for future use as an investment property. |
| Economic property interest Grosvenor's equity interest in properties (or debt) after deducting the share attributable to minority investors. |
| ERV (estimated rental value) The estimated market rental value of the total lettable space in a property, calculated by the Group's valuers. This will usually be different from the rent being paid. |
| Finance lease A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee. |
| Financial capacity Wholly-owned unrestricted cash and undrawn committed facilities. |
| Funds under management The total value of properties managed by Grosvenor. |
| Future development commitment The expected costs to complete the development programme to which we are committed. |
| Gearing Total short- and long-term borrowings, including bank overdrafts, less cash and cash deposits, as a percentage of Shareholders' funds. |
| Gross rental income Total income from rents from the Group's properties. |

| |
|---|
| Grosvenor-managed A property or other investment that is managed by the Group. |
| Ground-rented Property where the freeholder grants a long lease to the tenant, usually in exchange for an up-front premium (for the major part of the value) and a lower ground rent payment for the duration of the lease. |
| Group Grosvenor Group Limited and its subsidiary undertakings. |
| Head lease The lease for an investment property under which the Group is a lessee. |
| Holding Company Grosvenor Group Limited. |
| IFRS International Financial Reporting Standard(s). |
| Indirect investments Proprietary investments managed by Grosvenor Fund Management or third-party managers. |
| Interest rate swap A contractual agreement with a counterparty (usually a bank) to exchange an interest obligation for an alternative interest obligation for a predetermined period of time (usually used to convert floating rate interest obligation to fixed rate obligations). |
| Investment property A property that is held for the purposes of earning rental income or for capital appreciation or both. |
| Joint venture An entity in which the Group invests and which it jointly controls with the other investors. |
| LEED® Leadership in Energy and Environmental Design; a programme that provides third-party verification of green buildings. |
| London estate Grosvenor's portfolio of office, retail and residential properties in the Mayfair and Belgravia areas of London's West End. |
| Mark to market adjustment An accounting adjustment to adjust the book value of an asset or liability to its market value. |
| Market value Market value is the amount for which an interest in an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. For investment properties, it is determined by independent external valuers. |
| Mezzanine lending Lending to property developers that is subordinated to senior lending in return for a profit share in the completed development. |
| Occupancy rate Occupancy rates given in the Review section are the average occupancy by floor area for the relevant year. |
| Operating Companies Grosvenor's regional investment and development businesses and Grosvenor Fund Management. |
| Passing rent The annual rental income receivable, which may be more or less than the ERV. |
| Performance fees Fees that are payable in the event that the performance of the underlying investment exceeds a predetermined benchmark. |

| |
|--|
| Pre-let A lease signed with a tenant prior to the completion of a development. |
| Property assets Investments in property and property-related instruments – comprises investment properties, development properties, trading properties, mezzanine loans and equity investments in property companies. |
| Property derivative Financial instruments whose price is derived by reference to a property returns index. |
| Proportional The total of the Group's wholly-owned and its share of jointly-owned property assets or net debt. |
| Proprietary Relating to Grosvenor's share of investments in property assets. Proprietary assets are direct or indirect: see structure diagram on page 2. |
| Rack-rented Referring to property that is rented out at full market rent. |
| Resilience The extent to which market values of property assets, on a proportional basis, can fall before Group financial covenants are breached. |
| Revenue profit Profit before tax, excluding profits on the sale of investment properties, gains or losses on other non-current investments, revaluation movements, major refurbishment costs and derivative fair value adjustments. See also Note 4 to the financial statements. |
| Reversionary yield The anticipated yield to which running yield will rise (or fall) once the rent reaches ERV; calculated as ERV as a percentage of the value of investment properties. |
| Running yield Passing rent as a percentage of the value of investment properties. |
| Separate account client A private real estate portfolio managed by Grosvenor Fund Management on behalf of a third-party. |
| Third-party The non-Grosvenor share of investments managed by Grosvenor. |
| Total return Total return on property assets is revenue profit before financial expenses but after major refurbishments, plus the net gain on revaluation and sale of investment properties and other investments and including fair value adjustments and exchange movements recognised in reserves, as a percentage of average property assets (before current year revaluations) and cash. Joint ventures and associates are treated proportionally for the purposes of this calculation. |
| Trading property Property held as a current asset in the balance sheet that is being developed with a view to subsequent resale. |
| Value-add Above-market increase in value as a result of active management (e.g. change of use or refurbishment). |
| Weighted average cost of capital The weighted average cost of debt and the notional cost of equity. Used as a benchmark for total return performance. |

*Definitions abbreviated from definitions used by INREV (the European Association for Investors in Non-listed Real Estate Vehicles).