Living cities

www.grosvenor.com

GROSVENOR

Annual Review 2013

Continuing stewardship

At Grosvenor, we see our past, present and future as a continuum across the centuries.

Grosvenor has been particularly involved in the evolution of one city – London – but, over the last 60 years, we have also owned and managed assets in other cities around the globe; our current portfolio covers more than 65 urban centres.

The family and the land

1677

The Grosvenor family history stretches back almost 1,000 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 (see image 1 below) and Sir Thomas Grosvenor (see image 2 below) – 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.

Mayfair, London

1720s

Mayfair, the northern part of this land, took its name from the fair held there 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 (see images 3 and 4 below).

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.

Belgravia, London

1820s

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, including Belgrave Square (see image 5 below), 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 (see image 6 below) and, on the periphery, modern offices.

International expansion

1950s

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 world.

Our business expanded, successively, into the Americas (from the 1950s with a development at Annacis Island, Vancouver, our first international project – see image 7 below), 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.

Corporate structure

2000

Grosvenor's corporate governance has evolved with the maturing of the Group. In April 2000, when we moved into new London offices (see image 8 below), 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 2011, 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 17 offices in 11 countries and assets in 16 countries (see The Westminster Terrace, Hong Kong in image 9 below).

Read more online about Grosvenor at: www.grosvenor.com

Ownership

2014...

Grosvenor remains privately owned. Our Shareholders – the Trustees of the Grosvenor Estate – hold the shares and other assets for the benefit of current and future members of the Grosvenor family. The family is headed by the 6th Duke of Westminster, who is Chairman of the Trustees.

Read more online about the Grosvenor Estate at: www.grosvenorestate.com


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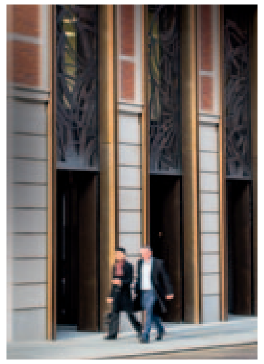

Public art at 33 Davies Street London, UK
33 Davies Street, our new, landmark office development in the heart of Mayfair (see page 24), is a good example of Grosvenor and Stow Capital Partners' investment in public art. Three bronze, double-height portcullis gates, designed by artist Wendy Ramshaw, have been installed at the entrance to the five-storey building. The flowing lines and intersecting arcs of the 3.6m-high gates are a reflection of the life and style of Mayfair.

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.

Our aspirations for the cities in which we operate are encapsulated in our strapline **'Living cities'**.

Welcome to our interactive Annual Review 2013

Our PC and Tablet-compatible interactive Annual Review has features to help you find the information you need quickly and easily.

Navigation tabs: The vertical tabs on the right edge of each spread take you directly to the start of that **section**.

Contents links: Select any link in the contents below, or on the green Section divider pages to jump to that specific page.

Page and web hyperlinks: Select any page references and web addresses within the text (underlined) to jump to the specific page.

Additional feature buttons:

For **PC/Mac** users, click on the six icons at the top of each spread to perform extra actions: return to the **Home** page; **Search** for content; **Print**; go **Back** or **Forward** a page; or return to the **Previous View**.

For **Tablet** users, select the **Home** icon to return to the beginning of this pdf. To scroll **Back** or **Forward** a page, swipe the screen. Other actions such as **Search** and **Print** are in-built functions of PDF readers such as iBooks (for Apple iPad) and Adobe Reader.

Reporting on our performance

For 13 years, as part of Grosvenor's long-standing commitment to transparency, we have updated our stakeholders on the progress the Group has made during the year by publishing a full Annual Report and Accounts and, latterly, a separate Environment Review.

This year, we have made some changes to make it easier for our stakeholders to access the information they need. In addition to the information contained in this Annual Review, you can explore our re-launched website, which features a dedicated reporting area. There you will find an interactive version of this document, with many links to related information for 2013: our full, audited financial statements; our environmental data; and an index of our sustainability reporting under the Global Reporting Initiative.

www.grosvenor.com/ourperformance

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Annual Financial Statements 2013

Our full financial statements for the 2013 financial year are available at:

www.grosvenor.com/financialstatements2013

Annual Environmental Data 2013

Our 2013 environmental results can be viewed in detail at:

www.grosvenor.com/environmental2013

Global Reporting Initiative Index 2013

To see how we continue to benchmark the transparency of our reporting, please visit:

www.grosvenor.com/gri2013

Our approach to creating value

What we do…

We create value by owning and managing real estate, and investing in property-related businesses, in cities around the world. We allocate capital strategically between three distinct areas of business, and provide shared services to support each of them.

1 We invest in, develop and manage property directly through our regional Operating Companies, using our local knowledge. Around 70% of Grosvenor's capital is invested in this way.

2 We invest indirectly in property by allocating capital to co-investments in Grosvenor-managed funds and to other indirect investments. Around 30% of Grosvenor's capital is invested in this way.

3 We manage capital for third-party investors through various investment vehicles. We receive income from management and performance-related fees.

How we do it…

Grosvenor has a devolved business model. We believe that decisions about real estate are best made on the ground, by local people who know their markets.

In our decision-making, we draw upon experience gained over a long period of what makes for success or failure in urban environments, as well as on the creativity and know-how of property specialists around the Group. We use this knowledge, to create value for ourselves and for the investors who entrust us with their capital.

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

Why we do it…

Creating value is certainly about profits, but is also about legacy and thus reputation.

Rigorous discipline to ensure financial success allows us, and our investor partners, to fund activities whose financial, social, environmental and other benefits will only become evident over the longer term.

"Our vision for Grosvenor is to grow as a private, diversified property group, active internationally in several sectors, and taking a long view of markets and our commitments. We want Grosvenor to be recognised for strong financial performance; excellence in quality of design and service delivery; and for the lasting impact of our values."

Mark Preston
Group Chief Executive

Our strategic priorities

The Group has three objectives:

1 To deliver attractive long-term returns.

We strive to grow revenue profit to cover dividend and tax obligations; to deliver total returns above our weighted average cost of capital and which are attractive relative to market benchmarks. We control risk by means of conservative gearing and management of liquidity at the corporate level, and by rigorous management of projects at the property level.

We have been focusing on:

- Building a global development pipeline assessed against a sophisticated risk dashboard.
- Reducing our exposure to prime central London residential property.
- Supporting our fund management business as it evolves.

Example of strategic progress:
We have committed £70.0m to London's mid-market private rental sector, funded by reducing exposure to the prime central London residential sector.

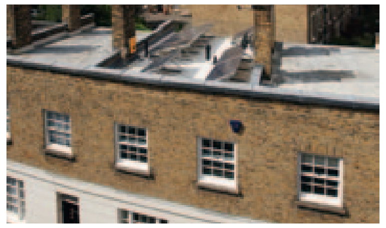
2 To develop and co-ordinate an internationally diversified property group.

Diversification. We diversify by geography, sector, currency, property activity and management team. Our structure provides three routes to achieving this: direct proprietary activities, indirect proprietary activities, and fund management. We allocate capital between these, having regard to macro-economic and global social trends and, increasingly, we allocate by reference to the economic growth and environmental resilience of the world's major cities.

'Living cities'. We use our expertise as stewards (asset managers) of existing property, as place-makers (developers) of new projects, and as fiduciaries (fund managers) of capital to create value in the world's top cities. We contribute to their sustainable growth through our thoughtful approach to design and high service quality standards.

We have been focusing on:

- Allocating new capital to Grosvenor Americas and our indirect investments portfolio.
- Investing in the industrial sector and maintaining exposure to a recovering market in southern Europe through our indirect investment portfolio.
- Committing to projects and management initiatives which contribute to the creation of 'Living cities'.



Example of strategic progress:
Our energy plan for the London estate includes a nine-step retrofit process aimed at protecting the long-term value of the estate. In 2013, we improved the energy efficiency of 99 units.

3 To uphold Grosvenor's reputation for quality, integrity and social responsibility.

We recruit and develop people who share the values of Grosvenor – expertise, integrity, loyalty and long-term vision – and have the skills and ambition to help us implement our strategy. We stick to our promises, build lasting relationships with partners and work closely and responsibly with local communities.

We have been focusing on:

- Continuing investment in our people through international secondments and our leadership programme at IMD in Switzerland.
- Improving our skills and expertise in the public consultation and engagement activities that are so important for ambitious place-making developments.
- Engaging local communities at our large-scale developments.

Example of strategic progress:
We are building community support for our Edgemont Village project in North Vancouver through interactive individual and small-group meetings. Larger-scale public engagement will commence as we go through the planning approval process.

Our governance structure

Authority is devolved by the Shareholders to the Holding Company and thence to the businesses within the Group.

GROSVENOR ESTATE

Trustees of the Grosvenor Estate (Shareholders)

Grosvenor is privately owned. The Shareholders are the Trustees of the Grosvenor Estate who hold the shares and other assets for the benefit of current and future members of the Grosvenor family.

There are six Trustees: the Chairman (the 6th Duke of Westminster), the Executive Trustee and four other Trustees.

GROSVENOR

Grosvenor Group Limited

Grosvenor Group Limited is the Company established by the Grosvenor Trusts as the holding vehicle for the Grosvenor Estate's urban real estate interests.

The five Non-Executive Directors on the Group Board include the Executive Trustee and two other Trustees, one of whom is the Chairman. The Chief Executive and Finance Director are the two Executive Directors. The Group Executive Committee is a sub-committee of the Grosvenor Group Limited Board.

Direct investment
Regional operating companies

£4.1bn of capital
(also termed 'Proprietary activities – direct')

Our regional Operating Companies are wholly-owned companies through which Grosvenor makes direct investments in real estate. Each has control over its own balance sheet. Together they invest 70% of Grosvenor's capital.

Grosvenor Britain & Ireland
£2.8bn

Grosvenor Americas
£0.8bn

Grosvenor Asia Pacific
£0.5bn

Indirect investment

£1.7bn of capital
(also termed 'Proprietary activities – indirect')

Our indirect investment portfolio, managed by the Holding Company, invests in real estate through co-investments in Grosvenor-managed funds and investments in other companies.
It invests 30% of Grosvenor's capital.

Co-investment in Grosvenor-managed funds
£0.5bn

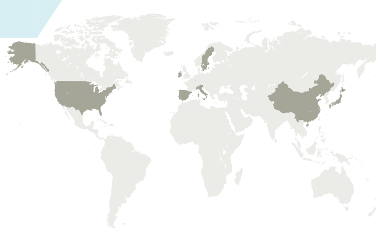
Sonae Sierra
£1.2bn

Other
£17m

Grosvenor Fund Management
International operating company

£3.2bn
of assets under management

Our international fund management business manages investments on behalf of 66 investors, of which Grosvenor is one. It operates in Asia, Europe and the USA.

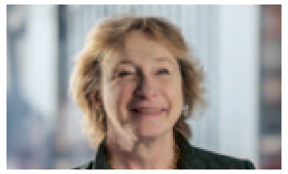


Our leadership team

The Group Board includes representatives of the Shareholders while its Executive Committee includes representatives of the Operating Companies.

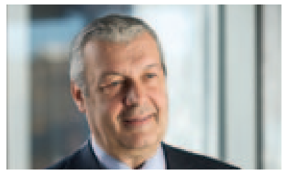
Grosvenor Group Limited – Board of Directors

The Group Board is responsible for setting and monitoring strategy, reviewing performance, ensuring adequate funding, formulating policy on key issues and reporting to the Shareholders. It meets five times a year.


Lesley Knox
Chairman
Non-Executive Director
Trustee, Grosvenor Estate
Non-Executive Director, Centrica plc and SABMiller plc


Michael McLintock
Non-Executive Director
Trustee, Grosvenor Estate
Chief Executive, M&G Group


Jeremy Newsum FRICS
Non-Executive Director
Executive Trustee, Grosvenor Estate


Domenico Siniscalco PhD
Non-Executive Director
Vice Chairman, Country Head of Italy and Head of Government Coverage EMEA, Morgan Stanley


Jeffrey Weingarten
Non-Executive Director


Mark Preston MRICS
Group Chief Executive
Executive Director

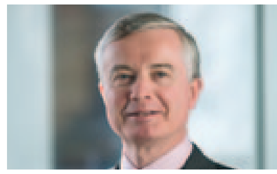

Nicholas Scarles
FCA ATTORNEY AT LAW
Group Finance Director
Executive Director

Read biographies online at:
www.grosvenor.com/group-board

Grosvenor Group Limited – Executive Committee

The Group Executive Committee is responsible for co-ordinating the implementation of Group strategy. It meets three times a year.


Mark Preston MRICS
Chairman, Executive Committee and Group Chief Executive


Nicholas Scarles
FCA ATTORNEY AT LAW
Group Finance Director


Andrew Bibby
Chief Executive,
Grosvenor Americas


Nicholas Loup
Chief Executive,
Grosvenor Asia Pacific


James Raynor
Chief Executive,
Grosvenor Fund Management


Peter Vernon FRICS
Chief Executive,
Grosvenor Britain & Ireland

Read biographies online at:
www.grosvenor.com/group-executive-committee

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Indirect
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Funds
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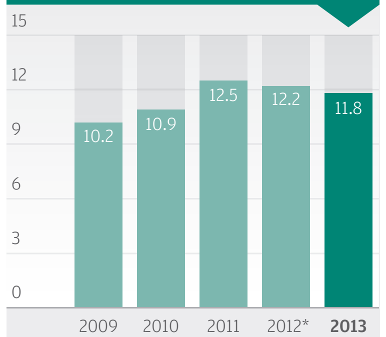
Overview
Direct From page 24
Indirect From page 40
Funds From page 46

HIGHLIGHTS

Group operational highlights

Assets under management
£11.8bn (2012*: £12.2bn)

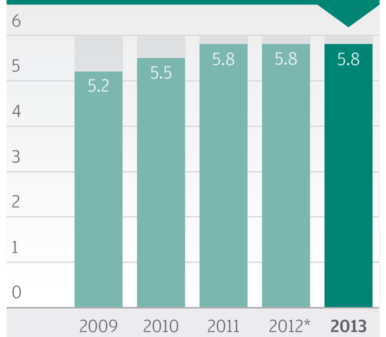


Why we measure
To monitor the scale of the portfolio of property assets for which the Group's management teams are responsible.

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

*Restated.

Property assets
£5.8bn (2012*: £5.8bn)

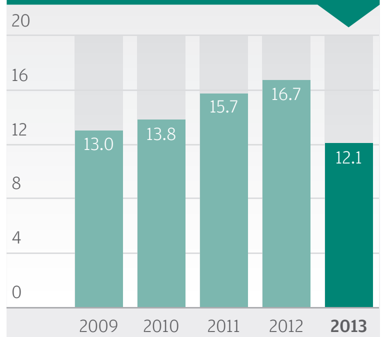


Why we measure
To quantify the Group's financial investment in property assets.

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

*Restated.

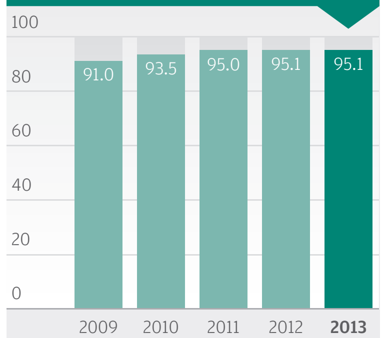
Development exposure
12.1% (2012: 16.7%)



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

Comment
We sold £250.0m of development and trading property in the year to fund future development.

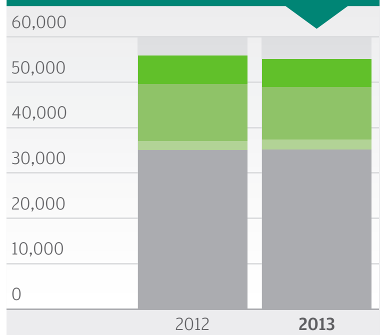
Occupancy
95.1% (2012: 95.1%)



Why we measure
To help us increase revenue profit. Maximising occupancy in our buildings is a key driver.

Comment
Our occupancy levels continue to be high across all of our sectors and regions.

Carbon emissions
55,117 tCO_2e (2012: 55,831 tCO_2e)

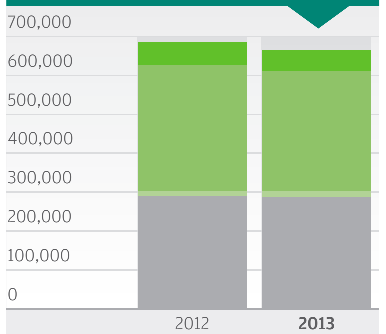


Grosvenor Britain & Ireland	6,246
Grosvenor Americas	11,511
Grosvenor Asia Pacific	2,232
Grosvenor Fund Management	35,128

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 static directly-managed portfolio through improved energy efficiency.

Water consumption
664,979m^3 (2012: 686,052m^3)



Grosvenor Britain & Ireland	52,626m^3
Grosvenor Americas	309,329m^3
Grosvenor Asia Pacific	16,008m^3
Grosvenor Fund Management	287,015m^3

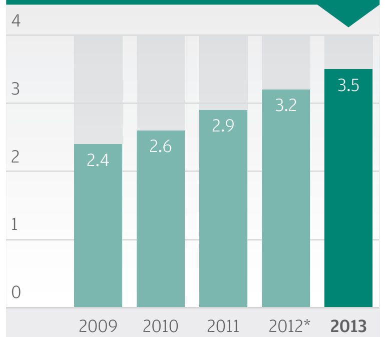
Why we measure
To assess our water consumption so we can identify ways to improve our environmental performance.

Comment
We have reduced water consumption across our static directly-managed portfolio through initiatives to improve water efficiency.

See glossary on back cover flap for definitions

Group financial highlights

Shareholders' funds
£3.5bn (2012*: £3.2bn)

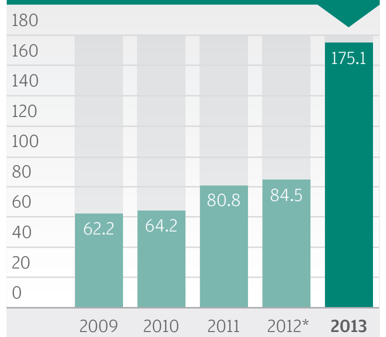


Why we measure
To report the total value of the Shareholders' investment in the Group.

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

*Restated.

Revenue profit
£175.1m (2012*: £84.5m)

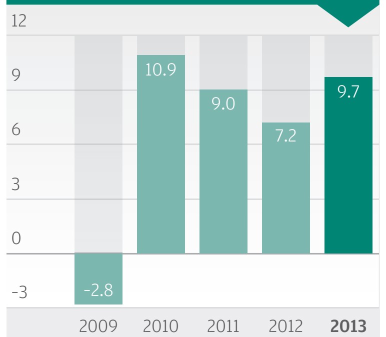


Why we measure
To identify underlying performance, excluding market movements.

Comment
Revenue profit increased for the fifth successive year to a record £175.1m, but 2013 was an exceptional year.

*Restated.

Total returns
9.7% (2012: 7.2%)

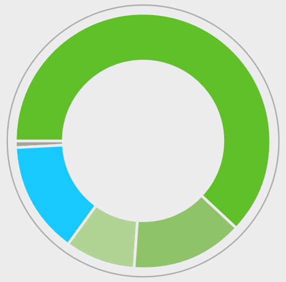


Why we measure
To show how our property portfolio has performed, including both income and capital returns.

Comment
A strong return delivered by the Group, driven by out-performance in Grosvenor Britain & Ireland and Grosvenor Americas.

Operating company analysis

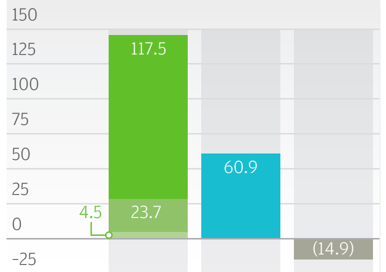
Shareholders' funds*



Grosvenor proprietary activities – direct	
Grosvenor Britain & Ireland	£2,164.9m
Grosvenor Americas	£497.9m
Grosvenor Asia Pacific	£309.2m
Proprietary assets – indirect	£488.3m
Grosvenor Fund Management	£5.4m

* Excludes the Holding Company.

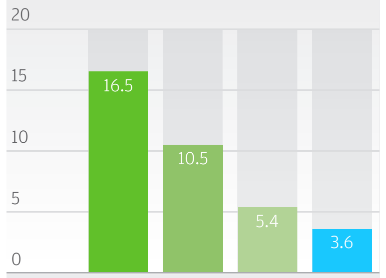
Revenue profit*



Grosvenor proprietary activities – direct	
Grosvenor Britain & Ireland	£117.5m
Grosvenor Americas	£23.7m
Grosvenor Asia Pacific	£4.5m
Proprietary assets – indirect	£60.9m
Grosvenor Fund Management	(£14.9m)

* Excludes the Holding Company.

Total returns*



Grosvenor proprietary activities – direct	
Grosvenor Britain & Ireland	16.5%
Grosvenor Americas	10.5%
Grosvenor Asia Pacific	5.4%
Proprietary assets – indirect	3.6%

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

CHAIRMAN'S STATEMENT

Creating a portfolio for the long term

"Grosvenor invests and plans for long-term success. Private ownership encourages us to think across the property cycles and to plan for future generations."

Lesley Knox
Non-Executive Chairman

A strong financial result

Against our early expectations, this was a very good year overall, in the UK particularly. We continued to build the development pipeline of our regional Operating Companies which invest our own capital, and in the people and infrastructure behind our fund management operation. We delivered revenue profit of £175.1m, returns of 9.7% and increased Shareholders' funds to £3.5bn.

Grosvenor invests and plans for long-term success. Private ownership encourages us to think across the property cycles and to plan for future generations. This is not just a matter of building up a suitable portfolio – one appropriately diversified by sector, geography, activity and management team, and designed to deliver long-term returns; it is also about keeping a strong, low-geared balance sheet to ensure we can withstand unexpected shocks.

For our investment partners and clients, this diversification enables us to offer an informed and local view of investment in real estate, married with deep-rooted financial and institutional stability.

Our roots are in London and an historic estate, but, after 60 years of diversification, we have extended our footprint to more than 65 urban centres which we believe offer sustainable returns in the long term, many of them analysed in our 2013 research on resilient cities (see page 9).

Changes to our Boards

Our Board deliberately reflects this variety and reach, including Non-Executive Directors familiar with global commercial and financial markets. The composition changes over time. Since last year's Annual Report, there has been the retirement of Alasdair Morrison and the arrival of Jeffrey Weingarten. For over nine years, Alasdair gave us the benefit of his long experience in Asia Pacific and the insight of a senior investment banker – both extremely valuable as we expanded in the East. Jeffrey brings deep knowledge of investment management after many years in the industry, most recently for two years as Chief Executive of our own fund management operation.

Independence of judgement is equally vital to the oversight of our Operating Companies. We have 10 excellent external Non-Executive Directors on the Operating Company Boards. One significant change was Keith Kerr joining us as Chairman of Grosvenor Asia Pacific, in time to celebrate our 20th anniversary in the region in November 2014.

The Board decided this year to change the way we report on the Group to make it easier for our stakeholders to access the information they need.

1 **'Tomorrow's Business Forms'**, published by Tomorrow's Company, is about making the right choices of ownership, structure and governance to deliver success for business and society. Mark Preston chaired the project team.

2 Nick Scarles chaired a group which presented **'A Vision for Real Estate Finance'** to the Bank of England. Its recommendations for promoting financial stability include improved understanding of the risks in real estate lending, sufficient capital to cope with a crash, stopping the regulatory pendulum associated with the property cycle, and promoting diversity in lending.

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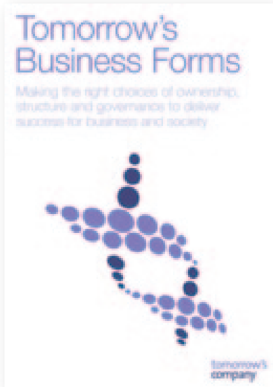

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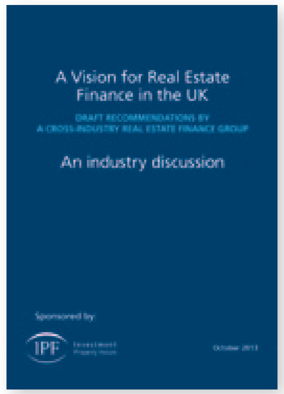

There are now four elements – this Annual Review, our Annual Financial Statements, our Annual Environment Data report and our Global Reporting Initiative (GRI) Index. These, along with other information on the Group, are available online. We want to continue our tradition of transparency about our activities and performance while making better use of digital media. If you have any comments, do let us know.

Our responsibility to society

How we conduct our business in the societies in which we operate is an important part of our culture. This is reflected in our role as stewards via the asset management of existing buildings, as developers of new buildings and as fund managers looking after the capital that helps to create value in the world's top cities. We have a strong commitment to 'Living cities' and to sustainable growth through thoughtful design and high service quality standards.

In 2013, Grosvenor Britain & Ireland began implementing its strategy of diversification into new neighbourhood projects in the private rental sector in inner London. This is aimed at a wider demographic than is normally associated with our historic heartland of Mayfair and Belgravia. Although we have been active across the residential market in other cities, notably Edinburgh, it is many decades since we contemplated creating new housing on a significant scale for Londoners.

Good corporate citizenship does not end with bricks and mortar. We may be privately owned, but we also engage fully in the public sphere, participating in industry bodies and discussion forums. In 2013, Mark Preston, our Group Chief Executive, led a broad project partners team for Tomorrow's Company which published a report on future business forms; while Nick Scarles, our Group Finance Director, led an industry group whose recommendations aim to prevent the next commercial real estate crash threatening the UK's financial stability.

Finally, I would like to mention the Group's commitment – and that of our staff – to charitable activity. In 2013, in addition to help given in kind, we donated a total of £2.4m, 79% of which went to the Westminster Foundation. 2014 is the 40th anniversary of grant-making by the Foundation (which represents the philanthropic activities of the Grosvenor family, headed by the Duke of Westminster, and the Grosvenor Estate). The Group is proud to support its endeavours, as another way of 'giving back' to the many communities of which we are a part.

Lesley Knox
Non-Executive Chairman

Resilient cities

Our latest in-house research into global cities aggregates data on 50 cities from more than 25 sources. It analyses their vulnerability (environmental and social), and their adaptability (in terms of governance, planning systems and learning capacity). This, together with more traditional indicators, allows us to assess their overall resilience in the context of investment in real estate. Further information is available online at www.grosvenor.com/research.

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Building a diversified development pipeline

"We have been steadily building up the scale of new development around the Group. We stepped up the pace last year, increasing the pipeline of planned development projects from £3.4bn to £6.0bn."

Mark Preston
Group Chief Executive

Exceptional revenue profit

2013 delivered a total return in line with our long-run average and very strong revenue profit, thanks largely to significant trading profits on sales in London. Total return rose to 9.7% (2012: 7.2%); revenue profit doubled to £175.1m (2012 restated: £84.6m); and Shareholders' funds grew, to £3.5bn (2012 restated: £3.2bn).

We expect revenue profit to drop back below £100.0m in 2014 but then maintain the upward trend that has been a feature of the last five years.

The property cycle

We have been concerned about the level of property values in some markets, particularly in prime central London residential property, as I flagged last year.

Grosvenor Britain & Ireland has accordingly reduced its exposure to high-end residential development by some £240.0m and is exploring the mid-market, where there is unsatisfied demand for good quality rental housing.

In the case of our chosen cities in North America, Grosvenor Americas has a pipeline of development activity which matches a strengthening economy and a favourable outlook for growth and property values in the markets of Calgary, the San Francisco Bay area, Seattle, Vancouver and the metropolitan area in Washington, DC.

A review of the balance of prospects and risks led us to conclude that an increase in our exposure in the Americas was justified: we accordingly increased the equity allocation to Grosvenor Americas by £30.0m.

In Asia, we have been cautious in China and Hong Kong during the year, but materially increased our exposure and activity in Tokyo, as the Japanese economy improved.

Strategy

Our objectives are to deliver attractive long-term returns, to develop and co-ordinate an internationally diversified property group, and to uphold Grosvenor's reputation for quality, integrity and social responsibility.

The measures we put in place to withstand the worst of the global financial crisis have allowed us to strengthen our portfolio through careful investment and particularly through development activity.

We have done this while maintaining high levels of liquidity and low financing risk, both of which we believe are priorities in view of the potential for interest rate rises and reduced money supply in the years ahead.

1 Our plans with Crossrail for a 6,000m² office development at **65 Davies Street** in London won planning approval in November 2013, responding to a demand for quality office space in north Mayfair.

2 We have created a bespoke management training course at the **IMD business school** in Lausanne: in 2013 another 38 staff identified as having high potential for future leadership roles participated in the scheme.

It will be apparent from my comments under 'Diversification' how important that element is in our strategy. Alongside this diversification is our commitment to 'Living cities', which is now embedded in the business strategy for each Operating Company: we aim to help create and manage cities which are socially and economically robust and which use only those resources that are annually renewable.

Such a commitment puts a premium on having the right people. We continue to become more sophisticated about recruiting people who understand our approach, have the skills to help implement our strategy and share our values. We also aim to develop their skills and their careers with that in mind. 63% of the graduates we have trained since 2002 have stayed with the Group; of those, 19% have gained experience of working in more than one Operating Company; and 42% of them have attended one of our leadership programmes developed with the IMD business school.

I visit all of our Operating Companies several times a year; many new joiners visit the London estate. It matters to me to hear the views of our 520 staff and also to be able to thank them in person, whenever possible, for their contribution to our success.

Diversification

Grosvenor may be best known for stewardship of an estate in Mayfair and Belgravia, but in reality our interests and our portfolio are much broader, with around half the balance sheet deployed outside the UK.

Diversification is achieved in two ways; through 'direct' investment in property via our proprietary Operating Companies, which represents 70% of the total capital allocation; and also through exposure to other strategies and management teams, via our 'indirect' investment portfolio which represents the remaining 30%. Our decisions on where to invest take account of our own research on the comparative resilience of cities around the world (see page 9).

Development

Over the five years since the global financial crisis we have made some important acquisitions for our investment portfolio. More significantly, we have been steadily building up the scale of new development around the Group. We stepped up the pace last year, increasing the pipeline of planned development projects from £3.4bn to £6.0bn. It now encompasses projects in Calgary, Cambridge, Edinburgh, Hong Kong, London, San Francisco, Seattle, Tokyo and Washington, DC.

It is weighted towards residential but also provides exposure to office, retail and leisure.

We believe this 75% increase is appropriate, and represents a judicious balance of enthusiasm about future prospects and caution about risks in our various markets. See our portfolio analysis on pages 14-15.

We are acutely aware of the high cost of living in London. In last year's Annual Report we flagged Grosvenor Britain & Ireland's interest in the private rental sector; in this document we refer to progress in executing their strategy for diversifying their portfolio in the capital.

It builds on work we have been doing elsewhere – notably in Edinburgh, with the **Springside** development (see page 12) – which has already shown that skills and expertise honed through our management of our London estate, a diverse community with a significant proportion of social housing, are transferable elsewhere. Other highlights – all of which offer significant opportunities to benefit the surrounding area through our 'Living cities' approach – include progress on **1-5 Grosvenor Place** in Belgravia, London (see page 28); **65 Davies Street** in Mayfair, London (see above); our residential-led mixed-project in **Ambleside**, West Vancouver (see page 12); and **Monterey Court** in Hong Kong (see page 12).

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3 At **Springside** in Fountainbridge – an area once renowned for its rich industrial heritage – our new apartments are selling well and the allotments we created while neighbouring land awaits redevelopment have been popular with residents.

4 At C$325.0m, our project at **Ambleside** in West Vancouver will be our highest value development in the Americas for two decades and aims to be an exemplar for sustainable place-making.

5 In 2014, we will celebrate 20 years in Asia. Our latest development project in the region, **Monterey Court**, occupies a prominent site on Jardine's Lookout in Hong Kong Island, 10 minutes from Central and with scenic views over the surrounding green hills.

6 In a busy first year of managing the **Rue de la République** asset in Lyon for our investor, we have already completed more than 100 leases, reduced office vacancy by 40%, launched a furnished office project and implemented a major programme of works to upgrade the security of the portfolio.

Indirect investments

Diversification is also central to the way we shape our indirect investment portfolio, which complements Grosvenor direct property holdings. At year end, 20.7% was devoted to our investment in Sonae Sierra, the shopping centre specialist, and we are pleased that our belief in their strategy and our commitment to that relationship has been vindicated with improved results. Sonae Sierra has enjoyed a recovery in economic activity and financial markets in Southern Europe. A further 8.6% was represented by our co-investment in Grosvenor Fund Management funds, which provide us with additional exposure to office and retail property investments. The remainder is invested in other types of property and property-related companies, and here too we decided to increase the capital allocation by £55.0m. This will allow greater exposure to the industrial and logistics sector in particular and we have recently considered investments in markets as diverse as Australia and sub-Saharan Africa – indeed we have agreed a long-term target of up to 5% of our Group capital in sub-Saharan Africa.

Property fund management

Grosvenor Fund Management's priority is delivering strong performance and exceptional service to clients and in this it has done well – whether in Chicago, Liverpool, London or Lyon (see above).

However, in terms of business performance, we expected, and suffered, losses during the year as a consequence of both the run-off of funds reaching the end of their lives and the expense of maintaining a comprehensive infrastructure in the USA and Japan at a time when the focus of new investment business was on Europe.

Grosvenor Fund Management will continue to service clients from Asia, Europe, the USA and elsewhere, but intends to focus new products in particular on the active ownership and management of high-quality urban real estate in a selection of resilient European cities.

It has also recently started to market the Global Real Estate Absolute Return Fund, investing in real estate securities, managed by a team based in London. We believe these changes to the business model will allow Grosvenor Fund Management to build on all it has achieved to date, return to profitability and, in due course, broaden its offering.

Looking ahead

In March 2013, we 'took the temperature' of real estate markets around the world with a selection of the world's largest institutional investors in property, by hosting a confidential forum at the Grosvenor's family home, Eaton Hall near Chester.

One year on, as this document goes to press, the developed world is still reliant on monetary stimulus and while the USA appears to have a self-sustaining recovery, the same cannot yet be said of Europe – and China faces the major challenge of reform. While most of our property markets have fared well, being in the prime sectors, the most likely progress is for yields to rise as monetary policy tightens, not this year, but soon enough (see the commentary on page 13). With this in mind, making investments which we and our clients want to hold for the long term is all the more important.

Lesley Knox refers to the report on future business forms published by Tomorrow's Company, the 'project partners' of which I chaired (see page 9). I believe that Grosvenor's form of ownership, with its unusual devolved management structure – the result of an overhaul in 2000 – is well suited to our business purpose. Our governance structure encourages us to keep our sights on the long term. Critically, it helps ensure a positive, lasting impact on the communities and places in which we are active.

Mark Preston
Group Chief Executive

MARKETS OVERVIEW

The fine art of surfacing

In 1978, the Boomtown Rats released 'The Fine Art of Surfacing'. Some people will remember the songs, but it is the album cover – with its image of an underwater swimmer coming up for air – that nicely conveys the present state of the global economy.

After seven years of intensive policy support, there is more than a hint of a self-sustaining economic revival, led by the USA. Growth has even returned to the Eurozone. So, the world economy is re-surfacing but managing the wind-down of quantitative easing will need to be very carefully judged indeed.

The global recovery that began in 2009, but was badly derailed by the Eurozone crisis, is expected to resume this year at just under 3% growth per annum. There is a great deal of spare capacity in the Organisation for Economic Cooperation & Development ('OECD') nations, so inflation should not be a problem for the next two years at least. This will allow the economic expansion to continue without a material increase in short-term interest rates. Moreover, central bankers will not want to repeat the mistakes of post-bubble Japan and tighten policy too soon. World trade, which has been badly depressed during 2012 and 2013, will now pick up, improving the already positive outlook for the logistics industry.

Where do the risks lie? In China, the investment-led boom has run out of steam and the government is attempting to shift the balance of growth towards consumption. This requires painful reforms to banks and state-owned enterprises so growth in the short term could slow sharply. Other emerging markets will suffer and, in any case, need to make their own reforms.

The relative success of the USA is another potential problem for the global economy. It is much further ahead in terms of recovery than many other parts of the OECD, particularly Europe, and is set for three or four years of strong growth. So, US interest rates will rise more quickly than elsewhere, causing the value of the US Dollar to appreciate. In the past, as in the Asian crisis of 1998, this has caused severe problems for emerging markets leading to a flight of capital and a struggle to meet US Dollar debt repayments. The USA, as a relatively closed economy, can go its own way and its real estate market looks poised to produce good returns.

Looking at the bigger picture, globalisation continues. While the world gets steadily richer (the size of the pie is increasing) the OECD continues to lose market share in manufacturing. With the possible exceptions of the USA and Japan, OECD governments have not grasped the nettle and are relying on monetary stimulation to generate growth rather than innovation and entrepreneurship. Japan has adopted a comprehensive reform programme which should boost growth when the stimulus fades.

Assets will continue to flow from the indebted OECD countries to cash-rich emerging and resource-economy investors. It is good to see Africa finally enjoying high rates of economic growth. In 2013, growth in sub-Saharan Africa was second only to China, and many African economies are beginning to feel the benefits of improved governance and reduced dependence on agriculture. Real estate opportunities in that continent abound.

Oddly, the period since the global financial crisis has been kind to prime real estate. The combination of weak growth and super-loose monetary policy has pushed down yields on the best property in the best locations. For the next few years, the elimination of excess vacancy should drive rents and this will provide another surge in returns. Beyond 2017, at which point the global recovery will be eight years old, there are two possibilities. Either, interest rates will rise to choke inflation and will put the brake on rental growth, causing real estate yields to start to rise and the next property recession to begin. Or, China's US$4.5 trillion of savings will start to flow out of its newly liberalised capital account, providing a much needed boost to western real estate values and the impetus for a huge development boom. The lesson of the last 20 years is that globalisation brings real benefits to living standards but dangerous volatility to OECD asset markets.

> "A lesson of the last 20 years is that globalisation brings real benefits to living standards but dangerous volatility to OECD asset markets."

Richard Barkham
Group Research Director

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PORTFOLIO ANALYSIS

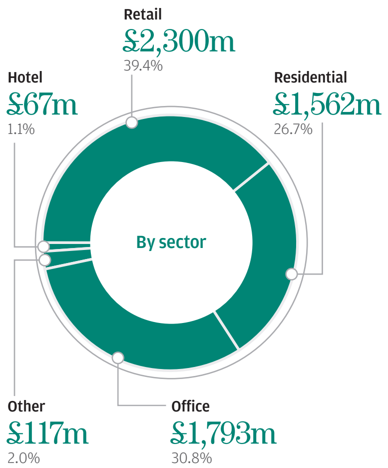
A diversified portfolio

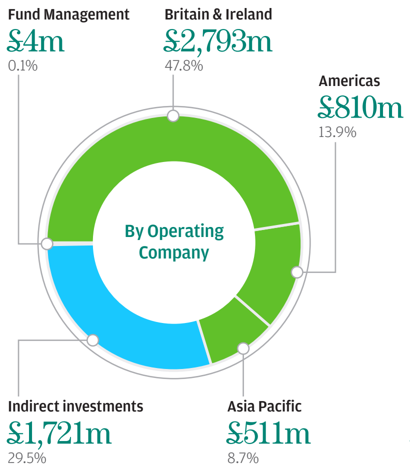
Segmental analysis

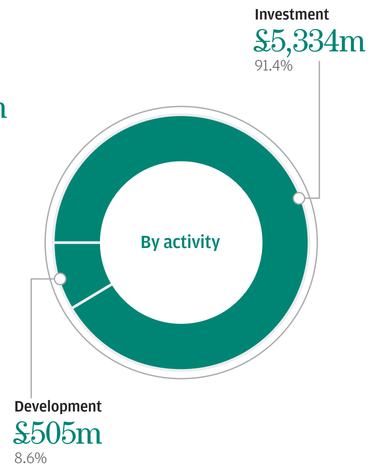
Grosvenor seeks to diversify its portfolio by investing in property both directly and indirectly and across numerous geographical locations, sectors, activities and management teams. We measure our exposure both in terms of proprietary assets held on the balance sheet and assets under management, which includes property assets that we manage on behalf of third parties. At the end of 2013, Grosvenor had property assets of £5.8bn and assets under management of £11.8bn.

Property assets

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

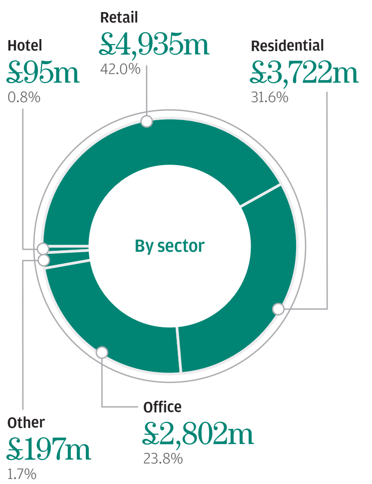


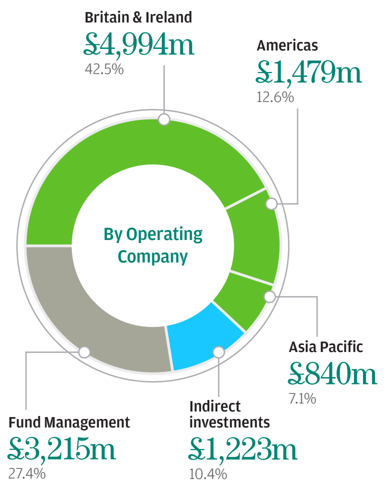


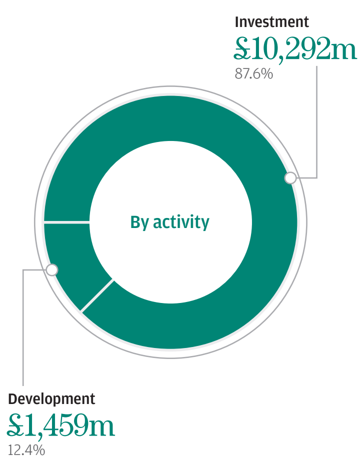


Assets under management

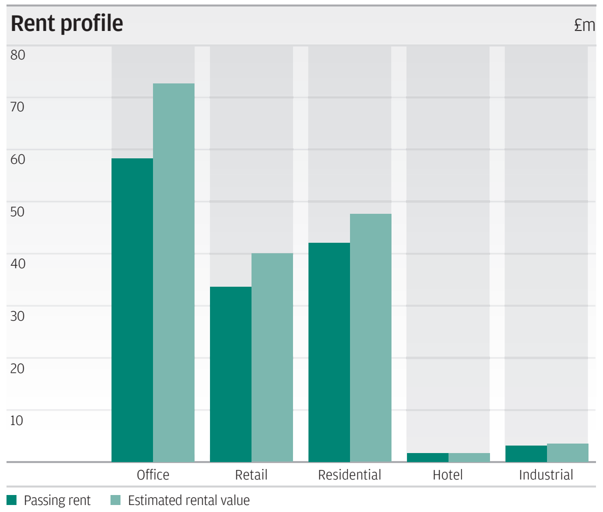
Assets under management represent the total investment in property assets (belonging to both Grosvenor Group and third-party investors), including the future costs of committed developments.

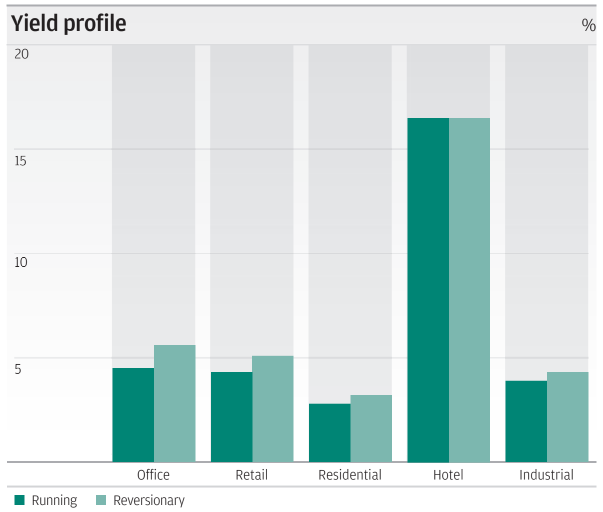




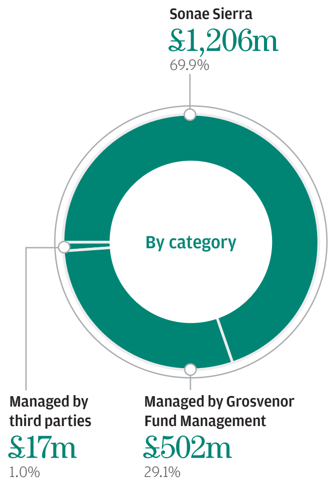


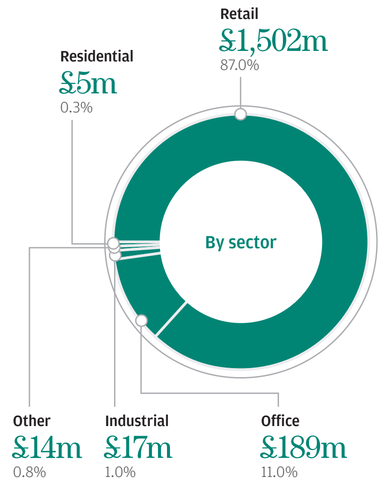
Proprietary activities – direct property assets: rent and yield profiles



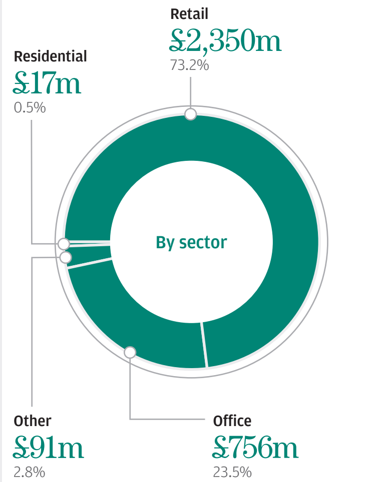


Proprietary activities – indirect: property assets



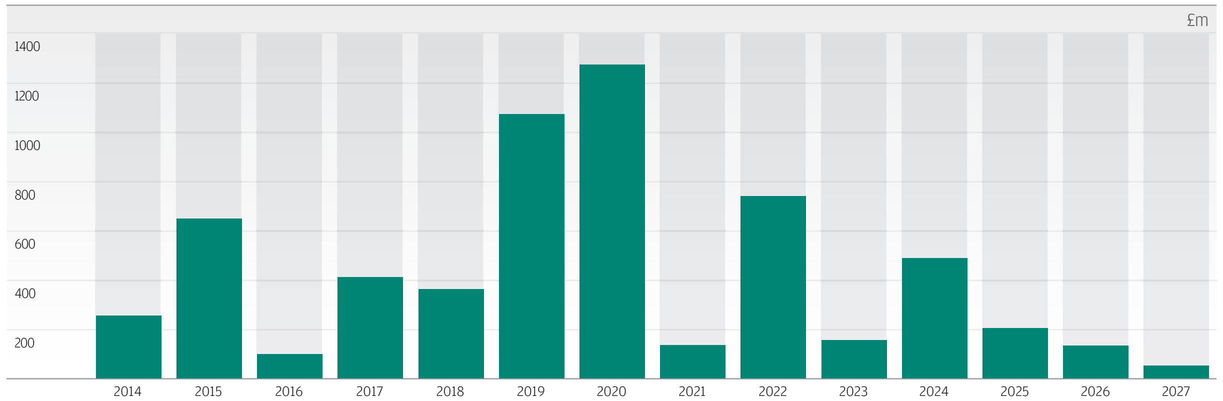


Grosvenor Fund Management



Development analysis

In 2013, Grosvenor took the opportunity to bring forward the disposal of some development and trading properties that had been targeted for later years. The fall in our committed development exposure from 2012 to 2013, reflected in the development ratio falling from 16.7% to 12.1%, is indicative of this acceleration of disposals and is the key reason for the record revenue profit produced by the Group. While the development ratio has fallen, the Group has an expanding development pipeline (including projects which are not yet committed) of key projects that are either currently on the ground or have plans which are well progressed. The chart below shows the expected gross development value of the development pipeline projects (£6.0bn, up from £3.4bn in 2012) together with potential completion dates.



Ensuring our continuing resilience

"With a focus on our growing development pipeline, an attitude of – and thirst for – continuous improvement in all functions, and ample financial capacity to seize opportunities as they arise, we are confident for the future."

Nicholas Scarles
Group Finance Director

Group performance

2013 realised a record revenue profit of £175.1m (2012 restated: £84.5m), the third consecutive year that a record has been set. Profit before tax increased 38% to £506.9m (2012 restated: £367.8m) and total return, which reflects the impact of revaluations and exchange movements, was 9.7% (2012: 7.2%). Shareholders' funds increased 8% to £3.5bn (2012 restated: £3.2bn).

Operating Company performance

Grosvenor Britain & Ireland trebled its revenue profit to £117.5m (2012 restated: £35.2m), due to significant trading profits, arising from the decision to take advantage of current prime residential pricing. In the light of the one-off nature of much of these trading profits, expectations for 2014 should be based more on the trend established up to 2012. Grosvenor Americas' revenue profit increased 76% to £23.7m (2012: £13.5m), also due to higher residential development profits. Grosvenor Asia Pacific's revenue profit declined 54% to £4.5m (2012: £9.8m) due to lower trading profits from joint ventures.

Grosvenor Fund Management experienced a loss of £14.9m (2012: £10.3m loss), principally arising from lower fees, due to the natural termination of funds, coupled with restructuring costs in Asia and office closure costs following Grosvenor's decision to sell legacy assets in Australia.

Indirect investment's revenue profit increased 24% to £60.9m (2012: £49.0m). Within that, Grosvenor's share of Sonae Sierra's revenue profit increased 30% to £48.5m (2012: £37.4m) due to lower impairments against development projects. Revenue profit from investments managed by Grosvenor Fund Management increased by 7% to £12.4m (2012: £11.6m) due to the lower assets under management in the funds, being more than offset by greater profits from legacy assets.

Total returns

For the fourth consecutive year, Grosvenor Britain & Ireland delivered the highest total return amongst our Operating Companies at 16.5% (2012: 13.8%), reflecting both the increased revenue profit and positive revaluations of the London estate. Grosvenor Americas' total return was its highest for six years, at 10.5% (2012: 9.5%), due to increased revenue profit, and Grosvenor Asia Pacific's was 5.4% (2012: 8.7%) reflecting reduced residential development profits and revaluations.

The total return from indirect investments increased to 3.6% (2012: 1.5%), comprising Sonae Sierra 2.9%, funds 6.7%, legacy 0.1% and new investments 8.1%.

Grosvenor in Australia

Early in the year, the last wholly-owned Australian assets were sold, ending 45 years of direct investment into the country, with Grosvenor's future Australian investments planned to be through the indirect investment route. Our post-investment appraisal shows investment property returns over the last 20 years of 11.7% per annum, approximately 1.5% above the market benchmark. Favourable exchange rates, between the dates of investing in Australia and the final return of capital, delivered exchange gains (taken through reserves) of £27.0m. Post year end, and following a recovery of Sterling against the Australian Dollar, our indirect investments team agreed a joint venture with Propertylink, under which Grosvenor will invest £30.0m in Australian industrial/logistics assets.

This real estate cycle

Prime real estate values in many politically and economically stable liquid markets have rebounded significantly from immediate post-crisis levels. Real estate's attractiveness as a safe store of value – which either delivers a level of rental income in excess of debt funding costs or, in the case of residential property, incurs little opportunity cost while interest rates remain low – has attracted massive equity investment into the sector. Meanwhile, higher real estate lending margins, driven by a combination of increased bank capital requirements and better risk-based pricing by lenders, translate into increased potential profitability for commercial real estate lenders. The result is increasing levels of new debt and rising maximum loan to value ratios. There is a risk that a bubble is developing and that, when inevitable interest rate rises occur or a more balanced relative attractiveness between asset classes returns, equity flows will reverse, placing values at risk. While economic expansion might balance the impact of the former, the latter is driven by economics and sentiment, neither of which is easily managed or predicted.

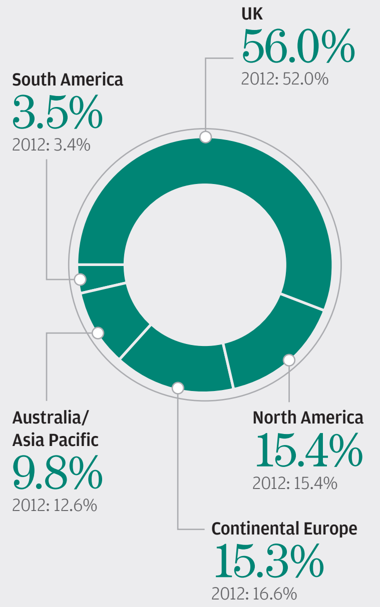
We do not know when a correction will occur, but our own analysis indicates the prospect of a correction is becoming more likely.

Grosvenor is a long-term investor in real estate. Our objective is to operate as a developer, investor and fund manager throughout all phases of the cycle and across many cycles. This means ensuring that Grosvenor is robust against the cycle. To do this we have to understand and manage the risks which arise from our activities while deploying our teams' property expertise for the benefit of our investors, lenders and ourselves.

Most commercial real estate companies which fail, do so through excessive debt or speculative development, coupled with falling values from a market crash. We manage these risks as follows:

Real estate market risk: As a long-term investor, Grosvenor is expected, indeed its purpose is, to have long-term exposure to real estate.

Economic property interests by city



	2012	2013
UK		
West End, London	41.3%	**45.9%**
Other London	3.7%	**4.5%**
Liverpool	2.8%	**2.8%**
Other UK	4.2%	**2.8%**
North America		
Vancouver	3.6%	**3.3%**
Other USA	3.0%	**3.3%**
Seattle	2.5%	**3.3%**
Washington, DC	3.2%	**3.1%**
San Francisco	2.0%	**2.0%**
Chicago	0.9%	**0.3%**
Other Canada	0.2%	**0.1%**
South America		
São Paulo	2.1%	**2.0%**
Other Brazil	1.3%	**1.5%**

	2012	2013
Australia/Asia Pacific		
Hong Kong	4.6%	**4.6%**
Tokyo	2.0%	**2.7%**
Beijing	0.0%	**1.4%**
Shanghai	1.2%	**0.7%**
Osaka	0.5%	**0.4%**
Brisbane	4.3%	**0.0%**
Continental Europe		
Other Portugal	2.5%	**3.2%**
Lisbon	2.8%	**2.8%**
Spain	3.4%	**2.4%**
Porto	2.1%	**1.9%**
France	1.7%	**1.5%**
Germany	1.1%	**1.4%**
Italy	2.1%	**1.2%**
Other Europe	0.6%	**0.6%**
Sweden	0.3%	**0.3%**

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Finance Director's report (continued)

The impact of market risk is mitigated by diversification (the power of which is explained in more detail on page 20). The exception to our diversification ethos is the large exposure to London, which is justified by the (up to 2% p.a.) out-performance which can be expected from the management of a contiguous, multi-asset estate.

One way of reducing the risk of financial stress following a market crash is to moderate the cycle, which would bring huge benefits for the economy, not just the real estate sector. With this objective, I chair a cross-industry group which has developed a vision ('A Vision for Real Estate Finance in the UK' – see page 9) in which the extremes of the commercial real estate cycle might be avoided by constraining lending during the build-up to a market boom and ensuring banks can lend following a crash. To date, the draft recommendations have been well received, but the real challenge will be in implementation.

Gearing risk: Gearing is limited using an internally determined minimum resilience, being the extent to which property values overall can fall without breaching Holding Company debt facility financial covenants and assuming no responsive action (such as selling assets). At 31 December 2013, economic gearing was 29% and resilience was well above our internal minimum at 77%.

Development risk: Perhaps the hardest risk of these three to measure with accuracy is that which arises from committed developments. Our traditional measure, the development ratio, is inadequate as it does not measure risk accurately. We have devised our own approach to measuring and managing development risk. This approach, which has taken several years to develop into a practical methodology, involves the assessment of the range of potential realistic financial outcomes from each development, split into the key operational drivers of financial uncertainty.

An example of how risk has been assessed over a real project's life and the quantum and projection of risk on all Grosvenor's committed developments are shown in charts on page 21.

Taxation

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

The 2013 tax charge equates to an effective rate of 27.6%, before the artificial distortion caused by a reduction in the future rate of 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 improvements

There are a number of approaches in place to improve Grosvenor's operational performance. Here are some examples.

The assessment of development risk creates the opportunity to support continuous improvement in the selection and execution of development projects, by providing valuable insights in relation to our estimates, decisions and execution. For example, in time we will be able to assess where we make our best risk-adjusted returns – be it on planning, construction or letting/sales – and even support our teams and individuals by helping them better assess their own performance.

Our strategy of professionalising our non-property functions continued with Adam Burstow's arrival as our new Group Director of IT. Adam, who joined from Telereal Trillium, brings a focus upon adding value to the business through the effective use of IT. Karen Toh, who joined us a year ago from Rio Tinto, was promoted to Treasurer following David Peters' departure after seven years of valued service, with the remit to continue the evolution of our Treasury function.

The Group Finance Board – which comprises our six finance directors and is also attended by senior finance team members, as well as talented individuals from the region in which each meeting is held – has turned its focus to improving the sharing of best practice and knowledge between finance teams and has tasked a cross-operating company finance group to identify specific ideas to be taken forward in 2014.

Treasury operations

Continuing our strategy of raising substantial long-term debt while rates are favourable, late in the year our team raised £210.0m, to finance investment in Belgravia, at an average cost and duration of 4.6% and 27 years respectively. Grosvenor now manages £4.1bn of debt and facilities, in eight currencies from 48 lenders, as well as £1.3bn notional principal of derivatives, principally interest rate swaps used for hedging purposes.

Conclusion

2013 was an exceptional year, with a number of one-off revenue profits and favourable revaluations in many regions, neither of which we expect to be repeated in 2014. With a focus on our growing development pipeline, an attitude of, and thirst for, continuous improvement in all our functions, and ample financial capacity to seize opportunities as they arise, we are confident for the future even in the event of a market correction.

Nicholas Scarles
Group Finance Director

10-YEAR SUMMARY

Consistent progress, year-on-year

Presented below are the income statement and key lines from the balance sheet for the years 2004-2013 on a proportional basis*. Over the 10-year period, revenue profit has increased at a compound annual growth rate (CAGR) of 16.7% and Shareholders' funds have increased at a CAGR of 7.5%.

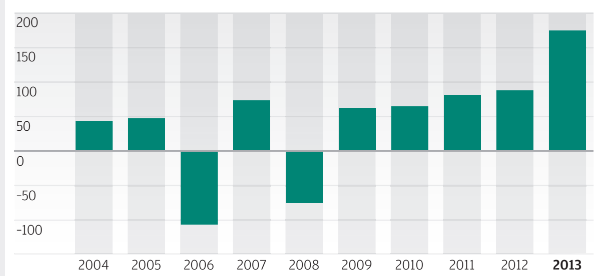
Income statement – proportional	2004	2005	2006	2007	2008	2009	2010	2011	2012 (restated)	**2013**
Net rental income	116.8	127.9	155.0	169.7	208.0	241.1	206.3	225.1	222.7	**204.2**
Fees and other income and expenses	19.7	41.3	70.6	59.3	51.3	53.9	72.6	54.8	57.2	**63.1**
Net gains/(losses) on trading properties	19.4	(0.2)	(180.6)	2.5	(131.6)	(12.1)	(3.8)	2.4	4.6	**115.3**
Administrative expenses	(65.3)	(77.2)	(104.1)	(113.2)	(121.0)	(123.8)	(123.2)	(120.5)	(118.8)	**(133.6)**
Net financing costs	(47.1)	(45.2)	(48.8)	(44.9)	(83.4)	(96.9)	(87.7)	(81.0)	(81.2)	**(73.9)**
Group revenue profit/(loss)	43.5	46.6	(107.9)	73.4	(76.7)	62.2	64.2	80.8	84.5	**175.1**
Net gains/(losses) on revaluation and sale of investment properties	305.6	367.4	685.5	509.5	(514.2)	(307.9)	393.6	327.4	301.9	**359.8**
Other	14.8	(7.4)	4.8	5.5	(47.2)	(23.6)	(9.7)	(67.4)	(11.9)	**(20.9)**
Tax and non-controlling interests in joint ventures	(21.8)	(38.5)	(73.7)	(64.4)	44.2	33.5	(53.3)	(25.8)	(6.7)	**(7.1)**
Profit/(loss) before tax	342.1	368.1	508.7	524.0	(593.9)	(235.8)	394.8	315.0	367.8	**506.9**

Balance sheet – proportional	2004	2005	2006	2007	2008	2009	2010	2011	2012 (restated)	**2013**
Total property assets including share of joint ventures	3,237.3	3,727.7	4,592.4	5,963.3	6,172.8	5,221.9	5,460.0	5,839.6	5,825.6	**5,838.9**
Net debt	(607.1)	(504.6)	(666.7)	(1,155.5)	(2,291.3)	(1,762.3)	(1,747.6)	(1,798.6)	(1,583.6)	**(1,255.2)**
Deferred tax	(325.4)	(553.0)	(729.2)	(852.9)	(687.3)	(559.7)	(614.2)	(680.1)	(736.6)	**(737.9)**
Other assets and liabilities	(395.5)	(483.6)	(629.7)	(891.4)	(357.7)	(356.6)	(322.3)	(397.8)	(226.8)	**(304.9)**
Net assets	1,909.3	2,186.5	2,566.8	3,063.5	2,836.5	2,543.3	2,775.9	2,963.1	3,278.6	**3,540.9**
Minority interests	(114.0)	(94.9)	(148.9)	(175.1)	(186.2)	(156.5)	(126.6)	(107.8)	(86.4)	**(85.8)**
Shareholders' funds	1,795.3	2,091.6	2,417.9	2,888.4	2,650.3	2,386.8	2,649.3	2,855.3	3,192.2	**3,455.1**

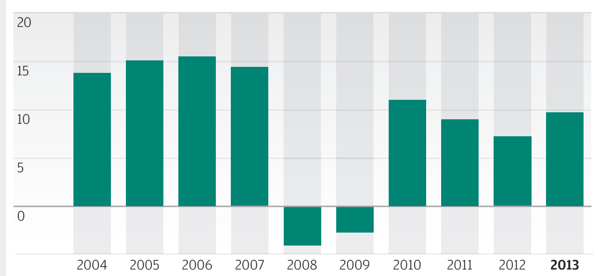
* Non-statutory basis.

Our full financial statements for the 2013 financial year are available at www.grosvenor.com/financialstatements2013.

Revenue profit £m



Total return %



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FINANCIAL ANALYSIS

Taking opportunities and managing risk

Grosvenor's business approach

Taking risks is good business

Grosvenor, like all businesses, derives returns by taking risks. Where we differ from many other businesses is in our ability to be competitive at the individual project level while retaining a very conservative overall level of risk to the organisation. Here are some features of how we achieve this.

Key to delivering good risk-adjusted returns is seeking out the opportunities which offer attractive rewards from the deployment of our skills. We need to know what we do well, and where we are not competitive; then target our activity at the former. This requires a culture of constructive, critical self-assessment of our performance, leading to continuous improvement. Post-project reviews are important, but so too is constantly reassessing the extent to which our original expectations of the range of potential outturns on a development project remain valid. Our development risk dashboard (see page 21) helps us to do this and also ensures we understand the aggregate risks arising from our development programme.

Preparing for opportunity

Timing is critical in real estate investment and development, so we retain the capability to invest at short notice, whenever we see opportunity and particularly when financing for the market is most challenging. Grosvenor's significant financial capacity (see page 21), available at only a few days' notice, removes financing as an absolute precondition to investment.

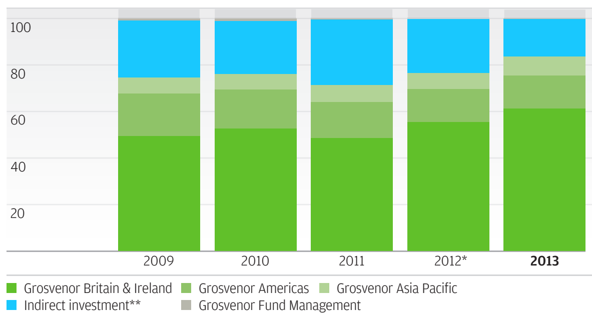
Managing macro-level risk

Then we ensure that the whole, in terms of aggregate risk, is less than the sum of the parts. We achieve this through diversification; of asset type, jurisdiction, currency and management. The chart (see top right) shows Grosvenor's diversification by geography, and broadly also by currency and management under our devolved structure. Layered on this is our conservative approach to gearing (see middle right), combining a low level of structural gearing with a flexible approach to tactical gearing.

Impact on returns

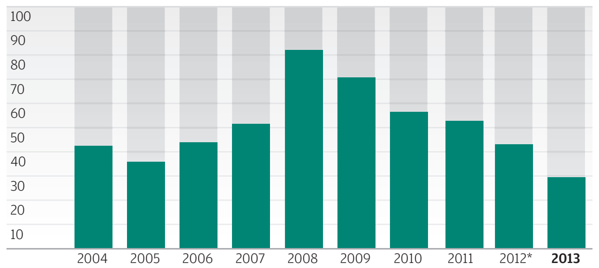
This approach has delivered an average compound total return of 8.7% p.a. over the last 10 years, coupled with significantly greater stability of Shareholders' funds (see bottom right) throughout the global financial crisis. During the recent crash (i.e. between 31 December 2007 and 31 December 2009), Grosvenor's net asset value fell by 16% while that of the UK REITs fell by an average of over 60%. Simply put, Grosvenor's approach has delivered competitive returns at lower risk.

Group equity allocation %



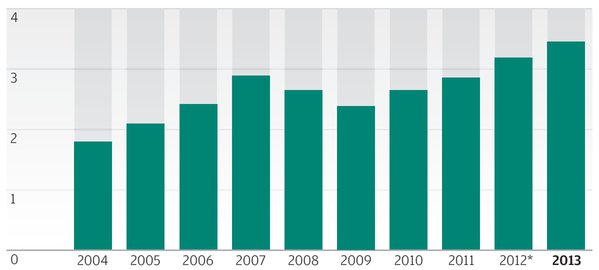
*Restated.
**Indirect Investment incorporates equity allocated to Continental Europe and Australia in 2009 and 2010.

Economic gearing %



*Restated.

Shareholders' funds £bn



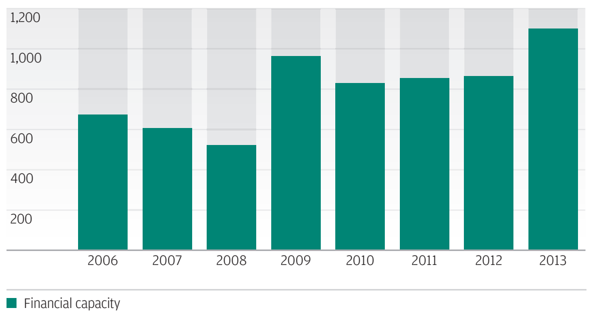
*Restated.

Financial capacity and liquidity

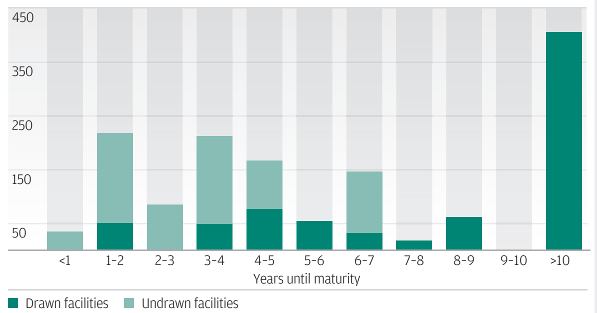
Grosvenor seeks to protect itself against the vagaries of the market cycle as well as to position itself to take advantage of opportunities at times when others are unable to access finance. This is achieved by maintaining sufficient financial capacity – i.e. the amount of spare cash and undrawn, committed, general use facilities which are immediately available. At 31 December 2013, financial capacity had increased significantly to £1.1bn (see first chart below), largely due to the sale of investments in Australia and trading properties on the London estate. While there is an inevitable cost of maintaining such capacity, the benefit far outweighs that cost.

The second chart below illustrates the spread of maturities of the wholly-owned debt facilities, split between those which are drawn and undrawn. The weighted average life of facilities is 7.7 years and the Group has sufficient spare cash to repay all wholly-owned facilities maturing over the next 12 years.

Financial capacity £m



Maturity profile of wholly-owned facilities £m

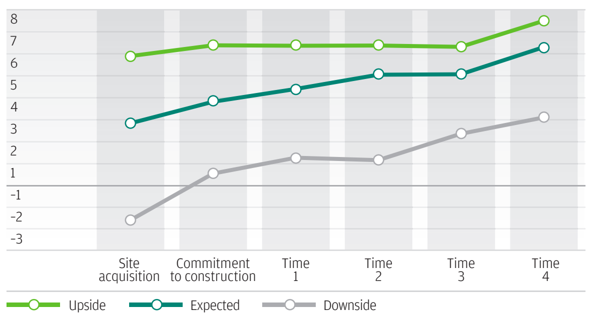


Development risk

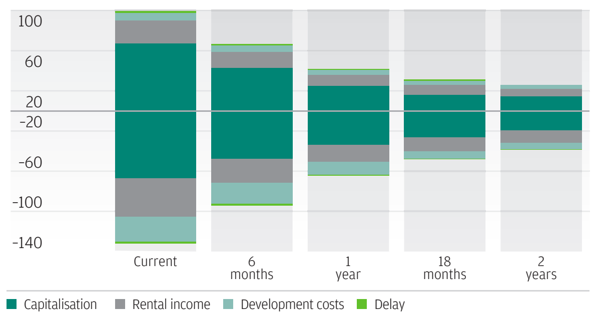
Our development risk dashboard shows the risk in the committed development pipeline. Using a metric called Profit at Risk (PaR), which measures both upside and downside profit risk associated with each project, we can assess the nature and level of risk in each, and all, developments; track the evolution of risk over time; and project forward to estimate when each principal risk is expected to be resolved. The dashboard is especially important as we enter into a period of intense development across the Group and when there may be a risk of a market correction.

The first chart below is an example of how we have assessed risk over a real project's life. The second chart below is an extract from the dashboard which projects forward to estimate when each principal risk will be resolved. Examples of when risks are resolved are the completion of project milestones such as gaining planning consent and contracted sales. The chart demonstrates that financial risk in our development programme ranges from £99.4m of 'better' profit than planned to £132.0m of 'worse', an easily manageable level of risk for the Grosvenor balance sheet and liquidity position. Projecting forward shows that we expect approximately half of the PaR to be resolved within the next 12 months. This helps us plan and structure our uncommitted pipeline so as to maintain overall development risk within acceptable limits while maximising risk-adjusted returns.

Range of projected profit £m



Aggregate forward projection of Profit at Risk £m



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Environment: a core element of our 'Living cities' approach

Now that sustainability has been embedded into the Operating Companies' business strategies, we have integrated our environmental reporting into this Annual Review. Detailed data is available online.

Our approach

Our Group-wide 'Living cities' aim is to help create and manage cities which are socially and economically robust and which only use those resources that are annually renewable. Throughout this Annual Review, and on our website, you will see examples of this holistic approach to sustainability.

Environmental considerations are a core element in our 'Living cities' approach. This section focuses on our environmental performance, which remains a key strategic priority.

"We work closely with our property managers and tenants to achieve our common goal of reducing our carbon footprint."

Glenn Barrick
Sustainability Leader and Senior Vice President, Portfolio Management, Grosvenor Americas

Our environmental performance

For the fourth consecutive year, we have reduced our like-for-like carbon and water footprints. Our 2013 results are -1.3% and -3% better than 2012 for carbon and water respectively. While modest overall, this included a notable improvement for Grosvenor Americas of -8% alone, saving 1,000 tonnes of carbon dioxide through active management.

Moreover, accumulating the reductions made since our baseline year, 2011, we have now reduced our like-for-like carbon consumption by -6%, the equivalent of planting 3,000 trees and saving approximately £450,000.

85% of our benchmarked properties perform above the average for their regions and sectors for energy efficiency. Currently, we benchmark 92 of our larger properties internationally through the Urban Land Institute (ULI) Greenprint Foundation and aim to increase our contribution each year.

Grosvenor Fund Management also returned strong performance against the Global Real Estate Sustainability Benchmark (GRESB). See page 51 for the results.

Since 2011, we have saved approximately

£450,000

from reduced energy consumption.

Our achievements in 2013

In addition to driving improved performance, as we said we would in our 2012 Environment Review, we pursued the following priorities:

First, we completed our research to define and rank the comparative environmental and social resilience of 50 global cities, identifying areas of vulnerability – climate, environmental, infrastructure, community and resource – and associated adaptive capacity. We went further by considering the findings in making our capital allocation decisions at Group level. See page 9 for more information on this research.

Secondly, we have incorporated environmental and social sustainability considerations further into our decision-making. Now all the Operating Companies' strategic plans explicitly address long-term sustainability to the year 2030. As a result, a wealth of exemplar projects are underway across our markets, including: the plans for **Barton Park** in Oxford (see page 27); the designs for **15 West** in Vancouver (see page 32) and the **Monterey Court** development in Hong Kong (see page 12).

Thirdly, we aimed to engage more proactively with our investors on this environmental agenda. In 2013, Sir Nicholas Stern presented at a confidential forum we held for a selection of institutional investors, to help focus our discussion on the challenges of climate change on the fund management industry (see page 12).

Our challenges

We are making good progress, though we face obstacles along the way. For example, finding a way to communicate environmental performance, which is understood by tenants and investors alike, remains a challenge. To overcome this, we are active committee members of global organisations including Urban Land Institute, Institutional Investors' Group Climate Change and Asian Association for Investors in non-listed Real Estate Vehicles.

Our partnership with The Co-operative Group is helping us to resolve the challenge of accurately monitoring our energy consumption on our London estate. For these properties, we now procure 'deep green' energy from wind and hydropower.

Our 2014 priorities

Our priorities for this year include: deepening our engagement with our suppliers, tenants and local communities to help them reduce their environmental impact; continuing to build our expertise in retrofitting existing buildings; and further contributing to industry discussions aimed at improving environmental performance across the property sector.

Further results

Visit www.grosvenor.com/environmental2013 to read our full Annual Environmental Data report for 2013 and for wider sustainability reporting, including our continued adherence to the Global Reporting Initiative, visit www.grosvenor.com/sustainability and www.grosvenor.com/gri2013.

1 At our 125 apartment residential community – **BluWater** – in Everett, Washington, we decreased electricity usage by 22% in 2013. We also provided every tenant with an 'Earth day' gift bag that included eco-friendly cleaning products and a 'green tips' booklet.

2 Chavasse Park, in **Liverpool ONE**, received a prestigious 'Green Flag Award', a national award that recognises and rewards the best parks and green spaces across the UK. Liverpool ONE also reduced carbon consumption by 235 tonnes in 2013 and recycled 11% more waste than it did in 2012.

3 Following a refurbishment achieving BOMA BESt environmental certification, we improved the energy efficiency of the **Broadmead Village** shopping centre in Saanich, British Columbia, by 27% and water efficiency by 15% in 2013.

"Our Operating Companies are now implementing strategic plans which consider their likely impact in the year 2030."

Kate Brown
Group Sustainability Director

1

2

Maintaining momentum

Our employees continue to innovate and we reward exceptional achievements through our annual Environment Prize. The prize is judged by a small panel, chaired by Lady Tamara van Cutsem.

In 2013, Alison Miles Cork won the overall award for sustainably retrofitting Broadmead Village shopping centre in Saanich, British Columbia (see below). In second place was Robin Blacklock for facilitating mobile community allotments in Edinburgh (see page 12). Third place went to our London public realm team for their transformation of Brown Hart Gardens which also won 'Best New London Public Space' at the Mayor's London Planning Awards (see page 27).

We also continue to arrange speakers to inspire staff, including Kevin McCloud, a TV presenter and environmental campaigner.

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GROSVENOR BRITAIN & IRELAND

Revenue profit
£117.5m
(2012 restated: £35.2m)

Total return
16.5%
(2012: 13.8%)

Assets under management
£5.0bn
(2012 restated: £4.8bn)

Creating inspiring places

33 DAVIES STREET, LONDON

A distinctive piece of modern architecture in the heart of Mayfair, this five-storey building at 33 Davies Street, opposite Claridge's, is a 2,700m² Grade A office development with 700m² of retail space on the ground floor, taken by cashmere specialist Franck Namani for his flagship store. Developed with Stow Capital Partners and completed in December 2013, the project includes an example of our investment in public art, with three large bronze portcullis gates, designed by artist Wendy Ramshaw: just one example of the way we are creating inspiring places.

Key achievements

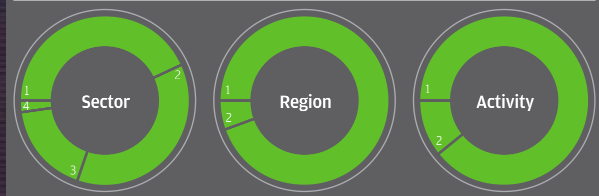
- Increased our revenue profit to £117.5m with a number of one-off transactions.
- Reinvested capital taken out of prime central London residential property into mixed use residential-led scheme in Bermondsey, London.
- Added 4% to our total return through the active management of our London estate assets.
- Appointed as development manager for 1-5 Grosvenor Place, comprising a new Peninsula Hotel and luxury apartments.
- Launched our new London estate customer centre, achieving a step-change in service standards and information management.

Number of assets by city*

Britain:	
1 Bournemouth	1
2 Cambridge	4
3 Edinburgh	109
4 Glasgow	81
5 Liverpool	3
6 London	1,503
7 Oxford	1
8 Southampton	1
Ireland:	
9 Dublin	2

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

Grosvenor's share of property assets



Sector

1 Residential	£1,348.7m	48.3%
2 Office	£894.6m	32.0%
3 Retail	£492.7m	17.7%
4 Hotel	£56.5m	2.0%

Region

1 London West End	£2,643.3m	94.7%
2 Outside London	£149.2m	5.3%

Activity

1 Investment	£2,495.6m	89.4%
2 Development	£296.9m	10.6%

Like-for-like carbon emissions (tCO_2e)

-1%

2012	6,321
2013	6,246

Like-for-like water consumption (m³)

-12%

2012	59,728
2013	52,626

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Direct (continued)

GROSVENOR BRITAIN & IRELAND
(continued)

"Our purpose is to make great places for people to live, work and visit. Our results in 2013 gave us a very strong platform to build on for the future. The potential to fulfil that purpose has never been greater."

Peter Vernon became CEO of Grosvenor Britain & Ireland in 2008.

1 In May 2013, we launched **65 Duke Street** – 16 apartments in North Mayfair, London, offering residents a choice of two designs – Contemporary or Classic.

Business objective

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

We are fortunate to own, manage and develop an exceptional range of properties and locations in Britain and Ireland. We do this through two business units: our London estate, responsible for assets across 300 acres of Mayfair and Belgravia, and Grosvenor Developments, responsible for all off-estate activity in Britain and Ireland. Both teams have a common goal: to create great places for people to live, work and visit.

Sustained financial performance

Performance in 2013 was robust. Total return increased significantly to 16.5% (2012: 13.8%). This was due to a combination of market strength, value added through active management, higher net rental income and exceptional trading profits. We brought new properties to the market in Mayfair – such as **65 Duke Street**, a collection of 16 apartments offering residents a choice of two designs (see above) – and we let Fifty, at 50 Grosvenor Hill, five floors of modern office accommodation. Both of these activities contributed to our higher rental income. Our active asset management programme, refurbishing existing properties to increase their quality and meet occupier needs, added approximately £1.5m to our rental income and 4% (£104.0m) to our total return. Revenue profit was also exceptionally high at £117.5m (2012: restated £35.2m), mainly due to a number of one-off transactions.

Adapting our strategy

In 2013, we reduced our exposure to super prime central London residential trading to reinvest in new development schemes in inner London.

We have increased the capital we allocate to Grosvenor Developments for off-estate activity from 10% to 20%. This funded our acquisition of two adjacent sites in **Bermondsey, London** (see page 27) that offer an opportunity to provide housing for sale and for rent, affordable housing, a new public park and a secondary school.

Advancing our development pipeline

In addition to looking at new types of developments, we made good progress on our existing development pipeline in 2013.

In July, we were appointed development manager for a 50:50 partnership between the Grosvenor Trusts and The HongKong and Shanghai Hotels, Limited to re-develop **1-5 Grosvenor Place** (see page 28) to become The Peninsula London with associated apartments. In November, Westminster City Council approved our plans for a major office development at **65 Davies Street** (see page 11), above Crossrail's new Bond Street station and also approved the creation of a new double height art gallery at 20 Grosvenor Hill, Mayfair, for the Gagosian Gallery. In December, we completed our joint venture project with Stow, **33 Davies Street** (see front cover and page 24), part of our 17,500m² office pipeline in north Mayfair.

2

2 **Barton Park**, granted outline planning approval by Oxford City Council in September, will bring new homes to the area.

3 Extensive renovations to **Brown Hart Gardens** provide residents, shoppers and local office workers with a sunny, lofty space and a café 100m from London's Oxford Street.

Bermondsey, London

In October, we assembled a site in Bermondsey of nearly 5 hectares, including the acquisition of 3.3 hectares of Workspace Group PLC's Tower Bridge Business Complex. The site, formerly the Peek Frean Biscuit Factory, received hybrid planning consent in October 2013 for 800 new homes, a 0.4-hectare public park and improved connections to local retail facilities. Grosvenor Britain & Ireland will also deliver new offices for Workspace on its retained 1-hectare site providing Southwark with its largest hub for small businesses. The agreement with Workspace follows Grosvenor's acquisition of an adjacent 1.4-hectare site from Lewisham and Southwark College, which is now home to the Compass School Southwark.

"We are considering the two sites together and will be consulting the local community on how to make the best use of the combined sites. This is an exciting project with the potential to transform this part of London."

Katherine Rodgers
Project Director, Grosvenor Britain & Ireland

Off-estate, in addition to our acquisition in Bermondsey (see left) we exchanged on a sale of the remaining 16 hectares of land at Trumpington Meadows in Cambridge to Barratts for approximately £55.0m. Residents have moved in and the new Trumpington Meadows primary school opened in September. **Barton Park** (see above), where we are creating a new, sustainable community in Oxford, was granted outline planning approval for up to 885 homes as well as a primary school and outdoor recreation areas. Additionally, work started on a new residential, retail and arts complex in Southampton.

Customer focus

Our customers – existing and potential – are at the heart of everything we do as we try to improve their experience of living and working in the places and properties we manage.

We gather feedback from our customers on how we can improve, and, in 2013, we introduced various initiatives to address issues raised by customers. In October, we launched a new Customer Centre to provide a better response to queries from the occupiers and leaseholders of Grosvenor-managed buildings on the London estate.

We also overhauled our repairs and maintenance services to increase the quality and efficiency of this vital work on the estate and we stepped up training for onsite and other customer-facing staff to make sure we deliver the service our occupiers expect.

The 2013 MORI customer satisfaction survey showed that these actions are already having a positive effect, with increased satisfaction levels on repairs and maintenance and on accounts queries.

"Place-making is at the heart of our development strategy, and our pipeline includes not just commercial buildings but award-winning public realm work at Brown Hart Gardens (see above) as well as the retail, hotel and residential projects that will add to the vibrancy of the north Mayfair neighbourhood."

Ian Morrison
Director, London Estate Development, Grosvenor Britain & Ireland

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GROSVENOR BRITAIN & IRELAND
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Our customer focus is not just about delivering better customer service; it is also about delivering better places. On the London estate, our investment in north Mayfair reflects our desire to reinvigorate this corner of central London. August saw the topping out of the five-star hotel, **The Beaumont** (see right), which will feature the first inhabitable work of art by leading British artist Antony Gormley: a sculpture which doubles as a unique guestroom for the hotel, to be unveiled in mid-2014.

The topping out followed the recent completion of public realm works on North Audley Street and Duke Street and we also re-opened an improved **Brown Hart Gardens** (see page 27) in front of The Beaumont in June. It offers our residents and local office workers a quiet oasis and accessible space to enjoy, complete with a café and public art. It won the 2013 'Best New Public Space' award at the London Planning Awards.

The public realm scheme for Carlos Place and Mount Street in Mayfair won a Civic Trust Award in March for making a positive contribution to the local community.

Off-estate, the first residents arrived to Parkside Place in central Cambridge in July. The mixed-use scheme on Parker's Piece also incorporates the new Parkside Fire Station, a state-of-the-art facility that will continue to be a valuable asset to the city.

"In 2014, we will see our customers benefiting from the improvements we've made to our repairs and maintenance services, with better access to property data and new service standards for our contractors."

Jorge Mendonça,
Operations Director,
London Estate,
Grosvenor Britain & Ireland

4 **The Beaumont** in London heralds a return to the pre-war elegance of Mayfair hotels. An iconic element will be the Antony Gormley inhabitable sculpture 'ROOM'.

1-5 Grosvenor Place | London

We are the development managers for the 50:50 partnership between The HongKong and Shanghai Hotels, Limited (HSH) and the Grosvenor Trusts, formed following HSH's acquisition of Derwent London's 50% leasehold interest in the site for £132.5m. Combining our development expertise with the knowledge of one of the world's premier luxury hotel groups, we aim to deliver an exceptional hotel and residential scheme at this gateway to Belgravia. We are working together to design and submit a planning application to develop the site following an extensive consultation phase with the local community. Pictured above with Peter Vernon (right) is Clement Kwok (left), CEO of The HongKong Shanghai Hotels, Limited.

A values-driven business

How we do business remains as important as the business we do. Our Business Principles are embedded in our everyday work. One of our principles is to have a positive impact on the communities in which we operate. In 2013, we embarked on a significant retro-fit programme on the London estate to improve the environmental performance of our buildings; and we organised and supported community projects such as the allotments at **Springside** in Edinburgh (see page 12) and the **Big Weekend** in Cambridge (see above), in addition to our continued involvement with, and support for, the Westminster Foundation and Farms for City Children.

Pictured above is Miguel Laranja, an Eaton Square caretaker and winner of the 2013 Business Principles Award which recognised his outstanding customer service.

An effective team

We continue to see the benefits of our recent Fast Forward initiative – a comprehensive performance improvement programme – with more efficient portfolio management helping us to achieve record levels of value-add in 2013 at £104.0m.

Effective teams are not only borne out of programmes like Fast Forward; they require motivated people with specialist expertise. In 2013, we continued to invest in leadership training for staff across the business, secondments to and from other parts of Grosvenor Group and senior hires to strengthen our capability in key areas.

Giles Clarke, Executive Director of the London Estate, left in November with our thanks for his contribution over six years. He was succeeded by Craig McWilliam, formerly the Executive Director of Grosvenor Developments. Craig's successor is Richard Powell, who joined us in January 2014, bringing with him a wealth of experience in mixed-use urban projects.

5 Grosvenor sponsored the **Sports Zone at the Big Weekend** – a three-day, free event of music, entertainment and sport held on Parker's Piece in Cambridge from 5-7 July 2013.

A forward look

The UK economy continues to exceed expectations with growth in London spreading more widely across the country, which will benefit the development programme we initiated three years ago.

We will continue to improve the performance of our London estate by investing in the customer experience. And we will increase our rental income by bringing better stock to the market through our development pipeline.

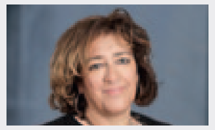
As always our focus is on the long term, and we will invest in driving forward longer-term projects. We have an ambitious development programme – both on and off our London estate, in London and elsewhere – to create more high-quality places that will bring solid returns.

Peter Vernon
Chief Executive, Grosvenor Britain & Ireland

Grosvenor Britain & Ireland – Board of Directors

Graham Pimlott CBE
Chairman
Non-Executive Director

Michael Gradon
Non-Executive Director



Heather Rabbatts
Non-Executive Director

Mark Preston MRICS
Group Chief Executive
Non-Executive Director

Nicholas Scarles
FCA ATTORNEY AT LAW
Group Finance Director
Non-Executive Director

Peter Vernon FRICS
Chief Executive
Executive Director

Roger Blundell ACA
Finance Director
Executive Director

Craig McWilliam FRICS
Executive Director of the London Estate
Executive Director

Ulrike Schwarz-Runer
DOCTOR OF LAWS
General Counsel
Executive Director

Read biographies online at: **www.grosvenor.com/britain-ireland-board**

GROSVENOR AMERICAS

Revenue profit	Total return	Assets under management
C$38.3m	10.5%	C$2.6bn
(2012: C$21.5m)	(2012: 9.5%)	(2012: C$2.2bn)

Developing in vibrant markets

DISTRICT, WASHINGTON, DC

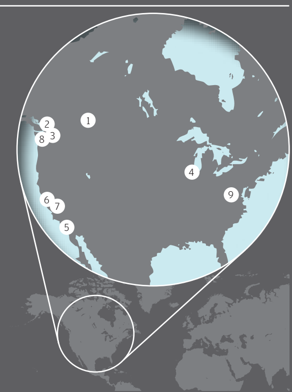
Situated near the 14th and U Street Corridors, minutes from a Metrorail station and within walking distance to downtown, District's mix of 125 residences and ground floor retail contributes to the lively Logan Circle neighbourhood. Our first project in partnership with JBG Companies, District has become a prime urban location with amenities such as a rooftop offering panoramic views that is accessible to all residents. Taking advantage of strong market conditions, we sold this asset to JP Morgan in 2013 at a record price and re-deployed the proceeds into our value-add investment programme.

Key achievements

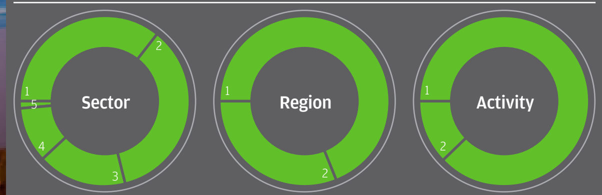
- Received planning approval for Ambleside in December 2013.
- Increased capital allocation from Grosvenor Group of C$50.0m.
- Investment partnerships enabled purchases of properties such as Parklands North Creek.
- Attracted a new partner for a development project, DBB Holdings and a new mezzanine partner, Millennium Group.
- Sold key assets, like 830 Michigan Avenue, at a good time in the market cycle.

Number of assets by city

Canada:	
1 Calgary	6
2 Vancouver	8
3 Victoria	1
USA:	
4 Chicago	1
5 Los Angeles	1
6 San Francisco	8
7 San Jose	2
8 Seattle	10
9 Washington, DC	17



Grosvenor's share of property assets



Sector		
1 Residential	C$509.9m	35.3%
2 Retail	C$503.6m	35.3%
3 Office	C$244.5m	17.2%
4 Industrial	C$149.5m	10.5%
5 Hotel	C$17.7m	1.2%

Region		
1 USA	C$984.6m	69.1%
2 Canada	C$440.6m	30.9%

Activity		
1 Investment	C$1,228.9m	87.9%
2 Development	C$169.5m	12.1%

Like-for-like carbon emissions (tCO_2e)

-8%	2012	12,453
	2013	11,511

Like-for-like water consumption (m^3)

-4%	2012	322,324
	2013	309,329

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GROSVENOR AMERICAS

(continued)

1 **15 West** is an 18-storey tower in North Vancouver comprising 115 sustainably built homes. Five of the units include adaptable design features for people with disabilities.

2 **Parklands North Creek** includes 11 institutional-grade office buildings. Located in Bothell, Washington, the portfolio was acquired in partnership in October 2013.

"As our markets in North America are all now benefiting from sustained economic growth, we are now in a position to complete the implementation phase of the investments we made during the recovery."

Andrew Bibby began his career with Grosvenor in 1984 and has worked in the Vancouver, San Francisco and Calgary offices.

Business objective

Our aim is to become a market leader in a few select geographical areas and sectors in Canada and the USA through focused, strategic expansion. We use our knowledge of the cities we work in and all our property skills to develop projects that contribute to the vibrancy of those communities. Every time we get these essentials right, we stimulate the flow of attractive deals with value-creating investment and development opportunities.

A formula that works

We continued to focus on a mix of investment and development activity in select cities in North America that have a young, educated and growing workforce, a well-paid service sector, a dynamic local economy and good transportation links. In 2013, we had a number of projects at different stages, but we managed risk by not overexposing ourselves to any one location.

Our approach is to take a long-term view of investment and development and to commit resources at an early stage in order to reduce uncertainty and manage risk.

We delivered solid results in 2013. Revenue profit was up at C$38.3m (2012: C$21.5m) and total return was also up at 10.5% (2012: 9.5%). Gaining planning approval in both Vancouver and Washington, DC contributed toward revenue profit.

Assets under management increased in the year to C$2.6bn (2012: C$2.2bn). We made some disposals, but also some key acquisitions including **Parklands North Creek** (formerly Schnitzer North Creek – see above) in Bothell, Washington and 560 South Winchester in San Jose, California, both with an existing equity partner.

Our approach and our solid performance convinced our Group Board to allocate an additional C$50.0m to our business in 2014, which we will invest primarily in our development and mezzanine lending programmes. We have committed to a four-fold expansion of new mezzanine lending, primarily in our markets in the USA.

A strategic portfolio

We sold four properties this year in order to recycle capital into stronger opportunities.

In November, almost 20 years after acquiring and redeveloping 830 North Michigan Avenue in the heart of Chicago's 'Magnificent Mile', one of the most vibrant retail high streets in the USA, we sold the 11,700m² retail building to Chicago-based General Growth Properties, Inc.

1

2

3 **Drake** completed in 2013 and is situated in Calgary's Beltline district, very close to the shops and restaurants on the lively 17th Avenue corridor.

Weeks later, our investment team sold Church Street Plaza, a 16,500m² neighbourhood retail centre in Chicago that we acquired in 2006, to Stockbridge Capital Group.

We also sold properties in California: DVC Plaza, a suburban shopping centre in Pleasant Hill, and La Colonnade, a mixed-use retail/office building in Beverly Hills.

With the proceeds from these sales we were able to acquire a number of high-quality investments. Trailside Terrace (formerly Carlmont Woods) is our first apartment acquisition in San Francisco's Bay Area and supports our aim to grow our multi-family portfolio. We now own – wholly or in joint venture – 2,366 multi-family rental units in the USA and Canada. With Seattle expected to experience higher growth than other parts of the USA in the next decade, we expanded our footprint into the office market by acquiring 11 Class A office buildings on the Parklands North Creek office campus in Bothell with our partner, the BBCAF Pension Fund, in October. Together we also acquired 560 South Winchester, a 9,200m² office building located in San Jose, California.

Expanding our pipeline and our partner base

We have very strong relationships with our existing partners. Our expanding development pipeline allows us to broaden the opportunities we can offer to our co-investment partners, each of whom shares a similar approach to responsible development.

Since the last development cycle, we have also been expanding our partner base. By engaging new development partners, as we did in 2013 with DBB Holdings, a high net worth Canadian family, we expanded our business. We also attracted a new mezzanine partner, Millennium Group.

Our mezzanine lending programme extended to three new projects: Boheme, a 102-unit wood frame condominium project in East Vancouver; Admiral Apartments, a 149-unit rental apartment in Seattle; and Bella Doni, a 63-unit mixed-use condominium and retail development in North Vancouver.

Together with our co-investment partners, we committed to eight mezzanine loans.

3

"Our Maple Leaf Portfolio has performed well in 2013. We value Grosvenor's expertise and that they share our view that strong, trusted relationships are critical for long-term success."

J. Barry Petursson
Head of Real Estate,
Alberta Teachers' Retirement Fund

The art of development

1645 Pacific is located at the nexus of three historic San Francisco neighbourhoods – Pacific Heights, Russian Hill and Nob Hill and features 39 luxury residential homes and penthouses above three boutique retail spaces. Grosvenor's first residential mixed-use development in the Bay Area, 1645 Pacific's design was inspired by San Francisco's rich pre-war architecture, offering a classic aesthetic and a handcrafted feel. An exterior mural (measuring 23m long x 6m high), created by emerging San Francisco artist Zio Ziegler (see back cover), is experienced from the outdoor patios and balconies. Integrated sculptural elements – a muse figure and aloe vera leaves – adorn the building and enhance a unique entrance. Homes combine traditional San Francisco heritage and modern elegance, respecting the neighbourhood skyline. Since 1907, the site has served as a local car garage and part of the original façade will be integrated into the building.

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GROSVENOR AMERICAS
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4 We are helping to transform The Capitol Riverfront neighbourhood in Washington, DC with **Ball Park Square**: a mixed-use development across from the Nationals Park.

5 **8415 Fenton Street** is steps to downtown Silver Spring, Maryland and close to a transit system that connects to central Washington, DC and Bethesda, Maryland.

6 **Avenue** is a two-tower condominium project comprising 319 residential units, designed by architect James Cheng and located in Calgary's premier riverside community, 'The Westend'.

Reinvigorating Ambleside

Our Ambleside project will be a seaside, mixed-use development in West Vancouver's town centre. Ambleside has always been the commercial and social centre of the community, yet it has been in decline for decades, no longer living up to its promise or potential. We listened to what West Vancouverites wanted Ambleside's future to be and, since 2011, we have been holding events to bring out the best ideas for the development. Together with architect James Cheng, we used the community-led feedback to inform the architectural plans and the public realm, which was subsequently designed with generous setbacks, widened sidewalks, festival streets and a covered mid-block pedestrian galleria. West Vancouver has a history of producing great artists, wonderful art and vibrant community festivals. These are core elements of what the development will reflect.

"We build certainty at the start of our projects by understanding costs and risks and managing these throughout the process. This approach leads to efficient team management and ensures successful project delivery."

David Roddan
Director, Construction, Grosvenor Americas

Listening informs development

We pride ourselves on our ability to undertake complex developments and take very seriously the socio-economic responsibilities that developers must have. We listen closely to those affected by our developments and build for the future; we want to be a developer known for changing things for the better.

After multiple 'ideas fairs' with the community, public hearings and public consultation, we received approval in early December to develop the 1300 Block of Marine Drive in West Vancouver – **Ambleside** (see left). This development will offer us the unique opportunity to revitalise this neighbourhood and connect people to the waterfront and each other. We also continued to sell at **15 West** (see page 32) in North Vancouver, our high-rise tower close to the waterfront community of Lonsdale Quay. We acquired a development site at **Edgemont Village** (see page 3), also in North Vancouver. The project will be a residential and retail mixed-use development on a 0.85-hectare site and will offer the neighbourhood diverse opportunities for shopping and much needed housing.

4


5


6


Our three developments in Calgary are progressing as expected. Drake, a 17-storey collection of condominiums, is situated off 17th Avenue, a lively corridor of shops and restaurants voted one of Canada's top streets in 2013. We have sold 131 of the 135 new units and the first homeowners moved in during December 2013. We received approval for the development of Smith, an 18-storey, 129-unit residential tower community at the other end of the block occupied by Drake in Calgary's Beltline district. We are in the pre-sales phase with **Avenue** (see above), a riverside residential project in the Westend, which we are developing with Cressey.

Construction of the 39-unit, boutique condominium project at **1645 Pacific Avenue** in San Francisco, California (see back cover and page 33) has topped out. A sales launch is planned for May 2014.

Our development team on the East Coast of the USA was also active. We received planning approval for a 244-unit mixed-use project at **8415 Fenton Street** (see page 34) in Silver Spring, Maryland, one of Washington, DC's most attractive areas due to its strong employment base, diversity of its entertainment and retail options, proximity to multi-modal transportation and relative affordability.

We also received planning approval for **Ball Park Square** (see page 34) in the regenerating Capitol Riverfront district of Washington, DC. This new, mixed-use development will provide the community with 325 first-class rental apartments (41,800m^2), a 170-room hotel and over 2,300m^2 of retail space adjacent to Nationals Park.

An experienced team

In 2013, we reached the construction stage on a number of our development projects. We responded by increasing the strength of our development teams, complete with the requisite skills. Our functional organisational structure (which replaced our previous geographical structure five year ago) helped us to achieve this easily by transferring staff and knowledge between our offices.

Our asset managers' involvement in the properties goes well beyond traditional property management. They are required to understand the asset in the context of its market and the long-term potential of the area. This reaches beyond day-to-day management and includes repositioning, significant refurbishment and buy/sell decisions.

A forward look

We expect 2014 to be much like 2013. Though we have mostly recovered from the recession and the North American economy continues to grow, we will be closely monitoring the effects, if any, of the tapering of quantitative easing on the economy.

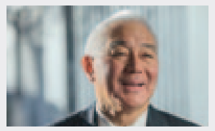
We will continue to look for unique opportunities to expand our business in the high-growth centres where we are active in the Americas.

Andrew Bibby
Chief Executive, Grosvenor Americas

"This year I was given the opportunity for secondment from our London office to our San Francisco office, where I continue to grow in my role while expanding my knowledge of our markets."

Amelia Staveley
Senior Development Manager, Grosvenor Americas

Grosvenor Americas – Board of Directors



Brandt C. Louie OBC LLD FCA
Chairman
Non-Executive Director

James E Hyman
Non-Executive Director

John T Roberts
Non-Executive Director

Mark Preston MRICS
Group Chief Executive
Non-Executive Director

Nicholas Scarles FCA ATTORNEY AT LAW
Group Finance Director
Non-Executive Director

Andrew Bibby
Chief Executive
Executive Director

Rekha Patel CPA
Finance Director
Executive Director

Read biographies online at: www.grosvenor.com/americas-board

GROSVENOR ASIA PACIFIC

Revenue profit	Total return	Assets under management
HK$54.8m	5.4%	HK$10.8bn
(2012: HK$120.5m)	(2012: 8.7%)	(2012: HK$8.5bn)

Setting a new standard for urban living

THE WESTMINSTER ROPPONGI, TOKYO

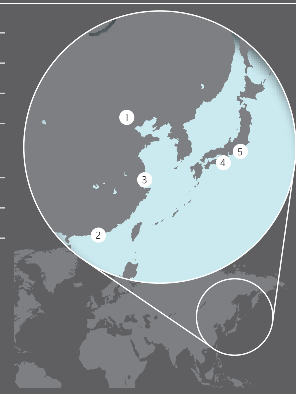
The Westminster Roppongi champions contemporary, elegant design in the heart of Tokyo, earning it the 'Five-Star Best Residential Renovation/Redevelopment Japan' award at the 2013 Asia Pacific Property Awards. To achieve this, we collaborated with international architect and long-term partner, Paul Davis, as well as three highly respected Japanese contributors: cherry-tree grower Toeman Sano, stone sculptor Masatoshi Izumi and contemporary artist Noritaka Tatehana. Art is integral to Grosvenor Asia's Westminster brand, and in November we unveiled The Art Residency, an artist-in-residence programme in collaboration with art and design house artless Inc.

Key achievements

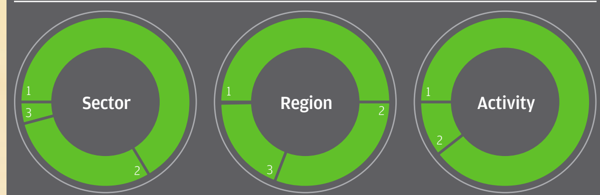
- Increased recurring rental income by 15%.
- Acquired three wholly-owned investment properties, two in China (office) and one in Tokyo (residential).
- Launched The Westminster Roppongi, a residential value-add project in Tokyo, and secured Asia's second development partnership programme.

Number of assets by city

China	
1 Beijing	1
2 Hong Kong	2
3 Shanghai	1
Japan:	
4 Osaka	1
5 Tokyo	6



Grosvenor's share of property assets



Sector		Region		Activity	
1 Office	HK$4,371.1m 66.6%	1 Hong Kong	HK$3,288.1m 50.1%	1 Investment	HK$5,878.6m 89.6%
2 Residential	HK$1,929.9m 29.4%	2 Japan	HK$2,019.8m 30.8%	2 Development	HK$683.2m 10.4%
3 Retail	HK$260.8m 4.0%	3 China	HK$1,253.9m 19.1%		

Like-for-like carbon emissions (tCO_2e)

+13%

2012	1,973
2013	2,232

Like-for-like water consumption (m^3)

+14%

2012	14,011
2013	16,008

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GROSVENOR ASIA PACIFIC
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"We stepped up our investment activities in 2013, with our focus turning to Tokyo as it reasserts itself as the region's most attractive investment destination."

Nicholas Loup established the business in Asia 20 years ago.

1 The **Opus Arisugawa Terrace and Residence** in Tokyo adds to our growing investment portfolio in Japan, which also includes Grosvenor Place Kamizono-cho and The Mark Minami-Azabu.

2 Daijiro Murakami, Noritaka Noma and Yutaka Matsumoto discuss upcoming project work for **The Belgravia Azabu**, a residential tower acquired by Grosvenor in Tokyo.

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 of its design and exceptional finishes; secondly, we are growing a diversified portfolio of core investments in the residential and office sectors; and thirdly, looking further ahead, we are seeking to develop best-in-class business districts of Shanghai and Hong Kong as high-quality long-term investments through co-investment partnerships.

Assets under management increased to HK$10.8bn (2012: HK$8.5bn) due to a number of new acquisitions, including offices in Shanghai and Beijing and a residential building in Tokyo.

Our trading income was down this year, reflecting the completion of sales at The Westminster Terrace in Hong Kong in 2012. Acquisitions made in 2013 contributed to only six months of revenue and a gap in trading profits. As a result, revenue profit decreased from HK$120.5m in 2012 to HK$54.8m and total returns were also down to 5.4% (2012: 8.7%).

An expanded presence

2013 saw us continue to expand our presence in Asia. This momentum was driven by a number of market factors including China's improving macro-economic landscape and its positive medium to long-term outlook. In Japan, economic indicators and business confidence gained traction as Abenomics started to take effect, the Tokyo 2020 Olympics became a reality and, for the first time, some foreign and local banks started lending to foreign individuals buying residential property in Tokyo.

Responding to the market

While we are already well-established in the luxury residential market, with projects such as Grosvenor Place Kamizono-cho commanding amongst the highest rents in Tokyo's Shibuya district, we have now refined our brand naming strategy, which should further enhance recognition of the Grosvenor name in Asia and the quality it stands for. **The Westminster Roppongi** (see page 36) is the first property to be launched under this programme, and we have already sold units to buyers in Japan, Hong Kong and Taiwan. In the pipeline we also have The Belgravia Azabu, formerly Park Habio Azabu Tower, a 102-unit high-end residential tower in Tokyo (acquired in March 2013) and **Monterey Court** (see page 12) in Jardine's Lookout, Hong Kong, which is currently in the design phase.

The beginning of the year saw us finalise investments in two new Grade A office properties in China: China Merchants Tower in Chaoyang, Beijing, and Shui On Plaza in Shanghai. We finished the year by acquiring 77 of 99 units at **Opus Arisugawa Terrace and Residence** (see above), another high-quality property in a premium residential area of central Tokyo. Our existing investment properties again performed strongly, with overall occupancy rates at 96.6% (2012: 95.5%). Increased footfall at our shopping centre, Dotonbori, in Osaka, Japan, explains the higher energy and water consumption across our portfolio of three directly-managed properties.

Our local investment and asset management teams, such as those in Tokyo led by Daijiro Murakami and Noritaka Noma respectively (see above), are monitoring market conditions, ensuring we gain the most out of our existing properties while also being ready to add to these when the timing and deal is right.

A solid foundation

In July, Keith Kerr succeeded Tim Freshwater as our Non-Executive Chairman. His depth of knowledge of the property industry will add significant value to the business in the years to come.

Raising brand awareness

Our residential development and value-add programme offers three distinct product brands to the market: The Grosvenor, The Westminster and The Belgravia.

Each tier represents a best-in-class product, distinguished from each other by factors including target customer profile, design and location. Through this focused approach to our residential brands, we aim to further strengthen Grosvenor's reputation in Asia as a developer of exceptional homes, and mark ourselves out as an investment partner of choice.

THE WESTMINSTER
ROPPONGI

THE BELGRAVIA
AZABU

Continued collaboration

We continued to reap the benefits of collaboration with leading industry institutions. I was appointed a vice chairman of the Council of China's Foreign Trade to support them in promoting the two-way flows of trade in and out of China, in line with World Trade Organisation guidelines. Grosvenor is the only Western company involved with the Council. Our work with them will dovetail with our current involvement with the China Development Forum, where Grosvenor is now a delegate member, supporting the drive toward more sustainable development. We also remain a key member of the Asian Association for Investors in Non-listed Real Estate Vehicles (ANREV), the leading voice for the non-listed real estate industry in the Asia Pacific region.

A forward look

This coming year will see the launch of a new residential development partnership in Japan which will bring a number of new projects into the pipeline.

2014 will also mark our 20th anniversary in the Asia Pacific region. It will be a significant milestone for us and we look forward to sharing it with our stakeholders and partners.

Nicholas Loup
Chief Executive, Grosvenor Asia Pacific

"Business in Japan places great value on building long-term relationships, something which Grosvenor – with its distinguished history and culture – has an inherent understanding of."

Kensuke Hotta
Non-Executive Director

Grosvenor Asia Pacific – Board of Directors

Keith Kerr
Chairman
Non-Executive Director

Kensuke Hotta
Non-Executive Director

Michael Lee
Non-Executive Director

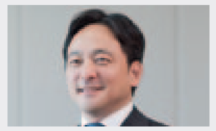
Norman Lyle OBE
Non-Executive Director

Mark Preston MRICS
Group Chief Executive
Non-Executive Director

Nicholas Scarles
FCA ATTORNEY AT LAW
Group Finance Director
Non-Executive Director

Nicholas Loup
Chief Executive
Executive Director

William Lo FCCA CFA
Chief Operating Officer
Executive Director



Koshiro Hiroi
Managing Director, Development (Asia Pacific), Chief Representative Japan
Executive Director

Yu Yang
Managing Director, Investment (Greater China)
Executive Director

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www.grosvenor.com/asia-pacific-board

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INDIRECT

Revenue profit	Total return	Equity invested
£60.9m	3.6%	£532.1m
(2012: £49.0m)	(2012: 1.5%)	(2012: £747.5m)

Exploring new horizons

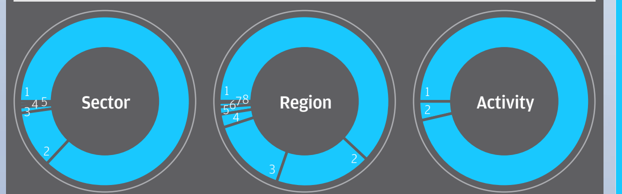
PASSEIO DAS ÁGUAS, GOIÂNIA (A SONAE SIERRA ASSET)

Grosvenor is increasing the amount of available capital for indirect investments with specialist third-party managers, with Australia and sub-Saharan Africa being short-term targets for investment. This new capital will build on existing commitments to Sonae Sierra and our continuing co-investments with Grosvenor Fund Management.

Key achievements

- Realised £220.0m from sale of Australian office assets.
- Restructured and refinanced the investment with IO Group.
- Secured significant commitment to new third-party managed investments.
- Committed £15.0m to a specialist logistics securities mandate with Grosvenor Fund Management.
- Saw Sonae Sierra open the Hofgarten Solingen (Germany) and Boulevard Londrina and Passeio das Águas shopping centres (both in Brazil).

Portfolio analysis



Sector		
1 Retail	£1,500.7m	86.9%
2 Office	£188.9m	11.0%
3 Industrial	£16.6m	1.0%
4 Other	£13.7m	0.8%
5 Residential	£5.4m	0.3%

Region		
1 Continental Europe	£1,070.3m	62.1%
2 UK	£319.1m	18.5%
3 Brazil	£252.1m	14.6%
4 USA	£45.3m	2.6%
5 China	£24.0m	1.4%
6 Japan	£10.7m	0.6%
7 Canada	£2.0m	0.1%
8 Australia	£1.8m	0.1%

Activity		
1 Investment	£1,667.1m	96.6%
2 Development	£58.3m	3.4%

Number of investments by country

1 Australia	1
2 Brazil*	1
3 China	1
4 Continental Europe	5
5 Japan	2
6 UK	4
7 USA	5
International	2

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

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INDIRECT
(continued)

1 **The Bank of Queensland Centre**, Brisbane, was sold on our behalf by Grosvenor Fund Management in June 2013, capitalising on strong investment markets.

2 **Liverpool ONE** continues to deliver strong returns: the year-on-year increase in retailer sales is now being reflected in the rents being achieved.

3 Thousands of people waited for Sonae Sierra's newest European shopping centre, **Hofgarten Solingen** in Germany, to open its doors in October. It had 208,000 visitors in the first four days.

"Our new investments are strategically significant as they give us access to sectors and markets which help to diversify the Group's portfolio."

Chris Taite is Group Investment Director, managing the indirect investment portfolio and team.

Portfolio objective

The role of the indirect investment business is to enable the Group to diversify further its property investment portfolio and achieve strong risk-adjusted returns by exposure to sectors, countries and specialist managers which its direct property activities do not provide. We achieve this by investing in Grosvenor Fund Management funds and other investment vehicles, and increasingly by investing with specialist third-party managers with specific geographic or sector expertise.

Grosvenor's indirect investment portfolio represents approximately 30% of the Group's capital, a reduction in the year (2012: 36%), principally due to the sales of assets in Australia. In 2013, revenue profit increased to £60.9m (2012: £49.0m), primarily as a result of higher profits in Sonae Sierra, which had been adversely affected by development provisions in 2012. Total return increased to 3.6% (2012: 1.5%), reflecting the Sonae Sierra returns and stronger performance from the fund co-investments.

At year end, we had £532.1m of equity invested in the indirect investment portfolio: lower than 2012 (£747.5m) reflecting planned sales of non-core assets and assets in certain Grosvenor Fund Management investment vehicles.

Securing more capital

The proceeds from the sale of assets in Australia (see above and page 49) returned £220.0m to the Group in 2013. The Group has committed to re-invest a portion of this sum for investment in other geographies and specialist sectors over 2014-2016. Initial priorities are Australia, sub-Saharan Africa and Continental Europe, with an industrial and logistics bias, as well as a specific interest in environmental real estate opportunities.

Co-investment in Grosvenor Fund Management investment vehicles reduced slightly during the year (from £286.0m in 2012 to £240.0m in 2013), reflecting sales within funds as they approached their planned end dates. Our investment in Sonae Sierra was largely unchanged at year end.

Co-investment in funds

Grosvenor continues to co-invest in the majority of the funds managed by Grosvenor Fund Management as well as committing to co-invest in future investment vehicles. This commitment achieves investment returns and diversification for the Group, and aligns our interests with those of external investors. Overall, 2013 returns invested were 6.7% (2012: 1%).

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"The quality of our portfolio and our relentless pursuit of long-term strategic goals buffers us against the economic downturn and positions us strongly for the recovery."

José Edmundo Figueiredo
Chief Financial Officer, Sonae Sierra

As a significant co-investor, we are party to important discussions with the investors in two existing flagship funds which plan to establish longer-term platforms for growth: the Grosvenor London Office Fund, where at year end we had a 34% stake, and the Grosvenor Liverpool Fund, where our holding stood at 20%. In both cases, our aim is to ensure the best long-term investment outcome for Grosvenor and its co-investors.

The UK saw the disposal of the assets of the Grosvenor Shopping Centre Fund with the return of £27.0m capital invested.

Reflecting our confidence in the management of the Global Real Estate Absolute Return Fund (which has now been opened to other investors), we agreed terms with Grosvenor Fund Management on a new single-party mandate, managed by the same team, to invest £15.0m in the global listed industrial and logistics sector. This is a 'long only', sector-specific mandate, giving Grosvenor a breadth of investment exposure to some of the world's highest quality logistics assets and management teams.

The indirect investment team

The small, dedicated indirect investment team is led by Chris Taite, the Group Investment Director, who has been with Grosvenor for 12 years. A real estate investment specialist, his previous role was as the Fund Manager of the Grosvenor Liverpool Fund. Tim Budden, Finance Director, was previously Group Reporting Director, and has over 20 years experience in a variety of finance roles, 13 of them with Grosvenor. Andy Yates, Transactions Director, joined from Deloitte, where he was a Director within the real estate corporate finance advisory team. Werner Baumker, Senior Analyst, completed his PhD in real estate finance at Cambridge University in 2011, sponsored by Grosvenor. Investment decisions are governed by the Group Investment Committee, which has delegated authority from the Grosvenor Group Board. The Committee is chaired by Mark Preston, Group Chief Executive, who is joined by Nick Scarles, Group Finance Director, and Graham Parry, Head of Research, Grosvenor Britain & Ireland. Where decisions relate to real estate within proprietary Operating Company regions, the relevant chief executive is also invited to join.

INDIRECT
(continued)

4 Our investment in the **Grosvenor European Retail Partnership**, gives Grosvenor investment exposure to four Swedish and two French shopping centres.

5 **Minster Court**, a 10 unit multi-let industrial estate in Littlehampton, was acquired by IO Investment LLP in April 2013 and has been fully refurbished.

6 High Street Real Estate Fund IV acquired **The Woodlands at Riverside** in Atlanta, Georgia in September of 2013 – two Class 'A', multi-tenant, rear-load, regional distribution warehouses.

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"2013 was a positive year for the IO partnership – rigorous stock selection and the deployment of the 'IO system' of asset management, has delivered a high quality portfolio that responds to our unique business plan and is on target to out-perform IPD's standard industrial benchmark."

Angus Scott-Brown
Managing Partner, IO Investments LLP

Investment in Sonae Sierra

Our investment in Sonae Sierra, which began in 1996, gives us exposure to 37 shopping centres in Continental European countries as well as a further 10 shopping centres in Brazil. In addition, Sonae Sierra provides shopping centre management services to third parties in Asia, Brazil, Europe and North Africa.

Overall, Sonae Sierra's business exceeded expectations for 2013. Our share of Sonae Sierra revenue profit increased to £48.5m compared with £37.4m in 2012.

In Europe, the first five months saw a decline in sales and expansion in yields as forecast, while from May there was an uplift in consumer confidence leading to sales growth across the majority of the portfolio, combined with a stabilising of yields, particularly in Portugal and Spain.

In Brazil, the economy continues to expand in spite of recent deceleration, leading to increased tenant sales and strong rental growth.

Three assets were sold – one in Spain and two in Italy – to institutional investors, in line with the strategy of recycling capital to fund new developments and reduce exposure to investment properties. The sales showed renewed confidence in Southern European markets, while allowing the business to increase the weighting towards emerging markets. Meanwhile, the Sierra Fund operations were extended for an additional five years, and a further 50% stake was acquired in CascaiShopping, a prime asset in Greater Lisbon.

Three new shopping centres were opened. In Germany, Hofgarten Solingen is already exceeding expected performance in terms of footfall and sales; in Brazil, the expansion into two new states in the interior and south of the country with the Goiás and Paraná centres, doubled gross lettable area.

A significant expansion project was launched at Franca Shopping in São Paulo, and a new flagship shopping centre started on site in Bucharest, Romania, in a joint venture with Caelum Development.

The professional services business continues to thrive, with over 50 new contracts signed and the successful launch of Sierra Reval, a partnership created to deliver shopping centre services in Turkey. It also allowed the business to test new geographies in Asia and Africa, supporting the 'capital light' approach.

For more information, see www.sonaesierra.com

Backing other companies

The scale of our investment in other companies is not of the same magnitude, but is strategically significant as it accesses new opportunities in untapped sectors and markets to further diversify the Group portfolio.

IO Investments LLP, the UK industrial real estate company we backed in 2012, has made significant positive progress. Under the joint venture, IO concluded a further four acquisitions in Ashford, Littlehampton, Swindon and Warrington, at a total acquisition cost of £7.8m. The IO team also secured a £14.5m credit facility with Santander to complete the second half of its investment programme. It continues its rigorous approach to management of its portfolio, including its environmental management. In February 2014, it announced the appointment of David Hunter as Non-Executive Chairman.

For more information, see www.ioam.co.uk

The US High Street Realty Fund IV we backed in 2012 is expected to be fully invested in 12 to 18 months and the team is continuing to acquire assets in line with its strategy. A sizeable portfolio has been assembled to date (value of US$65.6m) that comprises 160,000m² of space in three major industrial markets (Atlanta, Chicago, Dallas), spread across 39 tenants in 16 buildings.

For more information, see www.hsequity.com

Expanding the team

Chris Taite, Group Investment Director, is now joined by Tim Budden as Finance Director, and Andy Yates as Transactions Director. The expanded core team of four executive staff (see page 43) equips us for what we expect to be a busy year in 2014.

Markets old and new

We continue to look at opportunities to reinvest in the Australian market, targeting deals in the A$20.0-30.0m range. As this Annual Review goes to press, we have just completed our first such investment. Together with Goldman Sachs, Grosvenor has backed a Sydney-based property company, Propertylink, in an industrial property investment vehicle. The vehicle currently holds seven industrial assets valued at A$100.0m with funding and scope to expand to A$400.0m.

As mentioned on page 12, we agreed a long-term target of allocating up to 5% of Group capital to sub-Saharan African cities with promising demographics and economic potential – a first for Grosvenor – and an important new step in achieving the Group's diversification objectives. We are in the process of evaluating a number of interesting opportunities.

Looking forward in Sonae Sierra, with the benefit of a strong capital position, we can be cautiously optimistic about the year ahead.

Anticipating gradual stabilisation in Southern European markets, Sonae Sierra will continue to focus on improving occupancy, rental income and tenant sales. In Iberia, where the market has bottomed out, the business will proceed with expansion and refurbishment works, when the conditions are right, to enhance the value of the existing portfolio.

Sonae Sierra will seek opportunities for new developments and acquisitions in Germany, as well as in Italy, where it sees signs of recovery. In Brazil, with the prospect of the positive impact of the FIFA World Cup and the Rio 2016™ Olympic and Paralympic Games, the main focus will be on constructing the new development pipeline and exploiting opportunities for redevelopment of key existing assets through expansion or refurbishment. The presence in emerging markets is likely to grow, both by entering new markets as a professional services provider and growing existing market share, and by seeking new opportunities for direct investment.

Sonae Sierra's approach to sustainability is a great example of best practice that we can learn from through our investments with third parties. It also aligns well with our broader ambitions.

Chris Taite
Group Investment Director

Sonae Sierra: a commitment to sustainability

Elsa Monteiro (pictured left), who has been with Sonae Sierra since 1995, drives their sustainability programme, which supports both the long-term resilience of the business and the more immediate achievements in terms of safety, health and environmental performance.

In 2013, improvements in the management of energy, water and waste further reduced environmental impacts and avoided costs of €18.3m.

Sonae Sierra considers research into solutions for effective resource resilience (such as water reuse and renewable energy systems) as vital for sustaining asset value in the long term.

Likewise, efforts to support tenants and to help local economies – which have already given rise to new, unique retail concepts such as 'Flash Stores' and 'Co-op Stores' – are fostering entrepreneurship and enhancing the offer to consumers.

Sonae Sierra believes these activities will stand it in good stead in the context of significant global challenges by ensuring that its centres operate in harmony with the surrounding environment and local community.

GROSVENOR FUND MANAGEMENT

Assets under management	Revenue	Disposals made	Acquisitions made
£3.2bn	£17.7m	£1.1bn	£157.0m
(2012: £4.1bn)	(2012: £23.8m)	(2012: £703.0m)	(2012: £391.0m)

Focusing on investing in quality and driving value

FLEET PLACE HOUSE, LONDON

One of the challenges in today's market is that demand for high quality assets – like Fleet Place House, London – outstrips supply. This makes it vital to ally pricing discipline with sound property skills, and to drive value through active management.

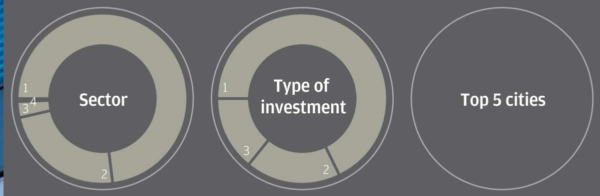
Key achievements

- Grew values of our portfolios in all regions.
- Negotiated more than 500 leases across the business.
- Acquired Fleet Place House for the Grosvenor London Office Fund and The Arbors of Bedford for the US Healthcare Venture Fund.
- Launched our Global Real Estate Absolute Return Fund to external investors.
- Nine funds achieved 'Green Star' status in the Global Real Estate Sustainability Benchmark (GRESB).

Number of assets by region

1 Asia	27
2 Europe	111
3 USA	33

Portfolio analysis



Sector

1 Retail	£2,350.4m	73.2%
2 Office	£756.1m	23.5%
3 Other	£90.9m	2.8%
4 Residential	£17.5m	0.5%

Type of investment

1 Funds	£2,186.5m	68.0%
2 Separate accounts	£577.3m	18.0%
3 Clubs	£451.1m	14.0%

Top 5 cities

1	Liverpool
2	London
3	Lyon
4	Shanghai
5	Stockholm

Like-for-like carbon emissions (tCO_2e)

-0.1%

2012	35,084
2013	35,128

Like-for-like water consumption (m^3)

-1%

2012	289,988
2013	287,015

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GROSVENOR FUND MANAGEMENT
(continued)

"We have reviewed our strategy in the light of our business objectives, market conditions and our investors' desire for greater specialisation."

James Raynor became Chief Executive in June 2013.

Business objective

We aim to create value for investors, shareholders and staff by creating compelling investment strategies that are expertly implemented.

Building on our recognised skills and track record, we focus on urban property, often mixed-use and with a retail focus, in cities and locations whose vibrancy will endure.

We select high-quality assets and manage them vigorously. We treat our tenants, as well as our investors, as partners, building close and mutually beneficial relationships that draw on Grosvenor's long experience in real estate.

We work best with clients who, like Grosvenor, have a long-term view of investment while being alert to the potential of short-term opportunities to enhance returns.

The performance of our investment vehicles was strong in 2013, with value rises in all regions, the highest being 5% in the UK. Assets under management decreased 22% to £3.2bn (2012: £4.1bn), as forecast asset sales outstripped new acquisitions. Net revenues from management fees were down from £23.8m to £17.7m as we implemented asset sales related to fund maturities and market opportunities. We will continue to conduct rigorous hold/sell analysis, but we are positive about the prospect of future growth in our core European markets as we create products that support our key investment strategies. The Board and management are confident that the opportunities that have been identified in all of our key markets will enable our business to continue to achieve attractive returns for our investors.

Fine-tuning our strategy

We have reviewed our business strategy in light of our business objectives, market conditions, our investors' desire for greater specialisation and the fact that many of our partners have multi-regional requirements and are seeking to reduce the number of managers that they work with.

In essence, we are going 'deeper not wider' in our markets. We agreed that urban (as distinct from suburban) property and the retail-led, mixed-use element in our portfolio, are the areas where we can best use our knowledge and asset management skills to create value for our investors and support the Group's aspiration to help create and manage 'Living cities'.

1 Our team in the USA acquired **The Arbors of Bedford**, a specialised assisted living facility in Bedford, New Hampshire for our US Healthcare Venture vehicle.

2 **400 George Street** in Brisbane, was the second of a trio of Australian assets which we sold. The price we achieved reflected the strong demand for high-quality green buildings.

"Grosvenor's unique approach to the management of Liverpool ONE has built on the unique character of the development, delivered positive retailer performance, low vacancy rates and a strong brand mix that really benefits the city of Liverpool."

Andrew Murphy
Retail Director, John Lewis

"2013 was another successful year for PFA's investments with Grosvenor. The dedicated team once again out-performed the benchmark."

Michael Bruhn
Director, PFA Real Estate

3 Part of our redesign of the **Väsby Centrum** shopping centre outside Stockholm included creating a vibrant new food court.

We see especially good opportunities to build upon the momentum and track record our European team has established and to increase our presence in many of Europe's key cities.

In Europe, our primary focus is urban retail, together with offices in London, where we have particular in-depth knowledge, investment skills and a proven track record of adding value, offering our partners access to unique investment opportunities. However, it is also important to allow for well-judged opportunism.

In other markets, such as the USA, we continue to develop our strategies and work with our clients to create products that fulfil their investment requirements. We believe there is a long-term opportunity to expand our European strategic expertise in urban property to select American cities, working very closely with Grosvenor Americas to ensure we benefit from their rich track record and experience as well as our own.

Managing key relationships

Relationships with our clients are fundamental to our business. We work closely with them all, both formally through investment and advisory committees and informally by keeping them up to date with activity and initiatives. We are grateful for the time and energy that they give us.

Our client list remained broadly stable: we have 66 clients with interests in 25 investment vehicles (2012: 67 clients and 26 vehicles).

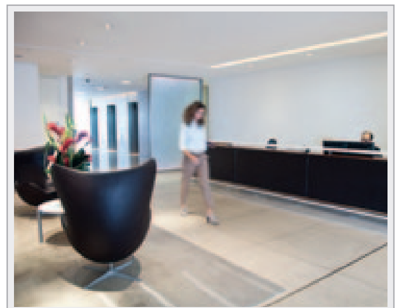
We also strengthened our relationships with tenants, who increasingly are tenants in more than one portfolio. A good example is H&M, who occupy a total of 16,700m² of retail space across 12 assets in China, France, Spain, Sweden and the UK. Inditex Group (Zara), GAP and Topshop complete the list of our four largest tenants.

Overall, we manage relationships with 1,785 tenants, of which 1,200 are retailers.

Lastly, as we hoped, our relationship with our joint venture partner in China, Harvest Fund Management (fellow shareholder in Harvest Real Estate Investments), is allowing us to share knowledge about the needs of our respective client bases and, where appropriate, to introduce those clients to investment opportunities that might otherwise not have been available to them.

Transactional activity

Our most significant acquisition was **Fleet Place House** (see page 46), close to a London transport hub, the importance of which will grow further with the completion of Crossrail. We expect London's position in the world economy, combined with such infrastructure projects, to create further value for the investors in the Grosvenor London Office Fund.



Yields

Investing in real estate in a period of quantitative easing has its challenges. Rental growth is weak due to high unemployment but demand for prime property by investors is high from investors seeking yield. Core real estate is forecast to provide good, but not outstanding, returns. One of the medium-term dangers is that long-term interest rates will rise and push out core property yields. Our most recent econometric research on the drivers of global yields confirms the strong link with bond rates. Of course, high interest rates imply higher economic growth, stronger rental pressure and positive sentiment which, our models suggest, act as offsetting factors to higher bond rates, but it is a fine balance. Our strategy to mitigate this long-term threat is to invest only in assets, such as London offices, in the upswing of a strong rental cycle or where lack of capital expenditure or poor management means rents are below the market. Urban retail property, which has been neglected since the crisis, provides many opportunities like this.

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GROSVENOR FUND MANAGEMENT

(continued)

4 In **Liverpool ONE** we created several pop-up shops. Those based on seasonal foodstuffs such as asparagus did particularly well, creating a buzz and attracting good volumes of trade.

5 The team responsible for **our Global Real Estate Absolute Return Fund** comprises (left to right) Mihail Tonchev, Ivailo Petkov, Matthew Norris and Rakesh Patel.

6 Grosvenor Fund Management came 1st in Europe in diversified office/retail in **GRESB's survey of property funds**, and 10th overall, out of 543 participants.

We also acquired **The Arbors of Bedford** (see page 48), in Bedford, New Hampshire for our US Healthcare Venture vehicle. Overall, acquisitions were £157.0m (2012: £391.0m).

Such opportunities are rare. During the year, we frequently found ourselves outbid because demand for quality assets outstrips supply. In the short term, this is disappointing; in the longer term, our pricing discipline will underpin long-term performance and safeguard our ability to create value through investing in assets on our clients' behalf. On the other side of this coin, we took advantage of market conditions to sell successfully £1.1bn of assets on behalf of our clients. We achieved strong prices for the timely sale of the remaining Brisbane assets – **400 George Street** (see page 49) and the Bank of Queensland Centre – and then closed our office in Sydney as planned; we did well, too, selling many assets in France, Japan, Spain, the UK and the USA. With disposals, it is important to be able to hold out for the price that, in our view, truly reflects value.

Creating value from existing assets

In such a climate, maximising returns through active asset management becomes even more important, putting a premium on our ability to reconcile the sometimes diverging interests of owners and tenants. This is why we rarely outsource this key skill.

Examples of what has been achieved include our redesign of the central area of the **Väsby Centrum** outside Stockholm, Sweden (see page 49), which has already significantly increased footfall to this part of the property, while on the Rue de la République in Lyon, France, we are increasing the diversity and appeal of the retail offer by bringing in a new concept from the jeweller, Swarovski.

At **Liverpool ONE**, we met the increased demand from restaurant occupiers by converting vacant space into units for Browns Brasserie and Byron Burger (its first unit in the north west UK).

The routine is also important. With £3.2bn assets under management, we are responsible for more than 2,500 leases and, in 2013, we renegotiated more than 500 contracts. Occupancy levels remained high at 96% (2012: 96%).

We introduced temporary 'pop-up' shops in **Liverpool ONE** (see above), enjoyed by tenants and the general public, which have also proved popular with investors: they add variety to the retail offer and create value. (see above).

The Grosvenor Liverpool Fund achieved ISO14001 accreditation for Liverpool ONE – a recognition of the management team's dedication to continual improvement in environmental performance.

We received a Green Flag Award from Keep Britain Tidy for our management of Chavasse Park at Liverpool ONE – the only new city centre commercial development in the country to include a park with this status and the most recent new green space in the UK to achieve this.

Our relationships with our 24 relationship banks remain strong: debt arranged or refinanced totalled £501.0m in 2013 (2012: £328.0m).

New product types

Another solution to the problem of how to find suitable real estate investments for our clients is to provide a mechanism for them to invest in the owners of real estate (listed companies and REITs) rather than in the assets themselves (the bricks and mortar). This has the advantage of offering a flexible investment vehicle in relation to a sector that offers excellent returns over the long term but low liquidity in the short term.

In November, we began marketing our Global Real Estate Absolute Return Fund after a year of managing the fund on behalf of Grosvenor Group and testing its systems, processes and protocols. There are few offerings of this sort in the market and none designed expressly to even-out the volatility of this asset class. Meanwhile, we have a new sector-specific mandate from Grosvenor Group for investment in real estate securities.

Corporate Social Responsibility and Regulation

Taking a responsible approach to investment – socially and environmentally, as well as economically – remains important to our investors.

We support the Global Real Estate Sustainability Benchmark (GRESB) and were pleased with our performance in the survey for 2012, which improved on 2011 (see page 51) and we continue our involvement in the important work of the Institutional Investors Group on Climate Change.

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GRESB
Sector Leader 2013

Our staff continue to work closely with industry and regulatory bodies to improve transparency, share best practice and ensure compliance with new directives.

We were amongst the first fund managers to be authorised under the new EU Alternative Investment Fund Management Directive.

We also chair the training and education committee for the European Association for Investors in Non-listed Real Estate Vehicles (INREV) and are represented on the committees of a number of other industry bodies.

People

I succeeded Jeffrey Weingarten as Chief Executive in June, after more than two years of working closely alongside him and benefiting from his long experience in the industry. I took the opportunity to revisit key relationship partners as well as our teams in our 12 offices. Fundamental to my approach to running the business is to ensure that our clients get consistent performance and service from our staff. This depends on common standards across Grosvenor Fund Management and stability in our team. Internal secondments have much to contribute, solidifying our unique culture as part of Grosvenor as well as offering career opportunities to the individuals concerned.

Equally important is the leadership role of individuals who have devoted themselves to a particular market: Steve Cowen is a good example (see left).

We created the new role of Global Head of Capital Markets, leading a central capital raising team, taken by Alexia Gottschalch, who has served as CEO of Grosvenor Fund Management's operation in the USA. She was succeeded by Bruce Ambler in that position, previously Chief Operating Officer for the region.

The prospects for global cities

We continue to invest in our research programme, to ensure robust decision-making. We introduced a quarterly 'House View' giving five-year forecasts on the main real estate markets around the world. We also explored the resilience of cities around the world (see page 9) and topics such as the relationship between yields and interest rates (see page 49). These suggest we should continue to focus on assets in enduring locations where we can use our skills to drive rental values and maximise investor returns.

James Raynor
Chief Executive, Grosvenor Fund Management

European investment expertise

Leading our transactions team in Europe is Steve Cowen, Managing Director, Transactions (pictured below), who has lived and worked in France for 25 years, 12 of them with Grosvenor. He was previously at Cushman & Wakefield and the Dutch property company Corio.

At Grosvenor, Steve has been responsible for over 50 commercial property acquisitions totalling almost €2bn, and 12 disposals totalling €450m. The investments have been carried out through four vehicles managed by Grosvenor Fund Management. The returns to investors have out-performed relevant benchmarks.

The key to sourcing and execution is detailed local knowledge. Steve's core investment team, in Paris and London, works with experienced colleagues in other European cities to ensure adherence to a strict stock selection and investment process.

A strong track record is the best base from which to launch new vehicles, and this is demonstrated by the fact that many of our existing investors are very willing to invest in new opportunities with Grosvenor Fund Management.

Grosvenor Fund Management – Board of Directors

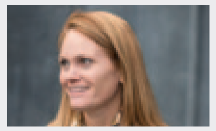
Mark Preston MRICS
Chairman, Grosvenor Fund Management and Group Chief Executive
Non-Executive Director

Nicholas Scarles
FCA ATTORNEY AT LAW
Group Finance Director
Non-Executive Director

Richard Barkham MRICS
Group Research Director
Non-Executive Director

James Raynor
Chief Executive
Executive Director

Robert Davis
Chief Operating Officer
Executive Director



Alexia Gottschalch
Global Head of Capital Markets
Executive Director

Giles Wintle
Managing Director, Europe
Executive Director

Read biographies online at: **www.grosvenor.com/fund-management-board**

FREQUENTLY ASKED QUESTIONS

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 6th Duke of Westminster. There are three principal elements to these activities: Grosvenor Group, Wheatsheaf Group and The Family Investment Office. Further information can be found at: www.grosvenorestate.com.

'Grosvenor Group Limited', the subject of this Annual Review, 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.

Grosvenor is not a listed company and is not required to produce a reporting suite of this sort, so why do it?

We have been sharing financial and other 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 2000, 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, also an annual publication.

In 2014, we changed the way we report on the Group to make it easier for our stakeholders to access the information they need. There are now four elements – this Annual Review, our Annual Financial Statements, our Annual Environmental Data report and our Global Reporting Initiative (GRI) Index. These are all available online at www.grosvenor.com/ourperformance.

What do you mean by 'Living cities'?

We use the phrase 'Living cities' in several ways.

'Living cities' is the strapline for the Grosvenor brand, focusing on an element in it – our understanding of cities – which we consider particularly important. 'Living cities' has a dual meaning: on the one hand, it suggests successful places – specifically places which are alive and evolving; on the other hand, it suggests our approach – that we live, eat and breathe cities, having our finger on their pulse. Both meanings matter.

'Living cities' is also the label we give to a key part in our strategy for meeting our shareholders' objectives. Namely, that we use our expertise as stewards (asset managers) of existing property, as place-makers (developers) of new projects, and as fiduciaries (fund managers) of capital to create value in the world's top cities. We contribute to their sustainable growth through our thoughtful approach to design and high quality service standards. We aim to help create and manage cities which are socially and economically robust and which only use those resources that are annually renewable.

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1 Group Chief Executive Mark Preston and Chairman Lesley Knox in our London office.

2 Vancouver ranked 2nd in our analysis of the world's most resilient cities (see page 9); our in-house research team helps us stay informed about global cities.

3 Entertainers perform at a stakeholder event in October 2013 after the re-opening of Brown Hart Gardens in Mayfair on our London estate.

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The financial information set out on page 19 does not constitute the Company's statutory financial statements for the year ended 31 December 2013 and 2012, but is derived from those accounts. Statutory financial statements for 2012 and 2013 have been delivered to the Registrar of Companies. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

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.

BOMA BESt
Canadian industry standard for commercial building sustainability certification.

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.

Conservation Area
An area considered worthy of preservation or enhancement because of its special architectural or historic interest.

Currency
Financial information is presented in Sterling, with the exception of the Proprietary assets sections on pages 30-45, 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.

Financial capacity
Wholly-owned unrestricted cash and undrawn committed facilities.

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.

Grosvenor-managed
A property or other investment that is managed by the Group.

Group
Grosvenor Group Limited and its subsidiary undertakings.

Holding company
Grosvenor Group Limited.

IFRS
International Financial Reporting Standard(s).

Impairment
A reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

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.

Like-for-like
A portfolio of assets that has been in our management control for two years or more, also known as the 'static' portfolio.

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
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.

Property assets
Investments in property and property-related instruments – comprises investment properties, development properties, trading properties, mezzanine loans and equity investments in property companies.

Proportional
The total of the Group's wholly-owned and its share of jointly-owned property assets or net debt as accounted for on an IFRS basis.

Proprietary
Relating to Grosvenor's share of investments in property assets. Proprietary assets are direct or indirect: see structure diagram on page 4.

Resilience (in the context of gearing)
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.

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.

tCO_2e
Tonnes of carbon dioxide emissions. This is the best practice measure for carbon footprints and aligns with the Greenhouse Gas Protocol.

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 (i.e. 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.

HIGHLIGHTS

A mural at 1645 Pacific
San Francisco, California, USA
A vast exterior mural (23m long x 6m high), recently created by the emerging San Francisco artist Zio Ziegler (pictured), is featured on an interior courtyard wall at 1645 Pacific Avenue, Grosvenor Americas' first residential mixed-use development in the San Francisco Bay area (see page 33).'Chasing Desire' portrays San Francisco and its people as they continue to forge achievements in world history. Intriguing glimpses of the mural can be seen from a number of the homes; a full view is experienced from the outdoor patios and balconies.

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