Australia Asia Pacific...

Rob Kerr
Managing Director, Sydney

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Managing Director, Hong Kong

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

IN 2003

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

The outlook for Hong Kong is increasingly positive.

Australia Asia Pacific...

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Australia Asia Pacific…

PORTFOLIO OVERVIEW

Our portfolio in the Australia Asia Pacific region includes all sectors in which the Group is active: residential, offices, retail, industrial, business parks and car parking stations.

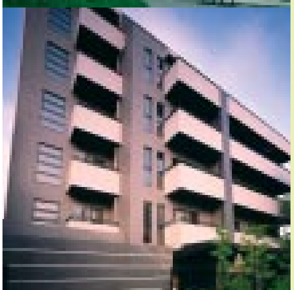
61.5% of the portfolio by value is in Australia, the remaining 38.5% is split between Hong Kong, (30.5%), Singapore (4.4%) and Japan (3.6%). Our investment activities in Australia are well balanced geographically with 47% in Sydney, 29% in Brisbane and 18% in Melbourne. The portfolio is heavily weighted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

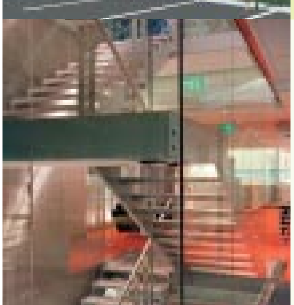
The focus in Asia remains predominantly on well located urban residential property in major cities. We also have some direct exposure to office and retail. Looking ahead, we see many opportunities in the high growth China market, in which we already have some indirect exposure through Asia Standard International.

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

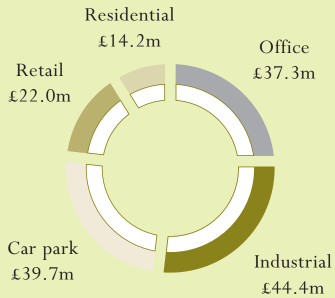
	Number No.	Value £'m	Passing rent £'m	ERV £'m	Average yield %
Direct properties					
Office	3	26.3	2.4	2.5	9.1
Industrial	10	33.4	2.7	3.1	8.1
Car parks	2	39.7	4.3	4.3	10.8
Retail	1	4.0	0.3	0.3	6.7
Residential	11	14.2	0.7	0.8	4.7
	27	117.6	10.4	11.0	8.8
Trade investments (cost)	3	40.0			
Total	**30**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

Average lease length in Australia Asia Pacific is 4.7 years

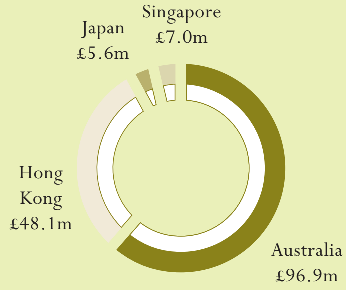




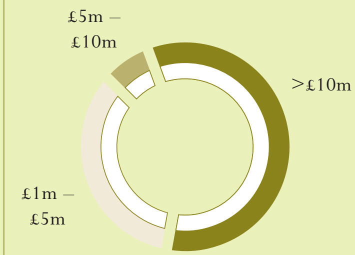
By Sector



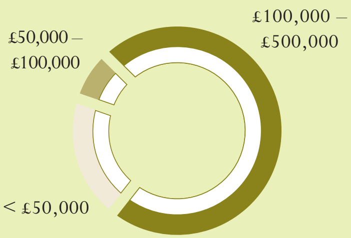
By Region



By Value

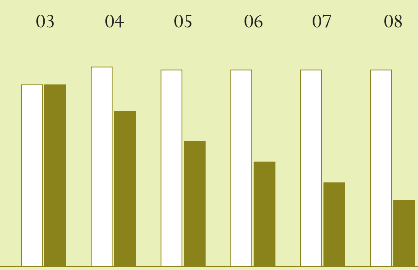


By Passing Rent



Income Projection*

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



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

* direct properties only