

Britain and Ireland...



Rod Kent
Chairman

Stephen Musgrave
Chief Executive

“Following a cloudy start to 2003, the outlook for 2004 is clearer and seemingly more settled. Our business is in a good position to exploit appropriate opportunities as they arise.”

IN 2003

WE ACHIEVED CREDITABLE
FINANCIAL RESULTS

in the face of difficult market conditions.



Britain and Ireland...

We maintained our commitment to an active development programme.

Despite the challenging conditions in the offices sector we pursued the creation of new office space that meets the requirements of commercial occupiers. We implemented our new strategy to provide high-end residential rental space, completing three new developments.



Cornwallis House, Dorset Mews, Belgravia, sold in 2003

In the face of difficult market conditions we achieved credible financial results in 2003. We managed the uncertainties at the beginning of the year and were able to capitalise on the improving economic conditions that began to emerge as the year wore on.

Despite the negative sentiment in the office market, the other areas of our business – particularly the strong retail sector – delivered positive rental income and returns, and significant uplifts in value.

As always, the London portfolio played a central role in the overall performance of Britain and Ireland. We implemented our new strategy to provide high-end residential rental space, completing three new developments at Gilbert Street, Davies Street and Chantrey House. The underlying strength of the residential market was demonstrated by improving capital growth during the course of the year.

In line with our strategic focus on large, mixed-use urban projects, we applied our knowledge, experience and creativity to major cities such as Liverpool, Bath, Preston, Cambridge and Dublin. In each of these cities we made positive progress on the projects with which we are involved, drawing upon many of the varied skills we possess. These cities represent opportunities for us and our public and private partners to invest in, develop and asset-manage agglomerated land over the long-term.

Meeting the needs and aspirations of our customers is a constant and very important endeavour. The continued expansion of the Grosvenor Service Offer and the introduction of its 24-hour helpdesk, enabled us to improve the breadth and quality of the services we provide to our customers.

We maintained our commitment to an active development programme across the sectors. Notwithstanding the challenging conditions in the offices sector, we pursued the creation of new, quality space that answers the requirements of commercial occupiers.

Managing third party assets through fund management activities was a high priority. We changed the name of The Arkle Fund to the Grosvenor Shopping Centre Fund. The fund outperformed the industry benchmark and acquired seven new investors, including a UK charity, the Esmée Fairbairn Foundation. The Basingstoke Investment Partnership, which is the investment fund for Festival Place, outperformed the industry benchmark too. The GMETRO central London offices fund continued to make progress in spite of the weak offices market.

We benefited from our continued investment in the recruitment, training and retention of staff. The focus was on bringing in additional skills with appointments such as that of a new Grosvenor Service Centre Director, Retail Strategist and Systems Director. We also maintained an emphasis on nurturing young talent through our graduate programme.

...continued

“We will build on our achievements this year and continue to improve the way we do business. We look forward to a year of further progress in 2004.”

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PORTFOLIO OVERVIEW

In London, performance was driven by the management team, which achieved notable successes headlined by total sales of £69m. The London team concluded over 700 rent reviews, lettings and lease renewals.

Outside London, our successful partnerships with various local authorities helped us to move ahead with key projects.

In Liverpool, the Paradise Street Project passed several important milestones with the conclusion of the Public Inquiry, the commitment of the John Lewis Partnership and Debenhams as anchor tenants and the selection of the main contractors. As part of the appointment of a quality professional team on the Western Riverside project in Bath, we selected Llewelyn Davies as masterplanners. In Cambridge we signed an agreement with the John Lewis Partnership for a temporary re-location of their Robert Sayle store, significantly shortening the original projected timescale for the Grand Arcade project, which we are carrying out with our partners Universities Superannuation Scheme. A planning application for 4,650 m² (50,000 sq ft) of additional retail space and for 560 apartments was made at Liffey Valley in Dublin. The decision, subject to public consultation, to designate Liffey Valley as a major town centre within the draft South Dublin plan is encouraging. In Preston, important consultation work with local stakeholders has kept the 38 acre (15 hectare) Tithebarn project moving ahead. This project will see the revitalisation of the city centre.

We faced the most challenging office market for several years. Despite this, some creditable achievements helped to offset the falls in capital and rental value. We fully let the 20,000 m² (216,000 sq ft) at 4orty Grosvenor Place and 4,650 m² (50,000 sq ft) at Viewpoint, in Belgravia and Mayfair respectively. We completed the construction of new offices at 10 Grosvenor Street in the West End, and Holyrood Park House in Edinburgh. Also in Scotland we completed the first phase, and began construction on the second phase of our Edinburgh Technopole project in partnership with the University of Edinburgh.

Our retail portfolio delivered significantly positive results, with our continued focus on dominant town centre shopping. Festival Place maintained a strong performance during its first year of trading, with good returns and positive consumer support. Over 20 million shoppers visited the centre, comfortably exceeding our initial predictions on footfall.

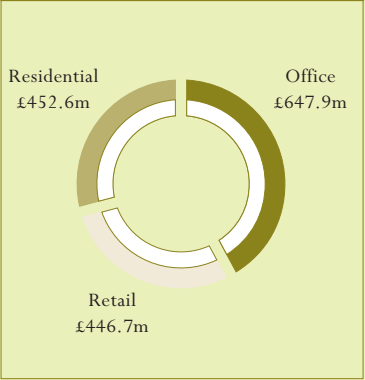
It has been a tough but productive year which, ultimately, has had a positive overall impact on our portfolio.

| | Number No. | Value £'m | Passing rent £'m | ERV £'m | Average yield % |
|--------------|---------------|----------------|------------------------|-------------|-----------------------|
| Office | 306 | 647.9 | 32.7 | 39.8 | 5.0 |
| Retail | 136 | 446.7 | 25.6 | 30.1 | 5.7 |
| Residential | 440 | 452.6 | 8.3 | 10.8 | 1.8 |
| Total | 882 | 1,547.2 | 66.6 | 80.7 | 4.3 |

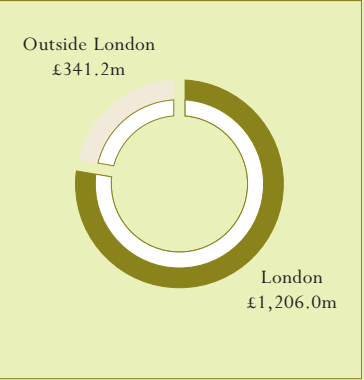
Average lease length in Great Britain and Ireland is 25.3 years (includes ground rented property on long leases)



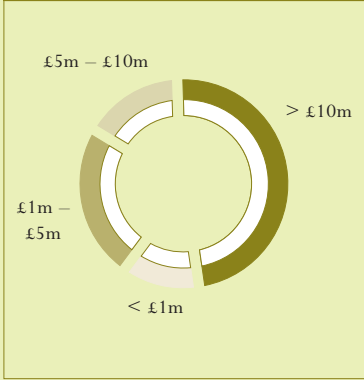
By Sector



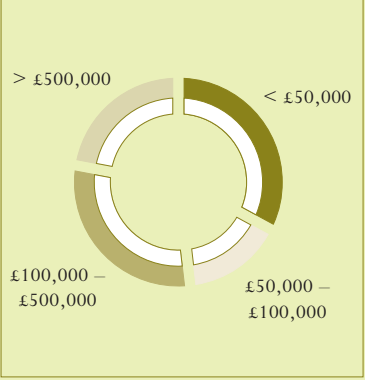
By Region



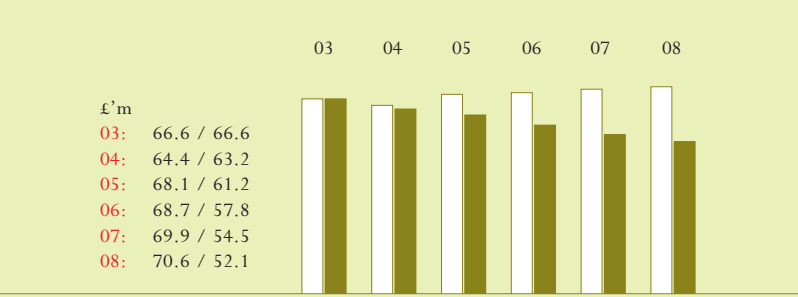
By Value



By Passing Rent



Income Projection



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