



Financial

Statements 2019

In addition to the information contained in these Financial Statements, you can download our 2019 Annual Review to explore our operational achievements and progress during the year.

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GROSVENOR

Strategic report

The Directors present their Strategic report for Grosvenor Group Limited (the 'Group') for the year ended 31 December 2019.

Principal activities

The Group's principal activities are property investment and development, using its own and third-party capital.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in Notes 20 and 21 to the Financial Statements.

The Group's purpose

Grosvenor Group's purpose is to improve properties and places to deliver lasting commercial and social benefit. To live up to this ambition, the Group has adopted an approach called Living Cities which inspires its activities and encourages the Group to be far-sighted, locally engaged and to share and benefit from its international experience.

More detail on the Group's purpose, its approach and the impact of its activities can be found in the 2019 Annual Review available at www.grosvenor.com.

Business review

Group performance

2019 results were, as expected, lower than the strong performance achieved in recent years:

- Revenue profit was £65.9m (2018: £131.0m). This is the main metric by which the Group measures itself and is shown in Note 5 and defined in the glossary. Profit before tax was £156.5m (2018: £196.6m).
- Total return (as defined in the glossary) was 2.6% (2018: 5.5%). This incorporated underlying property returns of 3.6% (2018: 4.7%) that were reduced by 1.0% (2018: positive 0.8%) as a result of the appreciation of Sterling during 2019.
- Shareholders' funds increased by £0.1bn to £5.1bn (2018: £5.0bn), as a consequence of the profit in the year and revaluation gains offsetting translation losses of the Group's overseas assets.

Operating Company performance

While the overall results of the Group were modest by recent standards, they were in line with expectations as were the performances of the individual Group's Operating Companies:

- Grosvenor Britain & Ireland's recurring income stream was enhanced by trading profits, mainly from the remaining phases of the Campden Hill residential development, with revenue profits of £41.1m (2018: £39.2m) being delivered. Total return was 3.1% (2018: 3.2%) reflecting positive valuation movements, above expectations.
- As anticipated, the reduced trading activity in Grosvenor Americas resulted in lower revenue profits of £22.8m (2018: £39.0m). The trading activity that has taken place has largely delivered above expectations, with a key contributor being the mixed-use Connaught development in Vancouver. Unexpected revaluation gains have driven a total return of 7.0% (2018: 5.7%).
- The political and economic uncertainty in Hong Kong has delayed anticipated trading profits from our residential development at Dukes Place and resulted in revenue profits of £2.3m being generated by Grosvenor Asia (2018: £26.9m). Total return of 3.8% (2018: 6.6%) reflects modest revaluation gains and disposal profits including those realised from the part sale of our interest in Grosvenor Place Kamizonochi, a luxury residential investment in Japan.
- Grosvenor Europe delivered a revenue loss of £(0.9)m (2018: £11.6m) which we expect to improve upon in 2020 when the full year benefit of office acquisitions in Paris and Madrid made towards the end of this year will be realised. Total return of (0.8)% (2018: 3.3%) reflected revaluation losses in relation to our retail assets, which were impacted by market sentiment.
- Indirect Investment's performance for 2019 reflects the full year impact of our reduced interest in Sonae Sierra, with revenue profits of £25.5m (2018: £33.6m). Lower revaluation gains in Sonae Sierra and our third-party managed assets have resulted in a total return of 5.1% (2018: 9.1%) being delivered. This was also impacted by the sale of income producing assets in early 2019.

Strategic report

Business review continued

Financial position

The Group's shareholders' funds now stand at £5.1bn (2018: £5.0bn). The growth is due to the profit for the year and the revaluation of assets exceeding the foreign currency translation losses occurring on overseas operations. Economic gearing was 20.9% (2018: 20.5%) at year end and resilience (the extent to which market values of the portfolio of property assets can fall before Group financial covenants are breached) was well above the Group's internal minimum at 45%.

During 2019, the Group's share of property assets (shown in Note 16 and defined in the glossary) increased by £0.1bn to £7.1bn (2018: £7.0bn) and assets under management decreased by £0.4bn to £11.9bn (2018: £12.3bn). The movement in property assets was driven by net property acquisitions in Grosvenor Europe and Grosvenor America plus overall positive revaluation gains. This was partly off-set by disposals in the Indirect Investment business and foreign currency translation losses across our non-UK portfolio. These increases flow through to assets under management but were more than offset by disposals in separate mandates in Grosvenor America, revaluation losses and foreign currency translation losses.

Financial capacity and liquidity

The Group is well positioned to take advantage of opportunities as they arise. The Group's financial capacity (being the spare cash and undrawn, committed, general use facilities which are immediately available) stood at £1.7bn at 31 December 2019 (2018: £1.7bn). The weighted average life of wholly-owned facilities is 6.2 years (2018: 6.8 years).

The Group's relationship approach to treasury continues. The Treasury team is working on a project to bring the existing 17 back-up facilities across the Operating Companies into one single Group facility.

Future developments

The Group expects that challenging market conditions are likely to persist, which will mean ongoing pressure on real estate returns and revenue profit. The Group will continue to pursue its strategy of international diversification as it makes the business more resilient to regional variations in performance. The Operating Companies all have ambitious growth plans for the coming years, and the Group intends to increase the allocation of capital to Indirect Investments.

Having completed the 'Digital: Over the Horizon' review in 2019, a new Digital Innovation team has been established to work with each of the Operating Companies to help them embed digital technology into the business. It is expected that digital innovation will radically change the property industry in the next decade. The Group is therefore actively considering the best ways to secure the Group's long-term role in the new digital environment.

Key performance indicators and measures of return

The Group monitors revenue profit and total return on property assets on a proportional basis, i.e. including the appropriate share of joint ventures and associates.

Revenue profit is the measure by which we monitor our underlying performance, rather than profit before tax, as it excludes unrealised market movements. We measure total return to show how our property portfolio has performed, including both income and capital returns.

Revenue profit is shown in Note 5. Total return and revenue profit are defined in the glossary.

Appropriate key performance indicators are employed throughout the Group to help achieve ambitious goals and a philosophy of continuous improvement.

Strategic report

Key performance indicators and measures of return continued

Key Performance Indicator	Why it is measured	2019	2018	Comment
Revenue profit	To identify underlying performance, excluding market movements.	£65.9m	£131.0m	Reduction in revenue profit in line with expectations and reflects lower trading profits and reduction of our interest in Sonae Sierra from 50% to 30% in 2018.
Total return (including currency movement)	To show how the property portfolio has performed, including both income and capital returns.	2.6%	5.5%	Total return, before the impact of foreign currency translation, also reduced to 3.6% (2018: 4.7%). This was a result of reduced revenue profit and profit from joint ventures and associates, partly offset by higher than expected revaluation gains. Foreign currency translation provided losses in 2019 (gains in 2018).
Profit before tax	To show the return on assets delivered in absolute terms.	£156.5m	£196.6m	Revenue profits combined with disposal profits and higher than expected revaluation gains in our operating companies.
Shareholders' funds	To report the total value of the Shareholders' investment in the Group.	£5.1bn	£5.0bn	Shareholders' funds grew in the year due to the profit earned and the revaluation of assets exceeding the foreign currency translation losses occurring on overseas operations.
Property assets	To quantify the Group's financial investment in property assets.	£7.1bn	£7.0bn	Net property acquisitions in Grosvenor Europe and in Grosvenor Americas, plus overall positive revaluation gains, partly off-set by disposals in the Indirect Investment business and foreign currency translation losses across our non-UK portfolio.
Assets under management	To monitor the scale of the portfolio of property assets for which the Group's management teams are responsible.	£11.9bn	£12.3bn	Increases in wholly-owned assets have been more than offset by disposals in separate mandates in Grosvenor Americas, revaluation losses and foreign currency translation losses.
Development exposure	To indicate the level of committed development activity, expressed as a proportion of total property commitments.	11.9%	12.5%	2019 saw investment in the development pipeline as well as a number of disposals of development assets.

Risks and uncertainties

The Group aims to develop and co-ordinate an internationally diversified group of property companies and investments in property companies and other property ventures. Each Operating Company endeavours to maximise its returns in accordance with an agreed stance on risk. The Group seeks to ensure that the risks encountered by the business are identified, quantified, understood and managed in an appropriate way.

The Group's operations are managed under a devolved structure. However, since the underlying activities (property investment and development using our own and third-party capital) are common to each region, the nature of business risks encountered in each region is broadly similar. Set out below is a summary and explanation of the principal risks faced by the business.

Market risk

Property markets are cyclical, so the Group's businesses will always be subject to variations in the value of the portfolio. Taking a long-term view, the Group's focus is less on short-term value fluctuations and more on underlying value-generating potential.

Exposure to market risk is mitigated through a considered allocation of capital to different geographic markets, currencies and property sectors, which is explained in more detail under capital allocation below.

Short-term market risk is more relevant in development activity where values are fixed at or near the time of completion, where market conditions may affect leasing terms, capitalisation rates and sales values. The Group commits to development projects only after taking careful account of the market outlook. Development exposures are frequently reduced by working in joint ventures.

Strategic report

Risks and uncertainties continued

Capital allocation

The Group's primary financial objective is to maximise returns at an acceptable level of risk. Fundamental to this is the optimal allocation of capital between each of the Operating Companies and Indirect Investments and the devolution of property decision-making authority to local boards. The process for identifying both long-term ranges and medium-term targets for the proportion of capital to be allocated to each geographic region is set out on page 10.

Long-term ranges and medium-term targets for capital allocated to regions and between direct (i.e. Operating Companies) and indirect investments, together with actual allocations at 31 December 2019, were as follows:

	Percentage of Capital Invested		
	Long-term range %	Medium-term target %	At 31 December 2019 %
United Kingdom	40–50	45	50
North America	15–30	25	25
Europe	5–15	10	11
Asia Pacific	10–20	14	11
Others*	3–10	6	3

* Others includes South America, Africa and Australia

	Percentage of Capital Invested	
	Medium-term target %	At 31 December 2019 %
Direct	90	89
Indirect	10	11

At the Operating Company and Indirect Investments level, each board (the Group Investment Committee in the case of Indirect Investments) reviews its strategy annually. These reviews take account of the geographic allocation within the respective territory, as well as the allocation between sectors and the split between property investment and development.

The Group Board reviews the five-year historic financial performance, 10-year strategic plans and current operational matters of each of the Operating Companies and Indirect Investments annually.

Strategic report

Risks and uncertainties continued

The distribution of the Group's property assets and assets under management at 31 December 2019 is shown below:

Group property interests and assets under management

	GROUP				THIRD-PARTY INTERESTS			Future development commitment £m	Assets under management £m
Year ended 31 December 2019	Investment £m	Development £m	Financial assets £m	Total £m	Investment £m	Development £m	Total £m		
Great Britain & Ireland (GBI)	3,288	143	–	3,431	1,771	12	1,783	64	5,278
Grosvenor Americas (GA)	1,164	298	80	1,542	1,052	156	1,208	145	2,895
Grosvenor Asia Pacific (GAsia)	715	101	1	817	135	3	138	63	1,018
Grosvenor Europe (GEurope)	443	29	–	472	1,345	29	1,374	17	1,863
Indirect Investments:									
Sonae Sierra	483	28	–	511	–	–	–	–	511
Third-party managed	216	–	86	302	–	–	–	–	302
TOTAL	6,309	599	167	7,075	4,303	200	4,503	289	11,867
Commercial	2,096	33	–	2,129	980	11	991	36	3,156
Retail	2,458	35	2	2,495	2,114	7	2,121	–	4,616
Residential	1,266	531	80	1,877	960	182	1,142	253	3,272
Industrial	205	–	37	242	–	–	–	–	242
Hotel	78	–	–	78	249	–	249	–	327
Other	206	–	48	254	–	–	–	–	254
TOTAL	6,309	599	167	7,075	4,303	200	4,503	289	11,867

Property risks

Investment properties

A significant risk in property investment is the loss of income. The Group's businesses ensure that properties are properly maintained and managed, occupancy is maximised and exposure to individual tenants is managed. Asset management is undertaken by teams with overall responsibility for the properties within their portfolios. Day-to-day property management is either outsourced to professional property managers or managed in-house.

Leasing risk is managed by dedicated in-house leasing teams and the use of professional leasing agents. Exposure to individual tenants or sector groups is reduced by maintaining a diversified tenant base and by reviewing the credit-worthiness of new tenants.

Developments

In property development, the main risks arise in managing the development process, including obtaining appropriate planning consents (which can be challenging to achieve in a timely manner) and controlling the construction process and costs. The Group has dedicated teams involved in site assembly and planning, and limits committed expenditure prior to planning consent being obtained. Construction risk is managed by in-house project management teams using external contractors. In many cases, construction risk is shared with partners.

Capital raising

The Group has no plans to seek further equity capital through the issue of new shares. Capital for investment is available from retained earnings.

The Group's preference for working with partners and investors provides access to capital beyond its own resources, for specific investment and development opportunities. Working with like-minded partners and investors in property is a core part of the Group's business.

Strategic report

Risks and uncertainties continued

Acquisitions and sales

When acquiring or selling property, the principal risk is in assessing the future income flows in order to determine an appropriate price. The timing of property transactions is managed as part of the budget and annual asset allocation review within each Operating Company. Estimated price levels are supported by detailed financial appraisals, which are conducted for all property purchase and sale transactions. Every property transaction is subject to a due diligence review, including corporate due diligence where properties are acquired within corporate vehicles.

Financial and tax risks

The principal financial risks faced by the Group are liquidity, credit, interest rate and foreign currency risk. Each of these risks is explained in more detail and analysed in Note 30 to the Accounts.

Exposure to tax risk arises across a large number of tax jurisdictions. In addition to different tax filing requirements in each territory, there is also exposure to the impact of changes in tax legislation. These risks are reviewed annually as stipulated in the Group's tax policy and are managed by an in-house team which works alongside external tax advisers.

Health and safety

The Group is committed to ensuring that Operating Companies maintain high standards of health and safety management in all their operations and adhere to best practice. The Group has updated its five-year vision on health and safety. Overall Group Board accountability for health and safety is taken by the Group Finance Director. Each Operating Company board is responsible for health and safety within its business with the support of the internal Health and Safety Director and external consultants with local expertise to help them achieve compliance. Operating Companies review and report formally their compliance each year and progress is monitored on a regular basis.

Each Operating Company sets itself annual targets in order to achieve its objectives and all follow the OHSAS18001/ISO45001 international standard. These include verifying that workplace and other risks are being managed where necessary and this includes construction and development projects. Each business made good progress in completing its annual health and safety action plan.

Operating Companies ensure that employees are well informed, engaged with, consulted, kept up to date and are competent to fulfil their responsibilities. The Group continues to review and improve the reporting of performance information and has a web-based health and safety risk management system to assist the Operating Companies.

There were no fatalities and no other reportable health and safety incidents to statutory authorities involving the Group's employees in 2019. There were seven recorded minor incidents to employees. Accidents and cases of ill health are treated seriously, investigated where necessary, lessons identified, and actions taken to prevent recurrences. There were no enforcement notices or prosecutions.

Operating Companies continue to review and improve their procedures for managing fire risks in their properties and on their construction projects. The Group believes that fire safety improvements are most required in the UK and less so internationally, where more rigorous legislative arrangements are already in place to minimise similar issues arising from the UK Government's investigation into the Grenfell Tower fire. The Group has shared its international experience with UK Government officials and the British Property Federation.

The Group continues to make improvements to a small number of UK properties where remediation work has been identified, none of which fall into the Governments high-risk category for combustible cladding. As industry and regulatory improvement in this area continues, the Group is committed to playing its part.

Environment

The Group takes a long-term view of its activities and responsibilities, and environmental considerations are an important factor. The Group aims to make a positive contribution to sustainable development and continues to focus on reducing our resource consumption. This year, the Group announced that it had signed up to the World Green Building Council commitment which challenges companies, cities, states and regions to reach Net Zero operating emissions in their portfolios. In doing so, the Group committed to achieve net zero carbon operational emissions from all its directly managed buildings globally, by 2030, and to work towards all buildings, directly and indirectly managed, being embodied and operational net zero across its portfolio by 2050.

The Group seeks to understand the risks and opportunities presented by global mega trends, including climate change. The sustainability landscape within the property industry is evolving and the Group considers the impacts of climate change on its portfolio but recognises that further analysis is required to help inform longer-term decision making. Capital allocation considerations include environmental indicators of current and potential investment locations.

Strategic report

Risks and uncertainties continued

Each Operating Company has formally embedded social and environmental responsibility into their 10-year business strategies as well as nominated a senior sponsor with responsibility to the respective board. This is one of the ways the Group implements its Living Cities philosophy.

Each Operating Company monitors, benchmarks and actively seeks to improve the energy, water and waste performance of their directly managed buildings. The Group's environmental metrics can be found in the 2019 Annual Review available at www.grosvenor.com. As well as the reduced environmental impact from an improved performance, it also helps to reduce the risk of obsolescence of the Group's properties and lessen the impact of utility price fluctuations and increasing legislation.

Reputation and brand

The Group's brand is a key intangible asset whose management is taken very seriously. Its strength is founded in the Group's reputation which has been built over centuries and continues to evolve.

In order to protect and strengthen the Group's reputation and enhance its brand, it operates as a values-led business, promoting values of integrity, respect and trust all of the time – with its people, customers, partners, suppliers and wider society.

The Group aims to apply the highest standards of corporate conduct, adopting best practice in developing and implementing several policies and procedures to ensure that it not only meets the letter but also the spirit of the law. These include policies on anti-bribery and corruption, anti-money laundering, the UK Modern Slavery Act and the UK Criminal Finances Act. All employees are made aware of the Group's policies and receive training appropriate to their roles and responsibilities.

The Group seeks to manage and invest in its brand and reputation proactively, identifying potential risks, acting swiftly to mitigate them. All staff are briefed on the expected values and conduct the Group seeks to uphold as well as its communications and brand policies and guidelines (which are also shared with relevant external consultants, as appropriate).

Brexit uncertainty

Grosvenor saw no discernible impact on operations arising from the UK's exit from the European Union (the 'EU') on 31 January 2020. During 2020, the Group will review the potential for operational or financial impacts arising from the negotiation of the future trading arrangement between the UK and the EU. The most likely effects remain:

- Impact on critical suppliers' ability to continue to meet our needs.
- Increasing levels of tenant failure (London Estate and Liverpool).
- Negative impact on UK property capital values and rents.
- Restrictions on rights to live and work in the EU/UK and wider people considerations.

Business commitments will be managed through the year dependent on the developing views of the likely outcome of the negotiations.

As highlighted in the Going Concern section of the Directors' report, one of the core objectives agreed by the Group's Shareholders and Board is that the Board ensures a level of overall operational risk, an approach to debt, and sufficient liquidity which collectively ensures the Group's survival. 'Ensuring survival' is interpreted by management as meaning that the Group should only be expected to call upon Shareholder support on a one in 50-year basis (see page 16).

The potential impact on the finances of the Group that may arise from the United Kingdom's exit from the European Union is not specifically factored into the Group's financial risk management planning, as it already takes into account extreme downside volatility that may arise from any such 'shock' to the system.

At any given time, the Group Holding Company retains a certain amount of unallocated equity, which may be held in any of the Group's operating currencies. In view of the potential for fluctuations in exchange rates as a result of Brexit, the economic exposure is being managed by diversifying this currency exposure.

COVID-19 uncertainty

The Group is continuing to monitor developments of the COVID-19 virus and the associated near-term uncertainty on the global economic outlook. The Group is assessing the potential future operational and financial impact of the coronavirus and is seeking to take mitigating actions, as required. The Directors have also considered the going concern assumption in light of these developments and, on the basis of the forecast headroom (see Going Concern statement on page 17), the Directors still consider the Group to be a going concern.

Strategic report

Risks and uncertainties continued

People

The Group takes considerable care in recruiting, retaining and developing Grosvenor people. A wide range of development opportunities exist for people to undertake tailored learning, including opportunities for international secondments.

Succession planning is overseen by each Board through the HR committees as part of the Strategic People Agenda. Compensation is regularly benchmarked against the market, with particular attention given to the low paid and legislative requirements. The Group rewards loyalty, excellence and effort in line with Grosvenor's values.

Information technology and security

The Group's operations are dependent on the effectiveness of IT systems, including an international communications network, property and staff databases, and accounting and treasury systems. Procedures are in place to protect the security and integrity of data, and the Group has detailed incident management and business continuity plans which are tested on a regular basis. The Group Technology Steering Committee ('Group TSC') monitors the efficient delivery of Group-wide process and system changes.

The Group recognises that effective governance is the cornerstone of good information security. It operates an organisation-wide Technology Risk Advisory Group ('TRAG') with independent external expertise to provide challenge to the technology function and advice to Group and Operating Company Boards and Audit Committees. A key focus of the 2020 cybersecurity programme is an estate-wide crisis framework and exercises to ensure that the Group can effectively manage and recover from a serious cybersecurity incident.

New technology, digital disruption and corresponding emerging business models may disrupt the property industry and the traditional sectors that the Group operates in. The Group's Digital Innovation team undertakes on going horizon scanning for such industry trends and works closely with OpCos and the Group Technology function to ensure that new technologies can be taken advantage of.

Employees

The Directors recognise the importance of good communications and relations with the Group's employees and place considerable value on informing them on matters affecting them as employees and seeking their input through surveys, meetings and networks. Each part of the Group maintains employee relations appropriate to its own particular needs and environment. The Group gives full and fair consideration to applications by disabled persons for employment. The Group aims to build a diverse workforce, reflecting the communities in which it operates in order to ensure the businesses' success. This will be achieved by attracting the best people from as wide a pool as possible and retaining them within an inclusive culture. Further information on employees is provided in the Corporate Governance Report, Wates Principle Six – Stakeholder Relationships and Engagement on page 12.

Statement of Compliance with section 172 of Companies Act 2006

Throughout 2019, the Directors have performed their duty to promote the success of the Company under section 172, taking consideration of:

- issues, factors and stakeholders relevant in complying with section 172(1)(a) to (f);
- main methods used to engage with stakeholders and to understand the issues to which they must have regard; and
- the effect of such issues on the Company's decisions and strategies during the financial year.

The Grosvenor Group has evolved over 340 years since the Grosvenor family's first association with London property began in 1677. The Group's heritage acts as a reminder of the importance of taking decisions for the long term, an approach that is wholeheartedly supported by the Group Board and the Company's shareholders who judge the success of the business on both measures of commercial returns and the positive impact that its activities have on the communities in which it operates.

The Group believes that adopting such an outlook, together with taking all necessary measures to ensure that the way business is done meets the highest standards of corporate conduct, leads to enhanced shareholder value. More detail on the Group's purpose is provided in the Corporate Governance Report, Wates Principle One – Purpose & Leadership on page 10.

The Group operates as a values led business, promoting its core values of integrity, respect and trust all of the time – with employees, customers, partners, suppliers and wider society, helping the Group to continue to earn a strong reputation and enhance its brand. How these different business relationships are managed is covered in the Corporate Governance Report, Wates Principle Six – Stakeholder Relationships and Engagement on page 12.

More information on the Group, its purpose and relationships with stakeholders is provided in the 2019 Annual Review available at www.Grosvenor.com.

Strategic report

Statement of Compliance with section 172 of Companies Act 2006 continued

To further ensure the Directors meet their duties as set out in section 172, including the consideration of stakeholder groups, Board agenda items throughout the year include consideration of a 10-year Group strategic plan which considers both commercial and social outcomes, Health and Safety, People, updates from Operating Company Board and Group Executive Committee meetings, capital allocation and a strategy progress update. In addition to regular Board meetings, a Board Strategy Day is held annually.

Some of the key decisions made by the Group Board during 2019 include:

- An updated Group Strategy was approved, reconfirming Grosvenor's purpose, to improve property and places to deliver lasting commercial and social benefit.
- The Group's commitment to the World Green Building Council and, in doing so, pledging to achieve net zero carbon operational emissions from all of its directly-managed buildings globally, by 2030, and to work towards all buildings, directly and indirectly-managed, being embodied and operational net zero across the portfolio by 2050.
- With the potential impact of digital disruption on real estate becoming more apparent, the Board made a decision during the year to establish a Digital Innovation team to assess how the Group can take advantage of the opportunities and protect its business against the risks which technological innovation present.

Suzie McConnell

Company Secretary

UK Company registration number 3219943

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19 March 2020

Corporate governance

Corporate governance

Grosvenor's business approach is based on openness and high levels of accountability, and the Board's approach to corporate governance is to issue clear policies and procedures as it considers appropriate for a privately-owned Group with its Shareholders represented on the Board. This year, the Board has decided to report against the Wates Corporate Governance Principles for Large Private Companies which provides a framework for the Group to report on corporate governance in a transparent manner and in line with our values and ethos.

Principle 1 – Purpose & Leadership

Direction for the formation of the Group's strategy is provided by the Shareholders in the form of their wider aspirations. In this context, Grosvenor's purpose, and thus how the Group's shareholders judge success, is to improve property and places to deliver lasting commercial and social benefit.

The Group seeks to optimise social and commercial outcomes for every investment and sets itself challenging environmental targets – aiming to enhance its reputation for social responsibility. To deliver its purpose effectively, the Group, through its Operating Companies, implements an approach called Living Cities which combines a far-sighted, international perspective, with an intimate local knowledge of markets and communities:

- The Group seeks to learn from the past, in acting upon evidence-based research and in adopting a far-sighted perspective that responds to the socio-economic and demographic changes, environmental risks and disruptive technologies that pose significant urban challenges.
- Local expertise is promoted to foster a deep appreciation and understanding of local markets and the needs of local communities, working with them to implement bespoke and innovative solutions that are commercially successful and responsive to unique local circumstances.
- In implementing its activities, directly or in partnership with like-minded co-investment partners, the Group seeks to capture, distil and share knowledge, investing in its people to bring an international perspective which encourages innovation.

The Board is clear that, in order to protect and strengthen the reputation of the Group and enhance its brand, it must maintain a reputation for high standards of business conduct and therefore operate as a values led business, promoting values of integrity, respect and trust all of the time. All staff are briefed and constantly reminded of the expected values and conduct we seek to uphold.

Fundamental to the Group's delivery of lasting commercial and social benefit is the optimal allocation of capital invested between each of the Operating Companies and Indirect Investments, and the devolution of property decision-making authority to local boards. The allocation of capital is based on 10-year projections and is currently reviewed by the Board every two years, or more frequently should market or business needs require it. The allocation review process uses portfolio theory simulations, considering long-term (five+ years) macro-economic and property market projections, political developments, a review of Operating Company historic performance, consideration of the overall strategic objectives of the Group and wider issues such as climate change. The Board then determines long-term ranges for each geographic area, supplemented with medium-term (two to five year) targets which sit within the long-term ranges. Actual allocation of new capital is made periodically which can also be as a response to short-term (zero to two year) tactical and opportunistic considerations. See page 4 of the Strategic report for long-term ranges and medium-term targets as at 31 December 2019.

On an annual basis, the Group Board reviews the five-year financial performance, 10-year strategic plans (which consider both commercial and social outcomes) and current operational matters of each of the Operating Companies and Indirect Investments.

Principle 2 – Board Composition

The composition of the Board is designed to ensure effective management and control of the Group, taking account of the devolved operating structure and ensuring that the Shareholders' interests are properly represented. It consists of the Group Chief Executive (who is also the Executive Trustee of the Grosvenor Estate), Group Executive Director and Group Finance Director and six Non-Executive Directors (including the Chairman). Two of the Non-Executive Directors represent the Shareholders (as Trustees of the Grosvenor Trusts) and four are independent.

The Board recognises the benefits of diversity and is committed to increasing it across all employee levels, including the Board itself, to create an ever-more inclusive environment.

The Board is rich in cultural background and experience is also geographically diverse, representing all the geographies that the Group currently invests in. There are currently two female Non-Executive Directors. The Non-Executive Directors provide a diverse range of experience and professional background that enables them to make a valuable contribution to the Group and to provide independent judgement and challenge to the Board. The Board encourages the appointment of Executive Directors to appropriate external posts as this increases their breadth of knowledge and experience.

Biographies of the members of the Board, with their sub-committee memberships, are available at www.grosvenor.com.

Corporate governance

Corporate governance continued

Board effectiveness

The roles of Chairman and Chief Executive are clearly defined. The Chairman is primarily responsible for overseeing the workings of the Board. The Chief Executive is responsible for the implementation of strategy and policies set by the Board and the day-to-day management of the Group.

The Board undertakes a regular evaluation of its own performance. The last review was in December 2017 and the next one is due to take place in 2020.

The Board held five standard meetings during the year, with full attendance by each Director at every meeting except in June and November 2019 when one Director was absent. There was an additional meeting held in August 2019 with only the three Executive Directors in attendance, to approve a routine Treasury matter.

Principle 3 – Director Responsibilities

The Board is responsible for setting and monitoring Group strategy (including the allocation of capital), reviewing performance, ensuring adequate funding, formulating policy on key issues and reporting to the Shareholders.

The Board has delegated day-to-day responsibility for the Group's property investment, development and joint venture activities, together with supporting functions, to Operating Company, Indirect Investment and the Holding Company management teams. The Group's Operating Companies have local boards, with independent Non-Executive Directors, which oversee the Operating Companies' operations. These boards form an integral part of the overall internal control process. The relationship between Operating Company boards and the Group Board is clearly defined and is set out in formally approved documents. The membership of each Operating Company board is available at www.grosvenor.com. For the Indirect business, the Group Investment Committee oversees its operations and investment decisions up to £25m per capital transaction.

The Board has established an Audit Committee, a Remuneration Committee and a Nominations Committee, to which it has delegated certain governance functions. The membership of these committees consists of Non-Executive Directors (including the chair).

To enable the Board to discharge its duties, all Directors receive appropriate and timely information, including briefing papers distributed in advance of Board meetings. The Directors have access to the Company Secretary and may, at the Company's expense, take independent professional advice and receive additional training as they see fit. All new Directors participate in an induction training programme.

Principle 4 – Opportunity & Risk

Opportunity

The Board reviews the Group Strategy every year and, in doing so, has consideration for the long-term strategic opportunities that are consistent with Grosvenor's purpose of delivering lasting commercial and social benefit.

The Board believes that success is not just about having property skills, a pipeline of opportunities and funding to deliver them, but also about having a focus on the future to ensure the Group's activity delivers lasting social and commercial value. Long-term success requires long-term thinking.

With the potential impact of digital disruption on real estate becoming more apparent, the Board made a decision during the year to increase its investment in its Digital Innovation business to assess how the Group can take advantage of the opportunities (and protect our business against the risks) which technological innovation presents.

Risk

The Board considers that there is a continuous process for identifying, evaluating and managing significant risks faced by the Group in the course of its business, which has been in place throughout the year and up to the date of approval of the Annual Financial Statements. This process is regularly reviewed by the Audit Committee and the Board. The key risks and uncertainties are set out in the Strategic report, on pages 3 to 8, and include market, property, financial and environmental risks amongst others.

Each Operating Company and the Holding Company has management structures in place to enable effective decision-making, supported by documented procedures and a regular review of financial performance, including comparisons against budget and forecasts. Risk management is a regular agenda item for all parts of the business with the emphasis on continuous improvement. Each Operating Company board undertakes a regular assessment of its exposure to financial, operational and strategic risks and the measures that have been put in place to manage those risks. Significant risks arising from Operating Company assessments are monitored by the Group Board.

In addition to local boards, each Operating Company, together with Indirect Investments and the Holding Company, is represented on the Group Finance Board, which met once during 2019 and provides a forum for debating issues of a financial nature that are relevant to the Group as a whole, including Group financial policy and risk management.

Corporate governance

Corporate governance continued

The Group Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. This is designed to manage, rather than eliminate, the risk of not achieving business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group operates a 'co-sourced' approach to internal audit, working jointly with PwC. Each Operating Company audit committee approves an internal audit plan, which is executed by PwC, but supplemented by Grosvenor employees on occasion and where appropriate. The Operating Company audit committees review the findings from the internal audit reports together with management plans to address any weaknesses in internal control. The Group Audit Committee has an oversight role, which involves reviewing the Operating Company and Holding Company internal audit plans, summaries of internal audit activity throughout the Group and significant findings of individual reviews.

Principle 5 – Remuneration

The Remuneration Committee's primary role is to define the Company's overall remuneration strategy and to promote its purpose and strategy by linking performance, pay and benefits, ensuring transparency on financial and non-financial targets. This reflects the long-term view of the organisation and the desire to pay both Directors and members of staff fairly for their role and responsibility level, having due regard to comparable market practice and pay levels. The Board and Nominations Committee consider the talent and succession plans for the business.

The Group published its Gender Pay Gap reporting for 2019 on the Group's website in March 2020, relating to UK employees only. Gender parity is part of the Group's wider Equality, Diversity & Inclusion strategy. Each of the Operating Companies have launched dedicated plans to support gender equality and is working hard to embed them successfully. Initiatives include training for all UK staff involved in recruitment to understand and recognise unconscious bias, reviewing recruitment and promotion processes, equal pay auditing, introducing improved work life initiatives and an Inclusive Leadership Programme which blends digital learning, workshops and peer coaching to help leaders understand why diversity is important for the Group.

Principle 6 – Stakeholder Relationships & Engagement

The Board is clear that the Group must maintain a reputation for high standards of business conduct and operate as a values led business, promoting values of integrity, respect and trust all of the time – with all its stakeholder community including employees, customers, partners, suppliers, funders, wider society and shareholders. The approach will help protect and strengthen the reputation of the Group and enhance its brand. (See Strategic report on page 7 for more information on Reputation and Brand).

Employees

The Directors recognise the importance of good communications and relations with the Group's employees and place considerable value on informing them on matters affecting them. Each part of the Group maintains employee relations appropriate to its own needs and environment.

The Group gives full and fair consideration to applications by disabled persons for employment. It aims to build a diverse workforce, reflecting the communities in which it operates in order to ensure the businesses' success. Doing so will require attracting the best people from as wide a pool as possible and retaining them within an inclusive culture.

A Group subsidiary, Grosvenor Estate Management Limited, employs the UK staff of Grosvenor Britain & Ireland, Grosvenor Europe and the Grosvenor Holding Company. Employees are provided with information on matters of interest and concern to them, including the financial and economic factors affecting the performance of the business, through a range of channels, ranging from face-to-face briefings on business performance and key issues from senior management, to regular news updates via various digital means. During the year, formal employee opinion surveys have been conducted both at the Group and Operating Company level. The senior management of each business area has reviewed the results from this and established plans to improve employee engagement.

Grosvenor does not operate any employee share schemes, but it encourages employees' involvement through its bonus schemes and short and long-term incentive plans, which are linked to the performance of the business. Directors have engaged with employees through informal meetings with individuals and small groups, as well as through the normal management and governance processes. In taking decisions, the Directors seek to ensure the long-term financial success of the business and recognise the clear link between this and employees' interests.

Suppliers, Customers and Lenders

The Operating Companies are responsible for managing their key business relationships with suppliers and customers. The Group sets policies for how these relationships should be managed including policies on anti-bribery and corruption, anti-money laundering, the UK Modern Slavery Act and the UK Criminal Finances Act. For the Holding Company's limited number of direct suppliers and all other business stakeholders, the 2019 Annual Review is widely distributed, and together with the 2019 Financial Statements it is available on the Group's website.

Corporate governance

Corporate governance continued

The Group's policy is to maintain close contact during each financial year with bondholders and other lenders at the Group and Operating Company level, recognising the importance of fostering these relationships for the long-term funding and financial success of the business.

Community and Environment

The Group's purpose is to improve property and places to deliver lasting commercial and social benefit, with the community and environment forming the two key elements of social benefit as defined by our shareholders.

Each year, in the Annual Review, the Group reports on its energy and water consumption, together with the amount of waste that is diverted from landfill. This year, the Group was proud to announce its commitment to the World Green Building Council and in doing so to achieve net zero carbon operational emissions from all of its directly-managed buildings globally, by 2030, and to work towards all buildings, directly and indirectly-managed, being embodied and operational net zero across the portfolio by 2050. Meanwhile, local communities continue to be at the centre of the Operating Companies activities as illustrated in the Annual Review 2019.

Relations with Shareholders

All Shareholders are represented on the Board, receive a monthly report and are invited to attend GGL Board meetings. Each year, the CEO and FD of the Group present to the Shareholders on the Group's performance over the prior year.

Board of Directors

Currently, the Board comprises:

- Michael McLintock (Chairman) *+
- Matthew Barzun *
- Robert Davis
- Sir Philip Dilley *
- Barbara Kux *
- Christopher Pratt *
- Mark Preston +
- Dame Fiona Reynolds **
- Peter Vernon

* Non-executive

+ Trustee

Committees of the Board

Audit Committee

Currently, the Audit Committee comprises:

- Christopher Pratt (Chairman)
- Michael McLintock
- Barbara Kux (from 10 March 2020)

Domenico Siniscalco was a member of the Audit Committee until he resigned as a Director on 12 September 2019 and attended the March and June Audit Committee meetings during 2019.

The Audit Committee is responsible for reviewing a wide range of financial matters, including the Annual Financial Statements and accompanying reports, Group internal and external audit arrangements, accounting policies, internal controls and the actions and procedures involved in the management of risk throughout the Group. The Audit Committee reviews annually the scope of the external auditor's work and fees. It also considers the auditor's independence

Corporate governance

Committees of the Board continued

which is ensured through a variety of procedures including regular rotation of audit partners. Any non-audit fees received by the auditor in excess of 70% of the average audit fee over the preceding three years are pre-approved by the Audit Committee.

The Audit Committee meets at least three times a year with the auditor and is attended by invitation by the Group Chief Executive, Group Finance Director and other senior personnel as appropriate. The Audit Committee met three times during 2019, with full attendance at the March and December meetings, with one Director absent from the June 2019 meeting.

The Britain & Ireland, Americas, Asia Pacific and Grosvenor Europe Operating Companies each have their own audit committee, which meet at least twice a year. The key decisions of these audit committees are reported to the Group Audit Committee.

Nominations Committee

The Nominations Committee comprises all the Non-Executive Directors. The Committee meets when necessary and is attended, by invitation, by the Group Chief Executive and other senior personnel as appropriate. It is responsible for reviewing the structure of the Board, considering succession planning and for making recommendations to the Board with regard to any changes. It is also responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Remuneration Committee

Currently, the Group Remuneration Committee comprises:

- Michael McLintock (Chairman)
- Sir Philip Dille

The Committee meets two to three times a year and is attended, by invitation, by the Group Chief Executive and Group HR Director. One of the Committee members is also a Trustee of the Grosvenor Estate and, consequently, the Shareholders are both fully informed and directly involved in the oversight of executive and staff remuneration. All eligible staff in the Group participate in a performance-related discretionary bonus scheme and senior staff also receive longer-term incentive opportunities (reflecting personal and company performance) established by each Operating Company and the Group.

Group Executive Committee

Currently, the Group Executive Committee comprises:

- Peter Vernon (Chairman)
- Benjamin Cha
- Robert Davis
- Sara Lucas
- Steve O'Connell
- Mark Preston
- James Raynor

The Group Executive Committee meets three times a year and is responsible for co-ordinating the implementation of Group Strategy. Biographies of the members of the Group Executive Committee are available at www.grosvenor.com.

Directors' report

The Directors present the Group's audited consolidated Financial Statements for the year ended 31 December 2019.

Directors' report disclosures

Details of the principal activities, results and key performance indicators, future developments, exposure to market risk, capital allocation risk, property risks and employee policies are included in the Strategic Report (pages 1 to 9). Details of the financial risk management objectives and policies, including the use of financial instruments, are disclosed in Note 30 to the Accounts.

Directors

The Directors of the Company during the period were: Matthew Barzun, Robert Davis, Sir Philip Dilley, Barbara Kux, Michael McLintock, Christopher Pratt, Dame Fiona Reynolds, Domenico Siniscalco, Mark Preston, Nicholas Scarles and Peter Vernon. Appointments and resignations were recorded throughout the year as follows:

Matthew Barzun	Appointed 21 March 2019
Nicholas Scarles	Resigned 31 May 2019
Robert Davis	Appointed 1 June 2019
Barbara Kux	Appointed 13 June 2019
Domenico Siniscalco	Resigned 12 September 2019

All other Directors served throughout the year and to the date of signing these Financial Statements.

Directors' interests in securities

The interests of the Directors who served during the year in the share and loan capital of Grosvenor Group Limited are shown below.

	Ordinary shares		'A' Preference shares		Non-voting Redeemable Preference shares	
	At 1 January 2019	At 31 December 2019	At 1 January 2019	At 31 December 2019	At 1 January 2019	At 31 December 2019
Non-beneficial						
Michael McLintock	5,453,726	5,453,726	5,453,726	5,453,726	261,778,848	261,778,848
Mark R Preston	2,881,004	2,881,004	2,881,004	2,881,004	138,288,192	138,288,192
Fiona C Reynolds	1,674,580	1,674,580	1,674,580	1,674,580	80,379,840	80,379,840

The non-beneficial interests above represent the shares owned by the respective Directors in their capacity as Trustees of the Grosvenor Trusts.

Where a Director has a joint interest in securities, the above disclosures include, for each Director, the number of securities that are jointly held.

Except as disclosed above, none of the Directors of the Company who served during the year had any interests in the securities of the Company or any of its subsidiary undertakings.

Employee Engagement and Business Relationships

Further detail is included in the Strategic report on page 8 and the Corporate Governance Report on page 12.

Dividends

Dividends paid during the year amounted to £46,274,897 (2018: £44,398,891).

The Directors have proposed a final dividend of £31,380,521 to be paid on 1 April 2020.

Directors' report

Financial services activities

Grosvenor Investment Management Limited, a wholly-owned subsidiary, is authorised and regulated in the UK by the Financial Conduct Authority for the purposes of undertaking regulated activities.

Going concern and viability

One of the core objectives agreed by the Group's Shareholders and Board is that the Board ensures a level of overall operational risk and an approach to debt and sufficient liquidity which collectively ensures the Group's survival. 'Ensuring survival' is interpreted as meaning that the Group should only be expected to call upon Shareholder support on a one in 50-year basis. The Group's long-term viability is of paramount importance and its consideration is embedded in all activities and operations of the Group. The United Kingdom's exit from the European Union took place on 31 January 2020. The Group recognises that uncertainty remains over the future trade arrangement between the UK and the EU. The Group's financial planning already incorporates a broad range of outcomes which is considered to include a more extreme downside volatility than those that might be considered appropriate in planning for these trade arrangements.

The Group uses a range of financial limits as part of its risk management. The approach taken is to:

- Recognise that property markets are cyclical and to capitalise on the Group's corporate memory to use lessons from previous downturns in order to protect the Group from, and take advantage of, future market corrections.
- While investing only in real estate; diversify several risks, including sector, geography, currency and management.
- Focus on liquidity and balance sheet solvency, which are the two most common threats to the survival of property companies.
- Have limits which collectively aim to 'ensure the Group's survival', but which allow each Operating Company to allocate its risk 'ration' where it thinks best. This enables Operating Companies to be competitive on individual projects, while remaining more robust at an Operating Company level.
- Recognise that greater tolerance is justifiable for those property-related risks which we have expertise to manage and exploit.
- Have a lower tolerance for non-property (and particularly specialist) risk areas such as treasury, counterparty credit risk, tax, legal governance, investment in publicly listed securities etc. and increasingly engage suitably qualified specialists across the business to manage these risks in accordance with a very low level of risk tolerance.
- Devise targets and limits which facilitate delivery of the Group's long-term capital allocation objectives.
- Encourage business and structures which make the Group more robust against the shocks that occasionally occur in property and financial markets, such as encouraging sustainable future cash generation.

The Group uses the following measures:

- **Capital Allocation:** Long-term capital allocation ranges are calculated using a Group level portfolio risk/return optimisation model. This describes the optimal ranges for gross asset value by geographic region and by Direct/Indirect Investment, to deliver maximum return at acceptable risk subject to several constraints. Medium-term targets describe more specific allocations within the ranges, which are desirable to migrate towards over a two-to five-year time frame.
- **Resilience:** Resilience is the extent to which the Group can experience market value declines, synchronised across all markets, before Group financial covenants are breached. The Group must be able to withstand an average Group-wide market decline of 30%.
- **Gearing:** Gearing limits are designed to allow our Operating Companies maximum flexibility to take on debt financing to drive growth, whilst still meeting the Group resilience target and interest cover limits.
- **Debt Maturity:** This limit defines the maximum amount of debt that can mature in any one year, thereby encouraging longer tenor debt facilities and limiting the liquidity risk arising from the need to refinance a larger proportion of debt at what might be a difficult time in the market.
- **Free Assets:** For instances where the Group may need to support further borrowing by way of security, Grosvenor Britain & Ireland and Grosvenor Americas are required to hold wholly-owned assets which are unencumbered with borrowing or other commitment and are capable of being sold or encumbered.
- **Interest Cover:** Interest cover limits are designed to ensure that Operating Companies are structurally, over the medium term, able to support their debt using reasonably assured income, thereby supporting the objective of medium-term liquidity.

Directors' report

Going concern and viability continued

- **Recurring revenue ratio:** This target recognises that much of the cost base and dividend obligations of the business are fixed and encourages each Operating Company to develop lines of business which provide a minimum level of dependable, regular income with which to fund these fixed costs.
- **Shared Ownership Vehicles (SOVs):** A significant proportion of Group's cash flow comes from assets which Operating Companies co-own through joint ventures or other shared ownership vehicles. Generally, these entities are managed by wholly-owned Group entities, with commensurate cost which is recovered by way of cash flows from the joint ventures. Experience from previous market downturns shows us that these cash flows are less reliable than those from wholly owned-assets in times of economic stress. The SOV limits are designed to limit this risk, whilst recognising that SOVs offer an important route for the Operating Companies to share beneficial interests in assets which they might otherwise be unable to access.
- **Stressed Cash Flow:** This is the Group's principal protection against insolvency, particularly in a stressed market, and is calculated monthly with a five-year time span. It aims to ensure that in the event of a significant property market and financial market crash, such as possible scenarios caused by Brexit, the Group has the ability to meet all unavoidable cash commitments for a period of two years assuming a dramatic reduction in both the value of property assets and access to funds.
- **Total Return:** The target for total return, for each Operating Company and for the Group, is that it should exceed the weighted average cost of capital over the cycle. This recognises that the Shareholders ultimately have a choice as to where they invest their capital and that in order to justify having that capital invested in the Grosvenor Group, the Group should generate a return which not only covers the cost of debt but also rewards the Shareholders for the risk they are taking when compared with alternative investment opportunities.
- **Weighted average cost of capital:** This is calculated for Group and Operating Companies by aggregating country level data weighted for the gross asset value in the countries in which investments are held.
- **Development profit at risk:** On a biannual basis, the Group Board assesses aggregate development risk and invested capital projections for all development projects which are committed or are expected to be committed in the following six-month period, against a defined set of risk categories. This allows the Board to consider stressed cash flow forecasts in the context of potential additional project cash requirements, to confirm that the level of financial risk arising from committed developments is supportable and to assess its level of comfort with the anticipated duration, and rate of erosion, of that development risk.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, and the principal risks and uncertainties faced by the Group are set out in the Strategic report on pages 1 to 9. In addition, Note 30 to the Financial Statements includes an explanation of the Group's policies and processes for managing its financial and capital risks, details of its financial instruments and exposure to interest rates, credit and liquidity risk.

Each Operating Company and the Group, as part of its regular evaluation of liquidity risk, models the principal risks and uncertainties in its cash flow projections for the foreseeable future, including an assessment of compliance with banking covenants and the implications of any facilities that are due to expire in the next 12 months.

Based on the Operating Company and Group cash flow projections, the Group is satisfied that it has sufficient headroom from its cash balances and committed borrowing facilities to support the funding requirements of those projections.

Therefore, after making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in business for the foreseeable future. Accordingly, the Financial Statements have been prepared on the going concern basis.

Directors' report

Going concern and viability continued

Assessment of viability

The Shareholders of the Group 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. The Trustees require the Group to fulfil defined business and financial objectives, including the delivery of long-term returns, subject to appropriate levels of operational risk.

To enable the Directors to fulfil the requirements of the Trustees, consideration of the long-term viability of the Group is paramount. For this reason, the Directors assess the prospects for the Group over a longer period than the 12 months required by the 'Going Concern' provision.

A key component of this assessment is the production of an annual Group strategic plan covering a five-year backward (to help the Group's understanding and assessment of forward projections) and 10-year forward period based on a financial projection of the 'most likely' economic projections. Downturn projections are also provided.

This strategic plan is based on submissions from all the Group's Operating Companies, the Indirect Investments portfolio and the Holding Company. The strategic plan covers analysis of:

- Income statement, balance sheet and cash flow forecasts.
- Total return forecasts.
- Growth of property assets through investment, development, refurbishment spend and asset sales, by sector and geography.
- Gearing projections.
- Interest cover and recurring revenue ratios.
- Capital allocation projections versus medium-term targets and long-term ranges.
- Forecast distributions to Shareholders.

These metrics are subject to sensitivity analysis and downturn scenario planning which involves flexing several of the main assumptions underlying the forecast both individually and in unison.

Operating Companies' strategic plans are reviewed by the respective boards annually. The consolidated strategic plan is also reviewed annually by the Group Board.

In addition, each month the Group prepares five-year cash flow forecasts. These include a two-year forward view of a stressed cash flow scenario, applied to the Operating Companies' current income and cost assumptions and currently approved development and investment projects. The scenario incorporates an extreme downturn; the assumptions for which have been derived from a thorough review of UK market downturns over the last 50 years. Each Operating Company is required to have sufficient cash and undrawn committed credit facilities to provide funding for at least the two-year period under these scenarios.

The cash flow forecasts are reviewed by the Group Finance Director on a monthly basis.

Directors' report

Charitable donations

Each of the Grosvenor Operating Companies contributes a percentage of its equity to charity each year. Grosvenor Britain & Ireland, Grosvenor Asia Pacific and Grosvenor Europe channel their giving via the Westminster Foundation which is a grant-making foundation representing the charitable interests of the Duke of Westminster, the Grosvenor family and the Grosvenor Estate, including Grosvenor Group Limited. In 2019, Grosvenor Group Limited's charitable contributions amounted to £3.9m (2018: £4.8m) of which £2.6m (2018: £2.6m) was donated via the Westminster Foundation. Grosvenor Americas contributes the same percentage of equity but organises its charitable giving on an office-by-office basis independently of the Westminster Foundation.

Each of the proprietary Operating Companies has a staff charity committee. These help by recommending (to the Westminster Foundation Trustees) those charities in their local communities that they wish to receive support; and by organising staff fund-raising activities, volunteering and pro-bono support to charities selected by employees. The Westminster Foundation matches the fund-raising efforts of individual members of staff for registered charities of their own choosing up to £1,000 per member of staff in any given year. In 2019, the total figure given by the Westminster Foundation in this way was £21,380 (2018: £30,664). In addition, Grosvenor supports Give As You Earn up to £1,200 for UK-based employees and in 2019 this amounted to £29,783 (2018: £28,028).

To coincide with the re-endowment of the Foundation at the end of 2018, the Westminster Foundation Trustees and team spent much of 2019 conducting a thorough strategy review. The review sought to explore opportunities for the Foundation in mental health, homelessness and the countryside, initially identified by the 7th Duke as areas of concern. To understand the areas of greatest need and where the Foundation's giving could be most impactful, the team undertook a comprehensive consultation process, holding multiple external roundtables with experts in these areas, including funders, policymakers and charity leaders. As the review progressed, the consensus was that the Foundation's impact would be most beneficial at an 'early intervention' stage, i.e. before the causes of homelessness, mental health, rural isolation and many other complex societal challenges take root. A long-term preventative outlook such as this – rather than short-term palliative support – is also more closely aligned to the Grosvenor Estate's approach of applying our expertise with a far-sighted perspective. This, coupled with a greater geographical focus on Westminster and Chester, was felt would help the Foundation to maximise its impact.

Therefore, from September 2019, the Foundation's giving has and will continue to focus on inspiring children and young people early in life (aged 0–25) with opportunities to thrive, build confidence and raise aspirations. The team will work closely with organisations who support families, schools and local communities to enable us to sustain the change we are hoping to affect over time.

To maximise the impact of this strategy, future donations across the Grosvenor Estate will align with this new strategy, including donations from the regional Grosvenor Operating Companies and the Westminster Foundation Charity Office Portfolio.

Full details of charities awarded major grants in 2019 can be found in the foundation report and accounts.

Furthermore, in South Belgravia, a portfolio of approximately 20,000 sq. ft. of office space accommodates around 20 charities in small office units. This portfolio is managed by Grosvenor Britain & Ireland and each charity receives a contribution, typically amounting to 50% of its rent, from the Westminster Foundation. This is funded by the Group and in 2019 totalled £510,000. These charities tell us that they find the central location very helpful.

Political donations

No political donations were made during the year (2018: £nil).

Directors' report

Tax contribution

In applying its tax policy, the Group respects not only the letter of the law but also its underlying intention. In the case of real estate, the underlying premise is simple – property should be taxed in the jurisdiction in which it is located. The Group pays taxes on realised economic gains and profits, in accordance with applicable laws.

In the spirit of transparency, the Group analyses and reports on tax contribution by type of tax borne and by country.

In 2019, the Group's economic share of tax payments totalled £68.1m (2018: £97.7m). Over the last three years, the economic tax contribution totalled £264.9m (2018: £326.4m).

TAX TYPE	TOTAL TAX BORNE (£m) 2019	%	TOTAL TAX BORNE (£m) 3 YEARS to 2019	%
Corporate Income Tax paid in the year	24.5	36	126.1	48
Property transaction Taxes paid in the year	10.3	15	39.4	15
Annual Property Taxes	17.1	25	49.0	18
Employer Taxes and Social Security Costs	9.9	15	30.3	11
Irrecoverable VAT (UK only)	6.3	9	20.1	8
TOTAL	68.1	100	264.9	100

COUNTRY	TOTAL TAX BORNE (£m) 2019	%	TOTAL TAX BORNE (£m) 3 YEARS to 2019	%
United Kingdom	23.6	35	110.6	42
Canada	12.4	18	34.8	13
Japan	11.6	17	15.9	6
United States	8.2	12	49.0	18
Portugal	4.9	7	16.1	6
Spain	2.4	4	7.0	3
Australia	0.8	1	7.0	3
Brazil	0.7	1	4.0	1
Sweden	0.7	1	1.5	1
Hong Kong	0.3	<1	8.9	3
Other	2.5	4	10.1	4
TOTAL	68.1	100	264.9	100

Directors' report

Suzie McConnell

Company Secretary

UK Company registration number 3219943

Registered Office

70 Grosvenor Street

London W1K 3JP

19 March 2020

Auditor

Deloitte LLP has been reappointed as auditor under the provisions of section 487 of the Companies Act 2006.

Each person who is a Director at the date of approval of this report confirms that:

- a) in so far as the Director is aware, there is no relevant audit information of which the auditor is unaware; and
- b) the Director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. The Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, International Accounting Standards requires that the Directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- 1 the Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- 2 the Strategic report and Directors' report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the Board of Directors on 19 March 2020 and is signed on its behalf by:

Michael McLintock
Chairman

Corporate advisers and bankers

Auditor: Deloitte LLP

Tax advisers: KPMG LLP

Principal valuers: Cushman & Wakefield, CBRE

Solicitors: Boodle Hatfield LLP, Slaughter and May

Lead bankers: The Royal Bank of Scotland Group plc

Actuaries: Lane Clark & Peacock LLP

Independent auditor's report

to the members of
Grosvenor Group Limited

Report on the audit of the Financial Statements

Opinion

In our opinion:

- The Financial Statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended.
- The Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Grosvenor Group Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- The consolidated income statement.
- The consolidated statement of comprehensive income.
- The consolidated and parent company statements of changes in equity.
- The consolidated and parent company balance sheets.
- The consolidated statement of cash flows.
- The related Notes 1 to 39.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- The Directors' use of the going concern basis of accounting in preparation of the Financial Statements is not appropriate.
- The Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the Financial Statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent auditor's report

to the members of
Grosvenor Group Limited

Georgina Robb

(Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
19 March 2020

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the financial statements.
- The Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us.
- The parent company financial statements are not in agreement with the accounting records and returns.
- Certain disclosures of Directors' remuneration specified by law are not made.
- We have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Consolidated income statement

for the year ended
31 December 2019

	Notes	2019 £m	2018 £m
Revenue	<u>6</u>	269.8	391.8
Property costs	<u>7</u>	(132.5)	(218.9)
Net property income		137.3	172.9
Administrative expenses	<u>8</u>	(123.2)	(122.3)
Net gains/(losses) on other investments	<u>12</u>	6.1	(18.5)
Net gains on revaluation and sale of investment property	<u>13</u>	135.1	48.9
Impairment loss on trade and other receivables, including contract assets	<u>30</u>	(0.3)	(3.5)
Share of profit from joint ventures	<u>21</u>	21.5	145.4
Profit from operations including share of joint ventures		176.5	222.9
Dividend income		–	–
Financial income	<u>14</u>	21.9	16.3
Financial expenses	<u>14</u>	(43.2)	(41.7)
Fair value adjustments	<u>14</u>	1.3	(0.9)
Net financing costs	<u>14</u>	(20.0)	(26.3)
Profit before tax		156.5	196.6
Current tax expense	<u>15</u>	(39.6)	(27.0)
Deferred tax credit/(expense)	<u>15</u>	16.8	(7.0)
Profit for the year	<u>37</u>	133.7	162.6
Attributable to:			
Equity holders of the parent	<u>37</u>	133.7	162.6
Non-controlling interests	<u>37</u>	–	–
Profit for the year	<u>37</u>	133.7	162.6

Revenue profit is shown in [Note 5](#).

All results are derived from continuing operations.

Consolidated statement of comprehensive income

for the year ended
31 December 2019

	Notes	2019 £m	2018 £m
Profit for the year	<u>37</u>	133.7	162.6
Other comprehensive income which may be reclassified to profit or loss in subsequent periods:			
Revaluation of property, plant and equipment	<u>37</u>	–	(2.3)
Fair value adjustments on swaps			
(Losses)/gains arising during the period – Group	<u>37</u>	(3.8)	0.1
Exchange differences on translation of foreign operations – Group	<u>37</u>	(11.7)	27.1
Exchange differences on translation of foreign operations – joint ventures and associates	<u>37</u>	(26.5)	58.6
Tax relating to gains on fair value adjustments and revaluations	<u>37</u>	0.8	–
Other comprehensive (expense)/income, net of tax, which may be reclassified to profit or loss in subsequent periods		(41.2)	83.5
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:			
Actuarial (losses)/gains on defined benefit pension schemes	<u>37</u>	(7.8)	17.9
Tax relating to actuarial gains/(losses)	<u>15</u>	1.9	(2.9)
Fair value gains/(losses) on investments in equity instruments designated as at fair value through other comprehensive income	<u>37</u>	0.3	(1.8)
Other comprehensive (loss)/income, net of tax, not to be reclassified to profit or loss in subsequent periods		(5.6)	13.2
Total comprehensive income for the period		86.9	259.3
Attributable to:			
Equity holders of the parent		86.9	259.3
Non-controlling interests		–	–
		86.9	259.3

The Company's equity increased during the year as a result of dividends received from subsidiaries of £47.1m and paid to Shareholders of £46.3m (2018: The Company's equity decreased during the year as a result of the net effect of dividends received from subsidiaries of £125.4m, dividends paid to Shareholders of £44.4m and consideration for the cancellation of the non-voting ordinary shares of £81.4m).

The final dividend proposed by the Directors of £31,380,521 is to be paid on 1 April 2020.

Consolidated statement of changes in equity

for the year ended
31 December 2019

	Attributable to equity holders of the parent								Non-controlling interest £m	Total equity £m
	Share capital £m	Share premium £m	Translation reserve £m	Other reserve £m	Fair value reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m		
Balance at 1 January 2018	56.9	28.3	449.4	228.4	(0.4)	28.0	4,102.7	4,893.3	(2.1)	4,891.2
Changes in equity for 2018										
Profit for the year	–	–	–	–	–	–	162.6	162.6	–	162.6
Other comprehensive income/(expense)	–	–	85.7	0.3	(1.8)	(0.7)	13.2	96.7	–	96.7
Dividends	–	–	–	–	–	–	(43.9)	(43.9)	(0.4)	(44.3)
Transfers between reserves	272.9	–	–	(6.1)	–	13.7	(280.5)	–	–	–
Ordinary share redemption	(45.5)	–	–	–	–	–	(35.9)	(81.4)	–	(81.4)
Disposal of non-controlling interests	–	–	–	–	–	–	–	–	2.2	2.2
Balance at 31 December 2018	284.3	28.3	535.1	222.6	(2.2)	41.0	3,918.2	5,027.3	(0.3)	5,027.0
Adjustment on initial application of IFRS 16	–	–	–	–	–	–	(1.0)	(1.0)	–	(1.0)
Balance at 1 January 2019 – As restated*	284.3	28.3	535.1	222.6	(2.2)	41.0	3,917.2	5,026.3	(0.3)	5,026.0
Changes in equity for 2019										
Profit for the year	–	–	–	–	–	–	133.7	133.7	–	133.7
Other comprehensive (expense)/income	–	–	(38.0)	(3.0)	0.3	–	(6.1)	(46.8)	–	(46.8)
Dividends	–	–	–	–	–	–	(46.3)	(46.3)	–	(46.3)
Balance at 31 December 2019	284.3	28.3	497.1	219.6	(1.9)	41.0	3,998.5	5,066.9	(0.3)	5,066.6

The Company's statement of changes in equity is presented in [Note 37\(b\)](#).

* The comparative information has not been restated as a result of the initial application of IFRS 16 as discussed in [Note 2](#).

Balance sheets

as at 31 December 2019

Approved by the Board and authorised for
issue on 19 March 2020 and signed on behalf
of the Board

Michael McLintock **Robert Davis**
(Chairman) (Group Finance Director)

Company registration number: 3219943

	Notes	Group		Company	
		2019 £m	2018 £m	2019 £m	2018 £m
ASSETS					
Non-current assets					
Investment property	17	4,561.0	4,345.8	-	-
Other property, plant and equipment	18	64.6	66.8	-	-
Right-of-use assets	19	31.6	-	-	-
Investments in subsidiaries	20	-	-	1,358.4	1,358.4
Investments in joint ventures and associates	21	1,219.8	1,406.3	-	-
Other financial assets	22	129.5	105.8	-	-
Intangible assets	23	6.8	7.2	-	-
Trade and other receivables	24	94.0	83.5	-	-
Deferred tax assets	25	48.4	43.7	-	-
Total non-current assets		6,155.7	6,059.1	1,358.4	1,358.4
Current assets					
Trading properties	26	207.8	119.8	-	-
Assets classified as held for sale	27	28.9	-	-	-
Trade and other receivables	24	73.1	144.2	0.4	-
Other financial assets	22	46.9	25.7	-	-
Cash and cash equivalents	28	766.3	780.5	-	-
Total current assets		1,123.0	1,070.2	0.4	-
TOTAL ASSETS		7,278.7	7,129.3	1,358.8	1,358.4
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	29	(1,111.8)	(963.0)	-	-
Lease liabilities	19	(43.8)	-	-	-
Trade and other payables	31	(189.0)	(200.2)	-	-
Employee benefits	10	(40.9)	(29.0)	-	-
Deferred tax liabilities	25	(586.1)	(605.4)	-	-
Total non-current liabilities		(1,971.6)	(1,797.6)	-	-
Current liabilities					
Interest bearing loans and borrowings	29	(1.2)	(62.8)	-	-
Lease liabilities	19	(2.6)	-	-	-
Trade and other payables	31	(212.0)	(232.9)	-	(0.4)
Current tax payable	-	(24.4)	(8.4)	-	-
Provisions	32	(0.3)	(0.6)	-	-
Total current liabilities		(240.5)	(304.7)	-	(0.4)
TOTAL LIABILITIES		(2,212.1)	(2,102.3)	-	(0.4)
NET ASSETS		5,066.6	5,027.0	1,358.8	1,358.0
Equity					
Share capital	36	284.3	284.3	284.3	284.3
Share premium	37	28.3	28.3	28.3	28.3
Reserves	37	755.8	796.5	874.6	874.6
Retained earnings	37	3,998.5	3,918.2	171.6	170.8
Shareholders' funds	37	5,066.9	5,027.3	1,358.8	1,358.0
Non-controlling interests	37	(0.3)	(0.3)	-	-
TOTAL EQUITY	37	5,066.6	5,027.0	1,358.8	1,358.0

The Company has elected under section 408 of the Companies Act 2006 not to include its own income statement in these Financial Statements.

Consolidated statement of cash flows

for the year ended
31 December 2019

	Notes	2019 £m	2018 £m
Operating activities			
Operating profit before changes in working capital and provisions	38(a)	5.4	39.3
Decrease/(increase) in trade and other receivables		75.7	(12.5)
(Increase)/decrease in trading properties		(110.6)	79.4
(Decrease)/increase in trade and other payables		(19.0)	118.5
Increase in employee benefits		3.4	7.5
Decrease in provisions		(0.3)	(5.6)
Cash flow (used in)/from operations		(45.4)	226.6
Interest paid		(52.2)	(53.9)
Taxes paid		(18.8)	(40.1)
Interest received		23.1	17.0
Cash flow (used in)/from operations		(93.3)	149.6
Investing activities			
Proceeds from sale of investment properties		112.8	197.2
Acquisition of investment and development properties		(189.6)	(299.9)
Development of investment and development properties		(19.0)	(37.0)
Acquisition of other financial assets		(44.0)	(71.3)
Proceeds from sale of other financial assets		-	14.9
Acquisition of other plant, property and equipment		(5.2)	(5.7)
Proceeds from sale of other plant, property and equipment		-	117.3
Loans to joint ventures and associates		(15.6)	(11.0)
Distributions from joint ventures and associates		157.3	118.1
Acquisition of joint ventures and associates		(30.4)	(98.9)
Disposals of joint ventures and associates		78.2	221.0
Cash flow from investing activities		44.5	144.7
Financing activities			
Proceeds from additional borrowings		156.9	321.4
Repayment of borrowings		(62.3)	(154.1)
Repayment of lease liabilities		(5.8)	-
Redemption of ordinary shares		-	(81.4)
Dividends paid to minorities		-	(0.4)
Dividends paid		(46.3)	(43.9)
Cash flow from financing activities		42.5	41.6
Net (decrease)/increase in cash and cash equivalents		(6.3)	335.9
Cash and cash equivalents at 1 January		780.5	430.8
Effect of exchange rate fluctuation on cash held		(7.9)	13.8
Cash and cash equivalents at 31 December		766.3	780.5

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

Notes to the Financial Statements

1 Accounting policies

(a) General information and basis of preparation

Grosvenor Group Limited ('the Company') is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 9.

The principal activities of the Company and its subsidiaries ('the Group') and the nature of the Group's operations are set out in the strategic report on pages 1 to 9.

These Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These are those International Accounting Standards, International Financial Reporting Standards and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB) that have been adopted by the European Union.

The Financial Statements are prepared in Sterling. They have been prepared on the going concern basis as described in the going concern section of the Directors' report on page 16. The principal accounting policies adopted are set out below. The Company has elected under section 408 of the Companies Act 2006 not to include its own income statement in these Financial Statements.

(b) Basis of consolidation

The consolidated Financial Statements of the Group incorporate the Financial Statements of the Company and its subsidiary undertakings.

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

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

Non-controlling interests represent the portion of equity in a subsidiary not attributable to the Company. Non-controlling interests are shown on a net asset value basis in the consolidated Financial Statements.

Where the Group has contractual relationships to share assets with other entities (jointly-controlled assets), the Group's share of the individual items of assets, liabilities, income and expenses are recognised in the Financial Statements and classified according to their nature.

Where necessary, adjustments are made to the results of subsidiaries, joint ventures and associates to bring their accounting policies into line with those used by the Group. Intra-Group transactions, balances, income and expense are eliminated on consolidation, where appropriate.

Business combinations are accounted for under the acquisition method. The Group treats acquisition assets in corporate structures as asset purchases in line with the substance of the transaction.

The Group assesses whether the acquisition of property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. Where the acquired corporate vehicle contains significant assets or liabilities in addition to property, the transaction is accounted for as a business combination. Where there are no such significant items, the transaction is treated as an asset purchase.

Any discount between the cost of the acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary, joint venture or associate at the effective date of acquisition is credited to the income statement in the period of acquisition, while any excess is recognised as goodwill. Goodwill is reported in the balance sheet as an intangible asset or included within associates and joint ventures, as appropriate. Goodwill has an indefinite useful life, is not subject to amortisation, is subject to annual impairment reviews and is stated at cost less any impairment. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

The Group has determined that investment funds that it invests in and manages are joint ventures and associates. An interest arises as a result of the Group's power conveyed through the investment management and other agreements, which permit the Group to participate in the investing and operating decisions of the funds. The Group's interests in these funds include the management and performance fees that it earns from them, together with ownership interests that it holds.

Notes to the Financial Statements

1 Accounting policies continued

(c) Foreign currency translation

At entity level, transactions denominated in foreign currencies are translated into the relevant functional currency at the exchange rate ruling on the date the transaction is recorded. Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rate ruling at the balance sheet date or, if hedged, at the exchange rate under the related hedging transaction and the resultant exchange differences are dealt with in the income statement. On consolidation, the results of overseas companies are translated into Sterling at the average exchange rate for the period and their assets and liabilities are translated into Sterling at the exchange rate ruling at the balance sheet date. Exchange differences arising from the translation of foreign operations, and of related hedges, are taken to the translation reserve. They are released into the income statement upon disposal.

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

(d) Investment property

Investment properties, including freehold and long leasehold properties, are those which are held either to earn rental income or for capital appreciation or both. Investment properties include property that is being constructed or developed for future use as an investment property. Investment properties are initially measured at cost, including transaction costs. After initial recognition investment properties are carried at their fair values, based on annual market valuations as determined by independent valuers.

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

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

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

(e) Leases

The following accounting policy is applied until 31 December 2018. Refer to [Note 2](#) for the accounting policy applied from 1 January 2019.

The Group has leases for which it must account for from the position of both a lessee and a lessor.

Group as lessor

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

Leases where substantially all the risks and rewards of ownership are transferred to the tenant are classified as finance leases. A finance lease asset is recognised as a receivable in the balance sheet at an amount equal to the present value of the minimum lease payments plus any unguaranteed residual values. Payments received are allocated between repayment of the finance lease receivable and interest income so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. A profit or loss on disposal is recognised in the income statement upon entering into a finance lease for any difference between the present value of the minimum lease payments plus any unguaranteed residual values and the carrying value of the property derecognised.

Group as lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

(f) Other property, plant and equipment

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

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

Notes to the Financial Statements

1 Accounting policies continued

(g) Other financial assets

The Group has made an irrevocable election at initial recognition for certain equity investments to be classified as fair value through other comprehensive income. Equity investments at fair value through other comprehensive income ('FVOCI') are stated at fair value which is determined by reference to an active market and any resultant gain or loss is recognised in the fair value reserve. There is no subsequent reclassification of fair value gains and losses to profit or loss following derecognition of the investment.

Trade receivables, loans and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Financial assets are assessed for indicators of impairment at each balance sheet date.

Structured development loans comprise a loan principal, which attracts a rate of interest and a profit participation element which is treated as an embedded derivative. Under IFRS 9, structured development loans are classified entirely as a fair value through profit or loss financial asset. Changes in fair value are recognised in fair value adjustments in the income statement.

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(h) Trading properties

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

(i) Assets classified as held for sale

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs, except for investment properties comprised in this group which are disclosed in Note 1 (d). Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification, therefore these assets are classified as part of the Group's current assets.

(j) Trade and other receivables

Trade and other receivables are stated at cost less any impairment.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term (held for three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a deduction from cash and cash equivalents for the purpose of the statement of cash flows.

(l) Derivative financial instruments

Derivative financial instruments utilised by the Group are interest rate swaps and forward exchange contracts against known transactions. The Group does not enter into derivative contracts for solely speculative purposes. Instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with its risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability.

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

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

(m) Trade and other payables

Trade and other payables are stated at cost.

Notes to the Financial Statements

1 Accounting policies continued

(n) Borrowings and other financial liabilities

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

(o) Employee benefits

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

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

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

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

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

(p) Revenue

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

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

The Group's revenue from contracts with customers, as defined in IFRS 15 includes service charges and other recoverables from tenants, income from the provision of services including property management fees, income from hotel operations and fund management fees, proceeds of sales of its trading properties and development income.

The Group recognises revenue when a customer obtains control of the goods or services. Revenue is measured at the fair value of the consideration received or receivable. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent and has concluded it is acting as principal in all of its revenue arrangements.

Revenue from service charges, other recoverables from tenants and income from the provision of services including property management fees and fund management fees are recorded as income over time in the period in which the services are rendered.

Revenue from development is recognised over time over the period of the contract in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due. Provision is made for anticipated development losses.

Revenue from hotel operations, being the rental of rooms, is recognised at a point in time when rooms are occupied, and food and beverage sales are recognised at the point of sale. Revenue excludes staff discretionary service charges which are independently collected and distributed by a Tronc committee.

Revenue from the sale of trading properties is recognised when control over the property has been transferred to the buyer. However, an enforceable right to payment does not arise until legal title has passed to the buyer, which is usually at completion. Therefore, revenue is recognised at a point in time when the legal title has passed to the buyer.

Performance fees receivable from funds are recognised in income when it is considered virtually certain that a performance fee will be received and that fee can be reliably estimated. The amount of the performance fee recognised is the lower of the fee that has accrued at the balance sheet date and a prudent estimate of the fee that will be receivable at the end of the life of the fund. Where material, performance fees are discounted with any unwinding of the discount being recognised in interest income.

(q) Expenses

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

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

(r) Borrowing costs

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

Notes to the Financial Statements

1 Accounting policies continued

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

(s) Corporate income taxes

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

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are not taxable or deductible. The liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period; refer to [Note 15](#) for reconciliation.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided on the initial recognition of assets and liabilities that affect neither accounting nor taxable profit and on differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. The Group provides deferred tax on investment properties by reference to the tax that would be due on the ultimate sale of the properties. Recognition on this basis means that, where applicable, indexation allowance is taken into account in determining the tax base cost. Where tax liabilities arising on the sale of property are able to be deferred against the cost of new property, a deferred tax liability is provided, to recognise that tax may be payable should the new property be sold in the future.

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

Deferred tax assets are measured at the tax rates that are expected to apply in the period in which the asset is realised, based on tax rates (and tax laws) that have been enacted at the end of the reporting period. The measurement of deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets.

(t) Government grants

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

(u) Adoption of new and revised standards

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The impact of the adoption of IFRS 16 and the new accounting policies are disclosed in [Note 2](#) below.

The other standards as presented below did not have any impact on the Group's accounting policies and did not require retrospective adjustments:

- Annual Improvements to IFRS Standards 2015-2017 Cycle - Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs;
- IAS 19 (Amendments) Employee Benefits: Plan Amendment, Curtailment or Settlement;
- IFRS 9 (Amendments) Prepayment Features with Negative Compensation;
- IAS 28 (Amendments) Long-term Interests in Associates and Joint Ventures; and
- IFRIC 23 Uncertainty over Income Tax Treatments.

At the date of authorisation of these Financial Statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 17 Insurance Contracts;
- IFRS 10 Consolidated Financial Statements and IAS 28 (Amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRS 3 (Amendments) Business Combinations: Definition of a business;
- IFRS 10 and IAS 28 (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IAS 1 and IAS 8 (Amendments): Definition of Material; and
- Amendments to References to the Conceptual Framework in IFRS Standards.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

Notes to the Financial Statements

1 Accounting policies continued

(v) Significant accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

i) Significant judgements in applying the Group's accounting policies

The following are critical judgements, apart from those involving estimations (which are dealt with in (1(v)ii)) that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in Financial Statements.

Taxation

The Group applies judgement in the application of taxation regulations and makes estimates in calculating current income tax and deferred tax assets and liabilities, including the likely availability of future taxable profits against which deferred tax assets can be utilised. Where there is uncertainty on the tax position, provision is made until the outcome is certain.

ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Property valuations

Due to the size of the investment property portfolio held on the balance sheet at market value small changes to the estimates used to derive the market values can have a significant impact on the valuations and therefore a significant impact on the results and financial position of the Group. This includes the value of property yields and the estimated future rental income assumed in the valuations. See [Note 17](#) for details of the estimates used in deriving the valuations.

As deferred tax is provided on investment properties by reference to the tax that would be due on the ultimate sale of the properties, changes to the estimates used to derive the market values would also have an impact on the deferred tax provided.

Defined benefit pension schemes

The assumptions used in calculating the balance sheet assets and liabilities of the defined benefit pension schemes include estimates as set out in [Note 10](#). The assets and liabilities are sensitive to the application of these estimates and small changes can have a significant impact on the results and financial position of the Group.

Notes to the Financial Statements

2 Adoption of new standards

On 1 January 2019, the Group adopted IFRS 16 Leases (as issued by the IASB in January 2016), which specifies how to recognise, measure, present and disclose leases. IFRS 16 Leases introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

The recognition pattern for the Group's leases in the Consolidated Income Statement has therefore changed from the previous pattern for operating leases, with interest on the liabilities and depreciation expense on the right-of-use assets now recognised separately. In the Consolidated Statement of Cash Flows, lease payments are categorised within financing activities rather than operating activities.

The impact of the transition is shown in note 2(a) below.

2(a) Impact of application of IFRS 16 Leases

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 below.

The Group applied the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying IFRS 16, as of 1 January 2019, to retained earnings and not to restate prior years. Accordingly, the information presented for 2018 is presented under IAS 17 Leases and the related interpretations.

As lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases which it acts as lessor. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application, 1 January 2019. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is lessor or lessee on the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

As lessee

The Group has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When measuring lease liabilities, lease payments were discounted using the Group's incremental borrowing rate at 1 January 2019. The Group's weighted average incremental borrowing rate applied at 1 January 2019 is 2.3%. On adoption of IFRS there was a £1.0m impact to retained earnings.

The Group has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after 1 January 2019.

When applying IFRS 16, the Group made the following changes in presentation:

- in the Consolidated Statement of Balance sheets, additional line items to reflect the right-of-use assets, the non-current and the current lease liabilities;
- in the Consolidated Statement of Cash Flows, additional line items related to the repayment of lease liabilities and the lease interest paid.

There were no changes to presentation made in the Consolidated income statement.

As of 1 January 2019, the Group recognised £41.4m of right-of-use assets and lease liabilities of £43.5m. The Consolidated income statement for the year ended 31 December 2019 was impacted by a decrease in rental expense of £5.8m and a shift in office rents of £5.8m to depreciation of right-of-use assets of £4.8m and interest expense of £1.0m. During the same period, the Group cash flow statement was impacted by a shift from the cash generated from operations of £4.8m to the net cash used in financing activities. Overall, IFRS 16 had a neutral impact on cash flow for the Group.

Notes to the Financial Statements

2(a) Impact of application of IFRS 16 Leases continued

The following table reconciles the Group's operating lease obligations at 31 December 2018, as previously disclosed in the Group's consolidated financial statements, to the lease obligations recognised on initial application of IFRS 16 at 1 January 2019.

	1 January 2019 £m
Operating lease commitments at 31 December 2018	76.8
Discounted using the incremental borrowing rate at 1 January 2019	65.2
Add: Finance lease liabilities recognised as at 31 December 2018	1.3
(Less): short-term leases not recognised as a liability	(0.3)
(Less): leases of low value assets not recognised as a liability	(0.8)
Adjustment to consolidate lease commitments under IFRS 16	(21.9)
Lease liabilities recognised at 1 January 2019	43.5

The Group's accounting policies for leases on initial adoption of IFRS 16 from 1 January 2019 are set out below

The Group has leases for which it must account from the position of both a lessee and a lessor.

Group as lessee

The Group assesses whether a contract is, or, contains a lease, at inception of a contract based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has also elected to apply the following practical expedients:

- to account for each lease component and any non-lease components as a single arrangement.
- the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is presented as a separate line in the consolidated Balance sheet.

The right-of-use asset is initially measured at either:

- the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.
- their carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the Group's incremental borrowing rate as at 1 January 2019.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method.

The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Lease terms range from 2 to 15 years for office buildings. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. This will be assessed annually in line with IAS 36: Impairment of Assets.

Notes to the Financial Statements

2(a) Impact of application of IFRS 16 Leases continued

Group as lessor

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

Leases where substantially all the risks and rewards of ownership are transferred to the tenant are classified as finance leases. A finance lease asset is recognised as a receivable in the balance sheet at an amount equal to the present value of the minimum lease payments plus any unguaranteed residual values. Payments received are allocated between repayment of the finance lease receivable and interest income so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. A profit or loss on disposal is recognised in the income statement upon entering into a finance lease for any difference between the present value of the minimum lease payments plus any unguaranteed residual values and the carrying value of the property derecognised. As required by IFRS 9, an allowance for expected credit loss has been recognised on the finance lease receivables.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

3 Foreign currencies

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

	Average rate		Year end rate	
	2019 £1	2018 £1	2019 £1	2018 £1
US Dollars	1.28	1.33	1.33	1.27
Canadian Dollars	1.69	1.73	1.72	1.74
Euros	1.14	1.13	1.18	1.11
Australian Dollars	1.84	1.79	1.89	1.81
Hong Kong Dollars	10.03	10.43	10.33	9.98
Chinese Renminbi	8.83	8.82	9.21	8.81
Japanese Yen	139.54	146.71	144.03	139.80
Swedish Krona	12.12	11.63	12.40	11.32

Notes to the Financial Statements

4 Segmental analysis

The Group's reportable segments are the four regional Operating Companies and Indirect Investments, which includes Sonae Sierra and third-party managed investments. These operating segments reflect the components of the Group that are regularly reviewed by the Group Board to allocate resources and assess performance. Not allocated represents the Group Holding Company and consolidation adjustments. The accounting policies of the reportable segments are consistent with the Group accounting policies detailed in [Note 1](#) and [Note 2](#). The balance sheet is presented on a proportional basis as property assets presented in this manner is a key performance metric of the Group.

2019

	Proprietary assets – Direct				Proprietary assets – Indirect			Not Allocated £m	Total £m
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra £m	Third party managed £m	Other £m		
Income Statement									
Revenue	149.6	95.1	7.1	17.7	–	–	0.2	0.1	269.8
Property costs (excluding major refurbishments)	(71.3)	(48.9)	(1.1)	(2.6)	–	–	–	–	(123.9)
Net property income*	78.3	46.2	6.0	15.1	–	–	0.2	0.1	145.9
Administrative expenses	(22.8)	(34.4)	(17.4)	(17.6)	–	–	(4.5)	(26.5)	(123.2)
Impairment loss on trade and other receivables, including contract assets	(0.2)	–	(0.1)	–	–	–	–	–	(0.3)
Net financing (costs)/income	(24.0)	(2.6)	2.4	(1.6)	–	5.8	(0.6)	1.5	(19.1)
Revenue profit of joint ventures and associates (Note 21)	9.8	13.6	11.4	3.2	21.9	2.7	–	–	62.6
Group revenue profit/(loss)	41.1	22.8	2.3	(0.9)	21.9	8.5	(4.9)	(24.9)	65.9
Net gains/(losses) on revaluation and sale of investment properties	61.0	67.4	(0.4)	7.1	–	–	–	–	135.1
Major refurbishment costs	(8.6)	–	–	–	–	–	–	–	(8.6)
Net gains on other investments	–	–	6.1	–	–	–	–	–	6.1
Derivative fair value adjustments	–	0.4	(1.2)	–	–	–	–	0.4	(0.4)
Derivative fair value adjustments related to structured development loans	–	(0.5)	–	–	–	–	–	–	(0.5)
Other (losses)/gains of joint ventures and associates (Note 21)	–	(0.4)	24.0	(14.5)	(45.6)	10.8	–	–	(25.7)
Profit/(loss) before tax	93.5	89.7	30.8	(8.3)	(23.7)	19.3	(4.9)	(24.5)	171.9
Tax and non-controlling interests in joint ventures and associates	(0.5)	(0.1)	(3.1)	0.2	(11.9)	–	–	–	(15.4)
Profit/(loss) before tax reported in the income statement	93.0	89.6	27.7	(8.1)	(35.6)	19.3	(4.9)	(24.5)	156.5
Tax (expense)/credit	(11.5)	(11.4)	(7.0)	0.5	–	–	(0.5)	7.1	(22.8)
Profit/(loss) after tax reported in the income statement	81.5	78.2	20.7	(7.6)	(35.6)	19.3	(5.4)	(17.4)	133.7

* Included in net property income are net gains on trading properties amounting to £7.2m (2018: £31.4m) arising from income from sale of trading and development properties of £58.0m (2018: £167.9m) less the carrying value of trading properties sold of £50.8m (2018: £136.5m).

Notes to the Financial Statements

4 Segmental analysis continued

2019

	Proprietary assets – Direct				Proprietary assets – Indirect				Not Allocated £m	Total £m
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra £m	Third party managed £m	Other £m			
Balance sheet (proportional basis)										
Investment property	3,288.2	1,148.1	715.5	443.1	483.1	198.5	–	–		6,276.5
Investment property under development	124.6	–	–	–	28.0	17.1	–	–		169.7
Assets classified as held for sale	–	28.9	–	–	–	–	–	–		28.9
Trading property	18.4	284.8	100.9	28.6	–	–	–	–		432.7
Other financial assets	–	79.8	0.4	1.0	–	86.4	–	–		167.6
Total property assets	3,431.2	1,541.6	816.8	472.7	511.1	302.0	–	–		7,075.4
Net (debt)/cash	(338.9)	(360.5)	(103.1)	(224.0)	(131.7)	(101.2)	(6.4)	208.7		(1,057.1)
Deferred tax (liability)/asset	(377.1)	(136.3)	(19.6)	(16.9)	(83.2)	–	–	0.3		(632.8)
Other net (liabilities)/assets	(215.1)	(89.7)	(26.0)	23.8	(4.9)	4.6	(37.1)	25.5		(318.9)
Net assets	2,500.1	955.1	668.1	255.6	291.3	205.4	(43.5)	234.5		5,066.6
Property additions	47.3	55.3	13.4	121.4	11.7	37.7	–	–		286.8

2018

	Proprietary assets – Direct				Proprietary assets – Indirect				Not allocated £m	Total £m
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra £m	Third-party managed £m	Other £m			
Income statement										
Revenue	121.3	140.5	96.0	33.8	–	–	–	0.2		391.8
Property costs (excluding major refurbishments)	(48.6)	(85.8)	(68.8)	(1.3)	–	–	–	–		(204.5)
Net property income	72.7	54.7	27.2	32.5	–	–	–	0.2		187.3
Administrative expenses	(26.2)	(31.6)	(15.2)	(24.0)	–	–	(4.3)	(21.0)		(122.3)
Impairment loss on trade and other receivables,	(3.3)	–	(0.2)	–	–	–	–	–		(3.5)
Net financing (costs)/income	(23.5)	(4.2)	0.1	(0.4)	–	1.5	(0.4)	1.5		(25.4)
Revenue profit of joint ventures and associates (Note 21)	19.5	20.1	15.0	3.5	29.9	6.9	–	–		94.9
Group revenue profit/(loss)	39.2	39.0	26.9	11.6	29.9	8.4	(4.7)	(19.3)		131.0
Net gains on revaluation and sale of investment properties	17.0	22.0	5.7	4.2	–	–	–	–		48.9
Major refurbishment costs	(14.4)	–	–	–	–	–	–	–		(14.4)
Net (losses)/gains on other investments	(6.4)	(0.2)	0.1	0.1	–	–	(12.1)	–		(18.5)
Derivative fair value adjustments	–	1.2	(0.6)	–	–	–	–	(2.3)		(1.7)
Derivative fair value adjustments related to structured	–	0.8	–	–	–	–	–	–		0.8
Other gains/(losses) of joint ventures and associates (Note 21)	–	2.8	24.3	(7.0)	30.2	18.1	–	–		68.4
Profit/(loss) before tax	35.4	65.6	56.4	8.9	60.1	26.5	(16.8)	(21.6)		214.5
Tax and non-controlling interests in joint ventures and associates	(0.2)	(0.1)	(3.4)	(0.1)	(14.0)	(0.1)	–	–		(17.9)
Profit/(loss) before tax reported in the income statement	35.2	65.5	53.0	8.8	46.1	26.4	(16.8)	(21.6)		196.6
Tax (expense)/credit	(7.0)	(16.5)	(8.5)	(2.5)	–	(1.7)	0.8	1.4		(34.0)
Profit/(loss) after tax reported in the income statement	28.2	49.0	44.5	6.3	46.1	24.7	(16.0)	(20.2)		162.6

Notes to the Financial Statements

4 Segmental analysis continued

2018

	Proprietary assets – Direct				Proprietary assets – Indirect				
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra £m	Third-party managed £m	Other £m	Not allocated £m	Total £m
Balance sheet (proportional basis)									
Investment property	3,209.1	1,158.1	734.3	364.7	561.4	314.4	-	-	6,342.0
Investment property under development	175.3	-	-	-	29.9	-	-	-	205.2
Trading property	44.5	151.4	103.4	17.6	-	-	-	-	316.9
Other financial assets	-	91.9	0.5	-	-	28.8	-	-	121.2
Total property assets	3,428.9	1,401.4	838.2	382.3	591.3	343.2	-	-	6,985.3
Net (debt)/cash	(355.3)	(283.6)	(116.5)	(166.4)	(157.4)	(151.1)	8.7	157.1	(1,064.5)
Deferred tax (liability)/asset	(393.2)	(133.4)	(28.3)	(18.6)	(92.1)	(0.5)	(2.7)	(4.7)	(673.5)
Other net (liabilities)/assets	(200.6)	(78.5)	(6.1)	(2.0)	(9.7)	7.0	(43.5)	113.1	(220.3)
Net assets	2,479.8	905.9	687.3	195.3	332.1	198.6	(37.5)	265.5	5,027.0
Property additions	139.4	56.7	30.4	152.4	72.5	109.5	-	-	560.9

5 Revenue profit

The Group uses revenue profit as its primary measure of underlying operating performance as the Group's property-related activities have only modest impact on short-term valuation movements, hence revenue profit is a better metric to assess the commercial impact of the Group's efforts. The calculation of revenue profit and its reconciliation to profit before tax is set out below.

	2019			2018		
	Group £m	Share of joint ventures and associates (Note 21) £m	Total £m	Group £m	Share of joint ventures and associates (Note 21) £m	Total £m
Revenue	269.8	184.6	454.4	391.8	258.4	650.2
Property costs (excluding major refurbishments)	(123.9)	(72.0)	(195.9)	(204.5)	(109.7)	(314.2)
Net property income (before major refurbishments)	145.9	112.6	258.5	187.3	148.7	336.0
Administrative expenses	(123.2)	(21.5)	(144.7)	(122.3)	(28.0)	(150.3)
Impairment loss on trade and other receivables, including contract assets	(0.3)	–	(0.3)	(3.5)	–	(3.5)
Net financing costs (excluding derivative fair value adjustments)	(19.1)	(28.5)	(47.6)	(25.4)	(25.8)	(51.2)
Revenue profit	3.3	62.6	65.9	36.1	94.9	131.0
Reconciliation of revenue profit to profit before tax:						
Revenue profit	3.3	62.6	65.9	36.1	94.9	131.0
Joint ventures and associates:						
– Revenue profit	–	(62.6)	(62.6)	–	(94.9)	(94.9)
– Equity accounted profit	–	21.5	21.5	–	145.4	145.4
Net gains on revaluation and sale of investment properties	135.1	–	135.1	48.9	–	48.9
Major refurbishment costs	(8.6)	–	(8.6)	(14.4)	–	(14.4)
Net gains/(losses) on other investments	6.1	–	6.1	(18.5)	–	(18.5)
Fair value realised from prior years related to structured development loans	(2.2)	–	(2.2)	–	–	–
Derivative fair value adjustments related to structured development loans	1.7	–	1.7	0.8	–	0.8
Derivative fair value adjustments	(0.4)	–	(0.4)	(1.7)	–	(1.7)
Profit before tax	135.0	21.5	156.5	51.2	145.4	196.6

Notes to the Financial Statements

6 Revenue

	2019 £m	2018 £m
Gross lease payments receivable	149.8	145.8
Amortisation of lease incentives	10.6	8.7
Amortisation of deferred lease premiums	9.4	9.3
Gross rental income	169.8	163.8
Revenue from contracts with customers:		
Income from sale of trading and development properties	58.0	167.9
Service charge income	15.4	12.4
Other income	26.6	47.7
Revenue from contracts with customers	100.0	228.0
	269.8	391.8

Investment properties are leased out under operating leases. The majority of operating lease terms fall in the range between six months and 20 years.

Total contingent rents included in gross rental income amounted to £nil (2018: £nil).

Other income can be further analysed as follows:

	2019 £m	2018 £m
Fund management and asset management fees	15.2	38.5
Project management fees	4.4	3.9
Net income from hotel operations	–	0.6
Other income	7.0	4.7
	26.6	47.7

Disaggregation of revenue derived from contracts with customers

In the following table, revenue is disaggregated by the Group's reportable segments.

	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Other £m	Total £m
Income from sale of trading and development properties	19.4	38.6	–	–	–	58.0
Service charge income	14.6	0.1	–	0.7	–	15.4
Fund management and asset management fees*	2.1	6.0	0.6	6.5	–	15.2
Project management fees	0.3	4.1	–	–	–	4.4
Other income	1.8	4.6	–	0.4	0.2	7.0
	38.2	53.4	0.6	7.6	0.2	100.0
Timing of revenue recognition						
At a point in time	20.4	38.6	–	–	–	59.0
Over time	17.8	14.8	0.6	7.6	0.2	41.0
	38.2	53.4	0.6	7.6	0.2	100.0

* Included within fund management and asset management fees are £2.6m (2018: £2.2m) of land development costs written-off.

Notes to the Financial Statements

7 Property costs

	2019 £m	2018 £m
Service charge expenses	15.2	12.1
Major refurbishment costs	8.6	14.4
Development costs	4.2	2.1
Carrying value of trading properties sold	45.4	133.5
Reversal of impairment of trading properties	1.2	0.9
Other property operating expenses	57.9	55.9
Total property costs	132.5	218.9

Operating expenses associated with unlet properties totalled £0.8m (2018: £0.7m). The carrying value of trading properties sold includes £1.6m of capitalised interest (2018: £1.1m).

8 Administrative expenses

	2019 £m	2018 £m
Staff costs	93.4	95.0
Office costs	11.5	18.2
Auditor's remuneration		
– audit services in relation to financial statements	1.8	1.5
– other services	0.2	0.3
Other professional fees	10.0	10.6
Allocation of costs to Grosvenor Trusts	(23.2)	(22.9)
Other administrative expenses	29.5	19.6
	123.2	122.3

All of the Group's Operating Companies were audited by Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited. £0.1m (2018: £0.1m) of the total audit fee is estimated to relate to the audit of the Group and £1.5m (2018: £1.4m) to the audit of the Group's subsidiaries. The Company's audit fees (£0.1m) were borne by another Group company (2018: £0.1m). Amounts paid to other accountancy firms for non-audit services in 2019 totalled £1.5m (2018: £1.6m).

Notes to the Financial Statements

9 Employee information

	2019 £m	2018 £m
Staff costs		
Wages and salaries	82.4	79.5
Social security contributions	7.3	7.5
Other staff costs	9.0	10.3
Pension costs		
Contributions to defined contribution plans	3.6	3.5
Net cost of defined benefit plans (Note 10)	10.1	12.4
	112.4	113.2
Included in:		
Administrative expenses	93.4	95.0
Property operating expenses	16.8	16.4
Development costs	2.2	1.8
	112.4	113.2

The costs of staff directly engaged in investment activities are included in property outgoings and the costs of those directly engaged in development activities are included in development costs. There were no staff and pension costs included in net income from hotel operations in the year (2018: £4.1m).

Employee numbers

	At the end of the year		Average	
	2019 number	2018 number	2019 number	2018 number
Britain & Ireland	279	283	280	465
Americas	110	103	110	100
Asia Pacific	50	50	50	50
Europe	45	63	45	63
Indirect	8	7	8	7
Holding Company and shared services	74	59	74	59
	566	565	567	744

The Company employs no staff (2018: none).

Notes to the Financial Statements

10 Retirement benefit schemes

Defined contribution schemes

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

The total cost of defined contribution pension schemes charged to the income statement was £3.6m (2018: £3.5m).

Defined benefit schemes

The Group operates several defined benefit pension schemes in the UK, the USA and Canada.

In the UK, the Group operates a defined benefit scheme which has sections where benefits are based on service and average or final salary. The scheme is approved by Her Majesty's Revenue and Customs for tax purposes, and is operated separately from the Group and managed by a set of Grosvenor Estate and Grosvenor Estate staff appointed Trustees. The Trustees are responsible for payment of the benefits and management of the scheme's assets. The scheme is subject to UK regulations, which require the Employers and Trustees to agree a funding strategy and contribution schedules for the schemes. The formal process results in the production and adherence to a Schedule of Contributions, both for regular on-going contributions and, if required, any additional deficit contributions. This is signed by both the Principal Employer and the Trustees, and certified by the Scheme Actuary as making adequate contributions to meet accruing liabilities for a five-year period. The adequacy test is governed by regulations and certified by the Scheme Actuary.

In Canada, the Group operates defined benefit plans which have benefits based on service and final salary. The scheme was closed to new entrants in 2008. Benefits in the scheme in the USA were frozen in 2007. The plans are approved by the Canada Revenue Agency for Canadian tax purposes and the IRS for USA tax purposes, respectively, and are operated separately from the Group and managed by independent Trustees. The Trustees are responsible for payment of the benefits and management of the plans' assets. The plans are subject to Canadian and USA regulations, which require the Group and Trustees to agree a funding strategy and contribution schedule for the plans.

The three defined benefit schemes outlined above are funded. They are administered by member and employer nominated Trustees. Independent qualified actuaries complete valuations of the schemes every three years and, in accordance with their recommendations, annual contributions are paid to the schemes to secure the benefits set out in the rules.

As with the vast majority of similar arrangements, the Group incurs a high degree of risk relating to the defined benefit schemes. These risks include investment risks and demographic risks, such as the risk of members living longer than expected. The UK scheme holds a large proportion of its assets in equity investments. Strong future equity returns would be expected to reduce the Group's future cash contributions (and vice versa). If the contributions currently agreed are insufficient to pay the benefits due, the Group may need to make further contributions to the scheme. With headroom (being cash and committed undrawn facilities) of £1.8bn, the Group is comfortably positioned to make further contributions to the schemes should they be required.

Notes to the Financial Statements

10 Retirement benefit schemes continued

The UK scheme is a multi-employer scheme because it provides pensions for both the Group and employees of other entities owned by the Shareholders. The Group accounts for its proportionate share of the defined benefit obligation, scheme assets and cost of this scheme, based on the proportion of the accrued liabilities that relate to the Group's employees. Changes in the Group's proportionate share of the assets and liabilities of this scheme arising during the year are treated as actuarial gains or losses. Upon wind-up of the plan or an entity's withdrawal from the plan, each employer would become liable to pay their share of the scheme's liabilities (their section 75 debt).

Actuarial valuations were last carried out at the following dates:

UK	31 December 2017
USA	31 December 2018
Canada	31 December 2016

All the valuations have been updated to 31 December 2019 using updated assumptions. The results of these valuations together with the key assumptions used are set out below.

In addition to the defined benefit schemes set out above, the Group operates unfunded defined benefit schemes in the UK and the USA to satisfy pension commitments not catered for by the funded schemes.

In Canada, the Group agreed with the Trustees of the plans to make contributions, in addition to payments in respect of the continuing accrual of benefits, of CA\$3.8m per annum from 2017 until 2019 to fund the plan deficit, and, in the USA, contributions are determined on an annual basis. The level of contributions will be reviewed following the next triennial valuation due as at 31 December 2019.

In the UK, no contributions in addition to payments in respect of the continuing accrual of benefits are currently required (2018: £nil). The requirement for additional contributions will be reviewed following the next triennial valuation due as at 31 December 2020.

The weighted average duration to payment of the expected benefit cash flows from the schemes in respect of accrued service at the end of the accounting period is approximately 23 years in the UK scheme, 13 years in the US scheme and 13 years in the Canadian scheme.

The amounts recognised in the income statement in respect of defined benefit schemes are:

	2019 £m	2018 £m
Current service cost	8.6	11.1
Past service cost	0.3	0.2
Interest cost	1.1	1.0
Administrative expenses	0.1	0.1
	10.1	12.4

The amounts recognised in the statement of comprehensive income in respect of defined benefit schemes are:

	2019 £m	2018 £m
Actuarial (losses)/gains	(7.8)	17.9
	(7.8)	17.9

Within actuarial gains is a loss of £0.8m (2018: £0.6m gain) due to changes in demographic assumptions.

Notes to the Financial Statements

10 Retirement benefit schemes continued

The movement in the net defined benefit obligation is:

	2019 £m	2018 £m
1 January	(29.0)	(39.4)
Expense charged to income statement	(10.1)	(12.4)
Amount recognised in the statement of comprehensive income	(7.8)	17.9
Employer contributions	5.5	5.2
Benefit payments	0.3	0.3
Exchange movement	0.2	(0.6)
31 December	(40.9)	(29.0)

The amounts included in the balance sheet arising from the Group's obligations in respect of defined benefit schemes are:

	2019 £m	2018 £m
Present value of unfunded obligations	(21.8)	(20.7)
Present value of funded obligations	(296.3)	(256.3)
Present value of total defined benefit obligations	(318.1)	(277.0)
Fair value of scheme assets	277.2	248.0
Defined benefit pension deficit	(40.9)	(29.0)

The net deficit arises in the following regions:

	2019 £m	2018 £m
UK	(19.9)	(10.0)
USA	(8.8)	(10.3)
Canada	(12.2)	(8.7)
	(40.9)	(29.0)

Movements in the present value of defined benefit obligations are:

	2019 £m	2018 £m
At 1 January	277.0	302.1
Current service cost	8.6	11.1
Past service cost	0.3	0.2
Interest cost	8.7	7.7
Actuarial (gains)/losses		
Experience on benefit obligation	(1.6)	2.0
Changes in financial assumptions	34.4	(40.3)
Changes in demographic assumptions	(0.8)	0.6
Benefits paid	(8.1)	(7.0)
Exchange movements	(0.4)	0.6
At 31 December	318.1	277.0

Notes to the Financial Statements

10 Retirement benefit schemes continued

Analysis of the scheme liabilities:

	2019 £m	2018 £m
UK	253.1	217.3
USA	24.2	24.1
Canada	40.8	35.6
At 31 December	318.1	277.0

Movements in fair value of scheme assets were:

	2019 £m	2018 £m
At 1 January	248.0	262.7
Interest on plan assets	7.6	6.7
Actuarial return on plan assets less interest on plan assets	24.2	(19.8)
Contributions by the employer	5.5	5.2
Benefits paid	(7.8)	(6.7)
Administrative expenses	(0.1)	(0.1)
Exchange movements	(0.2)	-
At 31 December	277.2	248.0

Analysis of scheme assets:

	2019 £m	2018 £m
Equities	199.0	180.4
Corporate bonds	47.4	37.1
Multi-asset credit funds	19.3	18.6
Other	11.5	11.9
Fair value of plan assets	277.2	248.0

The schemes do not invest directly in property occupied by the Group or in financial securities issued by the Group.

The schemes' assets are invested in a diversified range of asset classes as set out in this Note.

Notes to the Financial Statements

10 Retirement benefit schemes continued

The principal actuarial assumptions used for accounting purposes reflect prevailing market conditions and are:

2019

	UK	USA	Canada
Discount rate	2.11%	3.05%	3.10%
Expected rate of salary increase	3.60%	n/a	3.50%
Expected rate of future pension increase	2.95%	2.50%	2.00%
Inflation	2.95%	2.50%	2.00%

2018

	UK	USA	Canada
Discount rate	2.91%	4.10%	3.80%
Expected rate of salary increase	3.90%	n/a	3.50%
Expected rate of future pension increase	3.21%	2.50%	2.00%
Inflation	3.21%	2.50%	2.00%

	Male		Female	
	2019	2018	2019	2018
Life expectancy of a 65-year-old today				
UK	24.5	24.4	26.2	26.1
USA	20.7	20.6	22.7	22.6
Canada	23.1	23.0	25.5	25.4
Life expectancy of a 65-year-old in 20 years				
UK	26.2	26.1	27.7	27.6
USA	22.3	22.3	24.3	24.2
Canada	24.1	24.0	26.4	26.3

The sensitivity to the significant assumptions above of the total defined benefit obligation and approximate income statement charge is set out below.

	Total defined benefit obligation £m	Approximate charge in 2020 £m
Based on the assumptions above	318.1	9.2
Approximate impact of:		
Increase in discount rate by 0.25%	(23.3)	(0.5)
Increase in inflation rate by 0.25%	7.5	0.5
Increase in life expectancy by one year at 65	2.9	0.4

The calculations in this section have been carried out using the same method and data as the Group's pensions and accounting figures with each assumption adjusted as shown above. Each assumption has been varied individually and a combination of changes in assumptions could produce a different result.

Notes to the Financial Statements

11 Directors' remuneration details

	2019 £000	2018 £000
Aggregate remuneration:		
Emoluments	3,423	2,489
Performance-related bonus	567	602
Long-term incentive scheme	2,616	2,444
	6,606	5,535

The total amounts payable under long-term incentive schemes comprise all amounts to which Directors became unconditionally entitled during the year.

The amounts above include, for the highest paid Director, emoluments of £1,213,000 (2018: £1,183,000) and a long-term incentive plan payment of £1,301,000 (2018: £1,266,000).

Retirement benefits accrued to two Directors. The highest paid Director accrued benefits under the defined benefit scheme and an unfunded defined benefit scheme. The other Director accrued benefits under an arrangement combining defined benefit and money purchase benefits until April 2012 when he became a deferred member of the defined benefit scheme. The total annual accrued pension under the defined benefit pension schemes was £192,000 (2018: £173,000) and for the highest paid Director was £192,000 (2018: £173,000). Total contributions in respect of money purchase pension benefits were £nil (2018: £nil) and for the highest paid Director were £nil (2018: £nil).

Notes to the Financial Statements

12 Net gains/(losses) on other investments

	2019 £m	2018 £m
Profit/(loss) on disposal of trade investments/other fixed assets	6.1	(18.5)
	6.1	(18.5)

13 Net gains on revaluation and sale of investment property

	2019 £m	2018 £m
Valuation gains on investment property	112.3	62.0
Valuation losses on investment property	(10.4)	(21.3)
Valuation gains/(losses) on redevelopment properties	15.0	(15.2)
Net valuation gains on investment property	116.9	25.5
Profit on disposal of investment property	18.2	23.4
	135.1	48.9

14 Net financing costs

	2019 £m	2018 £m
Dividend income	-	-
Interest income	15.2	9.3
Other financial income	6.7	7.0
Financial income	21.9	16.3
Gross interest expense	(47.0)	(45.8)
Interest expense on lease liabilities	(1.0)	-
Interest capitalised	10.8	11.1
Commitment and other financing costs	(6.0)	(7.0)
Financial expenses	(43.2)	(41.7)
Fair value adjustments of interest rate swaps and foreign exchange contracts	(0.4)	(1.7)
Fair value adjustments of embedded derivatives related to structured development loans	1.7	0.8
Total fair value adjustments	1.3	(0.9)
Net financing costs	(20.0)	(26.3)

The average rate of interest capitalised in the year was 5.4% (2018: 5.1%).

The fair value adjustments above include interest rate swaps which relate to cash flow hedges that are not designated as effective. The movements in fair value of these derivatives arise from underlying market movements and changes in time to maturity.

Notes to the Financial Statements

15 Corporate income tax

Recognised in the income statement

	2019 £m	2018 £m
Current tax expense / (credit)		
UK corporation tax at 19.00% (2018: 19.00%)	10.6	7.5
Overseas tax	30.0	27.0
Adjustment for prior years	(1.0)	(7.5)
	39.6	27.0
Deferred tax expense / (credit)		
Origination and reversal of temporary differences	(5.5)	3.9
Effect of tax rate change	(1.6)	-
Adjustment for prior years	(9.7)	3.1
	(16.8)	7.0
Total income tax expense in the income statement	22.8	34.0

Deferred tax recognised in other comprehensive income

	2019 £m	2018 £m
Revaluation of property plant and equipment	-	(1.5)
Fair value adjustments on financial instruments treated as cash flow hedges	(0.8)	1.5
Actuarial (losses)/gains on defined benefit pension schemes	(1.9)	2.9
	(2.7)	2.9
Reconciliation of effective tax rate		
Profit before taxation	156.5	196.6
Less: share of profit of joint ventures	(21.5)	(145.4)
Add: profit of joint ventures where the tax charge is directly attributable to the Group	45.0	68.0
Adjusted Group profit before taxation	180.0	119.2
Tax on adjusted Group profit at standard UK corporation tax rate of 19.00% (2018: 19.00%)	34.2	22.6
Effect of foreign tax rates	4.1	12.3
Expenses not deductible for tax purposes	1.1	1.0
Provision for uncertain tax positions	(4.2)	1.7
Deferred tax not recognised	(0.2)	0.3
Effect of tax rate change on deferred tax balance	(1.6)	-
Other adjustments	0.1	0.5
Total income tax charge in the income statement excluding prior year adjustments	33.5	38.4
Effective tax rate based on adjusted Group profit excluding prior year adjustments	18.6%	32.2%
Adjustments in respect of prior years	(10.7)	(4.4)
Total income tax expense/(credit) in the income statement	22.8	34.0
Effective tax rate based on adjusted Group profit	12.7%	28.6%

Notes to the Financial Statements

15 Corporate income tax continued

Factors affecting tax charges

Grosvenor, as an international property group, pays taxes in the jurisdictions in which it has operations and holds interests in property. The Group's tax charge and effective tax rate are a direct reflection of the mix of profits across the business regions.

The Group's profits are comprised of realised profits, being net revenue and gains on property disposals, and unrealised profits, being revaluations of investment properties.

The Group accrues and pays current tax to local governments on realised profits and gains, and accrues deferred tax on unrealised profits on investment properties not yet sold.

A current tax rate of 19%, being the UK corporation tax rate throughout the period, has been applied to the year ended 31 December 2019.

A deferred tax rate of 17% (2018: 17%) has been applied to UK opening balances and movements in deferred tax in the year ended 31 December 2019.

The 2019 total tax charge of £22.8m includes a current tax (CT) charge of £39.6m, and a deferred tax (DT) credit of £16.8m.

The CT charge of £39.6m is due to:

- Tax arising on investment property disposals during 2019.
- The effect of foreign tax rates on overseas profits.
- CT on rental income and other revenues.

The DT credit of £16.8m is due to:

- Release of DT liabilities previously booked on investment property disposals.
- Movement in DT arising from the revaluation movement in the accounts.
- Movement in the DT provision relating to gains that would arise in the event of future disposals of the Group's investments in Europe.
- A restatement of deferred tax provisions made in earlier years.

The Group's share of joint ventures' and associates' tax charges of £15.4m (2018: £17.9m) are included in the Share of profit from joint ventures and associates shown in the Consolidated income statement.

For information on the Group's global tax contribution, refer to page 20 of the Directors' Report.

16 Property assets

The table below analyses the Group's interests in property assets on a proportional basis, including the Group's share of property assets in joint ventures and associates.

		2019 £m	2018 £m
Investment property	– Group	4,436.4	4,170.5
	– Share of joint ventures and associates	1,857.2	2,171.5
Investment properties under development	– Group	124.6	175.3
	– Share of joint ventures and associates	28.0	29.9
Assets classified as held for sale	– Group	28.9	–
Trading properties	– Group	207.8	119.8
	– Share of joint ventures and associates	224.9	197.1
Other financial assets*		167.6	121.2
Total property assets		7,075.4	6,985.3

* Other financial assets included in property assets relate to equity and debt investments in property companies.

Notes to the Financial Statements

17 Investment property

	Completed property			Under development			Total £m
	Freehold £m	Leasehold £m	Total £m	Freehold £m	Leasehold £m	Total £m	
At January 2018	796.4	3,174.3	3,970.7	77.8	128.6	206.4	4,177.1
Acquisitions	193.4	106.3	299.7	0.2	–	0.2	299.9
Costs capitalised	2.9	35.9	38.8	14.5	–	14.5	53.3
Disposals	(88.1)	(85.5)	(173.6)	–	–	–	(173.6)
Revaluation gains/(losses)	25.7	15.0	40.7	(15.2)	–	(15.2)	25.5
Transfer from development projects	–	30.6	30.6	–	(30.6)	(30.6)	–
Transfer to investment in joint ventures	(80.0)	–	(80.0)	–	–	–	(80.0)
Transfer from other property plant and equipment	–	7.3	7.3	–	–	–	7.3
Exchange movements	27.1	9.2	36.3	–	–	–	36.3
At 31 December 2018	877.4	3,293.1	4,170.5	77.3	98.0	175.3	4,345.8
Acquisitions	160.3	29.3	189.6	–	–	–	189.6
Costs capitalised	(2.0)	28.3	26.3	9.7	–	9.7	36.0
Disposals	(11.4)	(83.0)	(94.4)	–	–	–	(94.4)
Revaluation gains	72.9	29.0	101.9	15.0	–	15.0	116.9
Transfer from development projects	–	75.4	75.4	–	(75.4)	(75.4)	–
Transfer from right-of-use assets	–	12.0	12.0	–	–	–	12.0
Transfer from trading properties	6.8	–	6.8	–	–	–	6.8
Transfer to assets held for sale	(15.9)	–	(15.9)	–	–	–	(15.9)
Exchange movements	(32.7)	(3.1)	(35.8)	–	–	–	(35.8)
At 31 December 2019	1,055.4	3,381.0	4,436.4	102.0	22.6	124.6	4,561.0

Investment properties were valued at 31 December 2019 by independent external valuers on the basis of market value in accordance with generally accepted international valuation standards. Valuations were performed as follows:

			£m
Britain & Ireland	Freehold	Cushman & Wakefield, Chartered Surveyors	110.1
	Long leasehold	Cushman & Wakefield, Chartered Surveyors	3,302.5
Americas	Freehold	Altus Group, Research valuation and advisory	325.6
	Freehold	CB Richard Ellis, Chartered Surveyors	378.4
Asia Pacific	Freehold	Tanizawa SOGO Appraisal Co Ltd	96.7
	Long leasehold	Tanizawa SOGO Appraisal Co Ltd	101.1
Europe	Freehold	Colliers International Consultancy and Valuation	172.5
	Freehold	CB Richard Ellis	74.1
			4,561.0

The historical cost of the Group's investment properties was £2,164.4m (2018: £2,010.2m).

The carrying value of investment properties includes capitalised interest of £41.4m (2018: £31.4m).

At 31 December 2019, investment properties with a carrying amount of £2,475.9m were pledged as security for bank loans (2018: £1,961.4m).

Included in the above are investment properties available for sale of £15.8m (2018: £4.9m).

Notes to the Financial Statements

17 Investment property continued

Fair value measurement

The portfolio is valued on an annual basis by independent and qualified valuers on a fair value basis in accordance with generally accepted international valuation standards. The fee payable to the valuers is on a fixed basis.

Investment properties have been valued using one of the following methods: (i) the investment method which involves applying a yield to rental income streams. Inputs include yield, current rent and Estimated Rental Value (ERV); (ii) on a market comparable basis of value per square foot (psf) derived and adjusted from actual market transactions; (iii) income capitalisation where the normalised net operating income generated by the property is divided by the capitalisation (discount) rate; or (iv) discounted cash flow method which involves the projection of a series of cash flows (the duration of the cash flow and specific timings of inflows and outflows are determined by events such as rent reviews, lease renewal and re-letting, redevelopment or refurbishment), to which an appropriate, market-derived discount rate is applied to establish the present value of the income stream. Development properties are valued using a residual method which involves valuing the completed investment property using an investment or comparable market method and deducting estimated costs to complete.

Valuation reports are based on both information provided by the Group e.g. current rents and lease terms which is derived from the Group's financial and property management systems and is subject to the Group's overall control environment, and assumptions applied by the valuers e.g. ERVs and yields. These assumptions are based on market observation and the valuers' professional judgement. The 2019 fair value represents the highest and best use of the properties.

The following table shows an analysis of the fair values of investment property recognised in the balance sheet by class of asset:

Class of property	Fair value hierarchy	Valuation/FV 2019 £m	Valuation/FV 2018 £m	Valuation technique	Valuation inputs	Average property 2019	Average property 2018
GBI – Office	Level 3	1,255.7	1,087.5	Investment method and market comparable method	Weighted average ERV psf	£73 psf	£70 psf
					ERV range psf	£24–£127 psf	£24–£125 psf
					Weighted average Eq yld	4.2%	4.2%
					Equivalent yield range	3.3%–7.5%	3.4%–6.3%
GBI – Retail	Level 3	1,105.0	1,090.0	Investment method and market comparable method	Weighted average ERV psf	£62 psf	£66 psf
					ERV range psf	£12–£223 psf	£12–£178 psf
					Weighted average Eq yld	3.7%	3.6%
					Equivalent yield range	3.2%–5.3%	2.9%–5.0%
GBI – Residential	Level 3	934.0	1,104.0	Investment method and market comparable method	Average revaluation capital value psf	£1,519 psf	£1,516 psf
					Capital value range psf	£285–£3,019 psf	£450–£3,780 psf
GBI – Hotel	Level 3	60.0	49.0	Discounted cash flow method and market comparable method	Weighted average ERV psf	£20 psf	£20 psf
					ERV range psf	£4–£38 psf	£4–£38 psf
					Weighted average Eq yld	5.1%	6.0%
					Discount rate range	5.8%	6.0%
GBI – Investment properties under development	Level 3	102.0	98.0	Residual approach	Average capital value psf	n/a	n/a
					ERV range psf	£27–£147 psf	£27–£147 psf
					Exit yield	3.5%	3.5%
GA – Office	Level 3	171.0	132.5	Discounted cash flow	Weighted average capitalisation rate	4.7%	6.1%
					Weighted average discount rate	6.4%	7.1%
GA – Retail	Level 3	174.3	169.2	Discounted cash flow	Weighted average capitalisation rate	4.7%	4.6%
					Weighted average discount rate	6.2%	6.4%

Notes to the Financial Statements

17 Investment property continued

Class of property	Fair value hierarchy	Valuation/FV 2019 £m	Valuation/FV 2018 £m	Valuation technique	Valuation inputs	Average property 2019	Average property 2018
GA – Residential	Level 3	164.1	163.4	Discounted cash flow	Weighted average capitalisation rate	4.7%	5.2%
					Weighted average discount rate	6.6%	6.5%
GA – Industrial	Level 3	194.8	147.9	Discounted cash flow	Weighted average capitalisation rate	4.8%	4.5%
					Weighted average discount rate	5.8%	5.8%
GAsia – Retail	Level 3	197.8	191.7	Investment method and market comparable method	Weighted average passing rents psf	£139 psf	£132 psf
					Weighted average ERV psf	£157 psf	£148 psf
					Weighted average running yield	3.1%	3.1%
					Weighted average reversionary yield	3.5%	3.4%
GEurope	Level 3	246.4	156.7	(Shopping centre) Investment method and market comparable method	Weighted average ERV psf	£19 psf	£23 psf
					ERV range psf	£7–£54 psf	£11–£60 psf
					Equivalent yield range	4.3%	4.3%
				(Office) Investment method and market comparable method	Weighted average ERV psf	£20 psf	£21 psf
					Weighted average Eq yld	4.7%	4.5%
Total		4,605.1	4,389.9				
The table above includes property classed in Other Property, Plant and Equipment							
		44.1	44.1				

Class of property: The portfolio consists of a variety of uses often within the same building. The class of property shown is based upon the predominant use by income.

Notes to the Financial Statements

17 Investment property continued

Fair value hierarchy:

Level 1: fair values derived from quoted prices in active markets for identical assets/liabilities.

Level 2: fair values derived from observable inputs other than quoted prices.

Level 3: fair values derived from valuation techniques that include inputs that are not based on observable data.

There were no transfers between levels during the year.

Valuation technique: There were no changes in the valuation techniques during the year.

Valuation inputs: The portfolio contains a mix of different lease tenure types. These consist of market rented (properties let at a market rent which is reviewed periodically), geared rented (properties let on long leases which pay only a percentage of the market rent which is reviewed periodically) or ground rented (properties which are let on long leases at low fixed ground rents). Properties may contain a mix of these tenure types. The average rents/ERVs referred to above ignore properties which have a tenure type which is completely ground rented as these can distort the averages.

The range of inputs within a class of property has been stated for GBI due to the large and diverse nature of the portfolio of properties.

Sensitivity to significant changes in unobservable inputs

Rents and ERVs have a direct relationship to valuation, while yield has an inverse relationship. Estimated costs of a development project will inversely affect the valuation of development properties. There are interrelationships between all of these unobservable inputs as they are determined by market conditions. The existence of an increase in more than one unobservable input could be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the interrelationship of two unobservable inputs moving in directions which have an opposite impact on value e.g. an increase in rent may be offset by an increase in yield, resulting in no net impact on the valuation.

The following table shows the impact (in isolation) of changes in key unobservable inputs on the fair values of investment property recognised in the balance sheet by class of asset:

Sector	Market value	+ 5% ERV	- 5% ERV	+ 5% Capital value	- 5% Capital value	+25bp Equivalent yield	-25bp Equivalent yield	+ 25bp Capitalisation rate	- 25bp Capitalisation rate	- 100bp Discount rate	+100 bp Discount rate
Office	1,599.3	53.7	(52.7)	–	–	(82.4)	95.4	(5.3)	5.9	13.8	(12.7)
Retail	1,559.1	59.0	(58.0)	–	–	(88.9)	102.3	(5.6)	6.2	14.1	(12.9)
Residential	1,090.2	–	–	44.0	(44.0)	(14.0)	15.0	(4.4)	4.8	12.7	(11.6)
Industrial	194.7	–	–	–	–	–	–	(6.7)	7.2	16.3	(15.2)
Hotel	60.0	–	–	2.0	(2.0)	(3.0)	3.0	–	–	–	–
Total	4,503.3	112.7	(110.7)	46.0	(46.0)	(188.3)	215.7	(22.0)	24.1	56.9	(52.4)

* Total market value excludes £102.0m of investment properties under development and includes £44.1m of property classed in Other Property, Plant and Equipment.

Notes to the Financial Statements

18 Other property, plant and equipment

2019

	Land and buildings £m	Leasehold improvements £m	Computer and IT equipment £m	Fixtures, fittings and motor vehicles £m	Total £m
Cost					
At 1 January 2019	44.1	11.3	29.0	16.1	100.5
Additions	–	0.8	2.9	1.5	5.2
Disposals	–	(0.4)	–	(0.6)	(1.0)
At 31 December 2019	44.1	11.7	31.9	17.0	104.7
Depreciation					
At 1 January 2019	–	(7.8)	(16.9)	(9.0)	(33.7)
Depreciation charge for the year	–	(0.9)	(4.8)	(1.6)	(7.3)
Disposals	–	0.3	–	0.6	0.9
At 31 December 2019	–	(8.4)	(21.7)	(10.0)	(40.1)
Carrying amount					
At 1 January 2019	44.1	3.5	12.1	7.1	66.8
At 31 December 2019	44.1	3.3	10.2	7.0	64.6

2018

	Land and buildings £m	Leasehold improvements £m	Computer and IT equipment £m	Fixtures, fittings and motor vehicles £m	Total £m
Cost					
At 1 January 2018	118.6	10.8	24.7	15.5	169.6
Additions	0.1	0.5	4.3	0.9	5.8
Disposals	(65.0)	–	–	(0.2)	(65.2)
Revaluation losses	(2.3)	–	–	–	(2.3)
Transfer to investment property	(7.3)	–	–	–	(7.3)
At 31 December 2018	44.1	11.3	29.0	16.2	100.6
Depreciation					
At 1 January 2018	–	(6.9)	(13.3)	(6.3)	(26.5)
Depreciation charge for the year	–	(0.9)	(3.7)	(1.7)	(6.3)
Disposals	–	–	–	(1.0)	(1.0)
At 31 December 2018	–	(7.8)	(17.0)	(9.0)	(33.8)
Carrying amount					
At 1 January 2018	118.6	3.9	11.4	9.2	143.1
At 31 December 2018	44.1	3.5	12.0	7.2	66.8

The land and buildings above are long leasehold properties and were valued at 31 December 2019 by independent valuers Cushman & Wakefield, Chartered Surveyors, on the basis of fair value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Notes to the Financial Statements

18 Other property, plant and equipment continued

The historical cost of the revalued land and buildings above at 31 December 2019 was £12.5m (2018: £12.5m).

The carrying value of the freehold land and buildings above includes capitalised interest of £nil (2018: £nil).

At 31 December 2019, land and buildings above with a carrying value of £nil were pledged as security for bank loans (2018: £nil).

19 Right-of-use of assets and lease liabilities

As of 1 January 2019, the Group recognised £41.4m of right-of-use assets and £43.5m of lease liabilities.

During the year, the Group further recognised additions of right-of-use assets in the amount of £7.5m for buildings. Regarding lease liabilities, the interest charge depends on the applied incremental borrowing rate for the respective lease component. The weighted average rate of the incremental borrowing rate is 2.3% for office buildings.

	Right-of-use assets £m
At 1 January 2019	41.4
Additions	7.5
Depreciation of right-of-use assets	(4.8)
Transfer to investment property	(12.0)
Effects of movement in exchange rates	(0.5)
At 31 December 2019	31.6

	Lease liabilities £m
Current	2.6
Non-current	43.8
At 31 December 2019	46.4

Right-of-use assets and lease liabilities are in respect of office buildings.

Amounts recognised in the income statement:

	2019 £m
Interest expense on lease liabilities	1.0
Expense relating to short-term leases	0.3
Expense relating to leases of low-value assets	0.2
Charge to profit before tax for leases	1.5

Maturity analysis

Maturity analysis – contractual undiscounted cash flows	2019 £m
Less than one year	5.6
Between one and five years	21.1
More than five years	24.5
Total undiscounted lease liabilities at 31 December	51.2

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Notes to the Financial Statements

20 Investments in subsidiary undertakings, associated undertakings and significant holdings

Company

	Shares at cost £m
At 1 January 2019 and 31 December 2019	1,358.4

At 31 December 2019, the Company had the following subsidiary undertakings, associated undertakings and significant holdings:

Direct subsidiary

The Company has a 100% interest in the ordinary share capital of Grosvenor Estates Holdings (registered office: 70 Grosvenor Street, London W1K 3JP).

Indirect subsidiaries

Unless otherwise stated, the Company has a 100% interest in the capital of the following entities, which are registered in the countries below.

United Kingdom

Registered office: 70 Grosvenor Street, London W1K 3JP

1-5 GP Management Limited	Gio Investments Limited
110 Park Street Limited	Grosvenor Alpha Place LLP
29-37 Davies Street Limited	Grosvenor Americas Holdings Limited
32-42 BPR Limited	Grosvenor Americas Investments Limited
64/70 South Audley Street Limited	Grosvenor Americas UK Limited
65 Davies Street Development Limited	Grosvenor Asset Management Limited
65 Davies Street Investment Limited	Grosvenor Australia Asia Pacific Limited
Bankside 4 Limited	Grosvenor Basingstoke Management Limited
Belgrave House Developments Limited	Grosvenor Basingstoke Properties Limited
Belgravia Leases Limited	Grosvenor Commercial Properties
Cambridge Retail Investment Limited	Grosvenor Continental Europe Holdings Limited
Coton Park Limited	Grosvenor Developments (GB) Limited
Drummond Road Limited	Grosvenor Developments (UK) Limited
Due West Investments Limited	Grosvenor Developments Limited
Eaton Square Properties Limited	Grosvenor ECO Limited
Fountain North Limited ¹	Grosvenor Eighty Five Limited
Fournier Securities Limited	Grosvenor Eighty Four Limited
GCH Investments (1) Limited	Grosvenor Eighty Seven Limited
GCH Investments (2) Limited	Grosvenor Eighty Six LLP
GCH Investments LLP	Grosvenor Eighty Three Limited
GEB2 Limited	Grosvenor Estate Belgravia
GFAL Limited	Grosvenor Estate Holdings
Gio European Investments Limited	Grosvenor Estate International Developments

Notes to the Financial Statements

20 Investments in subsidiary undertakings, associated undertakings and significant holdings continued

Grosvenor Estate International Investments Limited	Grosvenor Seventy Five Limited
Grosvenor Estate International Properties	Grosvenor Australian Residential Opportunities Limited
Grosvenor Estate Investment Management Limited	Grosvenor Sports Club Limited
Grosvenor Estate Management Limited	Grosvenor UK Finance plc
Grosvenor Estates Limited	Grosvenor UK Properties Limited
Grosvenor Europe Investments Limited	Grosvenor West End Properties
Grosvenor Europe Limited	Grosvenor Westminster Holdings Limited
Grosvenor Europe LP Limited	Liffey Valley Limited
Grosvenor European Properties Limited	Liverpool One Residential GP Limited
Grosvenor Fund Management Limited	Liverpool Property Investments Limited
Grosvenor Fund Management UK Limited	Liverpool PSDA Limited
Grosvenor Garden Leisure Limited	Liverpool Site 11 Hotel Limited
Grosvenor Group Holdings Limited	Liverpool Site 12 Limited
Grosvenor Group Management Services Ltd	London Leasehold Flats Limited
Grosvenor International Fund Management Limited	London Leasehold Properties Limited
Grosvenor International Investments Limited	London Office II (Growth) General Partner Ltd
Grosvenor International Investments (Finance) Ltd	London Office II (Growth) LP Ltd
Grosvenor Investment Management Limited	Madrid Office JV Limited
Grosvenor Investments Limited	Mayfair Leasehold Properties Limited
Grosvenor Investments UK Limited	Montrose Place Development Limited
Grosvenor Keysign Limited	Old Broad Street Properties Limited
Grosvenor Limited	Quarryvale Two Limited
Grosvenor Liverpool Limited	Retail Centres V (Sweden) General Partner Ltd
Grosvenor Management Limited	Retail Centres V (Sweden) LP Limited
Grosvenor Mayfair Properties Limited	Southwark GP 1 Limited
Grosvenor Overseas Holdings Limited	Southwark GP 2 Limited
Grosvenor Policy Management Limited	Southwark GP Nominee 1 Limited
Grosvenor Properties	Southwark GP Nominee 2 Limited
Grosvenor Property Asset Management Limited	Southwark Holding LP
Grosvenor Property Developments Limited	Southwark LP
Grosvenor Property Group Limited	Southwark Real Estate Investments Limited
Grosvenor Property Management Services Limited	Talbot General Partner Limited
Grosvenor Quarryvale Limited	UNHEM Construction Limited
Grosvenor Realty Investments Limited	Urban Neighbourhood Holdings Limited
Grosvenor Residential GP Limited	Urban Neighbourhoods Limited

Registered office:¹ 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ;

Notes to the Financial Statements

20 Investments in subsidiary undertakings, associated undertakings and significant holdings continued

Australia

Registered office: Level 38, Tower 3, 300 Barangaroo Avenue, Sydney

Grosvenor Australasia Investments Pty Ltd

British Virgin Islands

Registered office: PO Box 957, Offshore Incorporations Centre, Road Town, Tortola

Golden Eternal Limited

Canada

Registered office: 2000-1040 West Georgia

1300 Marine Holdings Ltd

1146078 B.C Limited

1164 Robson Holdings BT Limited

Brentwood BT Development Limited

Brentwood Office Centre Limited

Edgemont Village BT Ltd¹

Edgemont Village GP Ltd

Edgemont Village Parking Limited¹

Grosvenor 5th Avenue Holdings Limited

Grosvenor Americas Corporation

Grosvenor Beltline Holdings II Limited

Grosvenor Beltline Holdings III Limited

Grosvenor Beltline Holdings Limited

Grosvenor Brentwood Development Limited

Grosvenor Canada Limited

Grosvenor Capital Corporation

Grosvenor Development Corporation

Grosvenor Edgemont Holdings Limited

Grosvenor Metrotown Limited

Grosvenor Oak Street Holdings Limited

¹ 1200 Waterfront (BLG)

Grosvenor Pacific Development Limited

Grosvenor International Investments (Canada) Limited

Grosvenor Properties (2008) Limited

Grosvenor True North Services Canada

Grosvenor True North Services Management Canada

Grosvenor Village GP Limited

Grosvenor Village Holdings Limited

Grosvenor Village Limited Partnership¹

Hornby BT Holdings Ltd

Hornby Pacific GP Limited

Marine Drive BT Holdings Limited

Marine Drive WV Development Limited

Pacific BT Holdings Limited

Rosemary GP Limited

True North GP Limited

True North Two GP Limited¹

True North Residential One LP

True North Residential Two LP¹

West 15 Ventures Limited

Cayman Islands

Registered office: PO Box 309, Ugland House, Grand Cayman, KY-1104

Grosvenor Vega Fund Management Ltd – 75% owned

Grosvenor Vega GP Ltd – 75% owned

Notes to the Financial Statements

20 Investments in subsidiary undertakings, associated undertakings and significant holdings continued

China

Registered office: Unit 602-603, No. 233, Taicang Road, Huangpu District, Shanghai

Grosvenor Management Consulting (Shanghai) Limited

France

Registered office: 69 Boulevard Haussman, 75008 Paris

Grosvenor Continental Europe SAS

Hong Kong

Registered office: 1910-1917 Jardine House, One Connaught Place, Central, Hong Kong

Fortune Joy Properties Limited

Grosvenor Limited

Global Trinity Limited

Majesty International Limited

Grosvenor Asia Pacific Limited

Regal Way International Limited

Grosvenor Fund Management Hong Kong Limited

Star Land Enterprises Limited

Grosvenor Hong Kong Limited

Silver Brilliance Limited

Isle of Man

Registered office: 2nd floor, St Georges Court, Upper Church St, Douglas IM1 1EE

Grosvenor Belgravia Investment Limited

Japan

Registered office: 1-12-32 Akasaka, Mnato-ku, Tokyo

Ginzanamiki Tokutei Mokuteki Kaisya

Grosvenor Limited Japan branch

GOP3 Tokutei Mokuteki Kaisya

Jersey

Registered office: 22 Grenville St, St Helier, Jersey JE4 8PX

Grosvenor Management Jersey Limited

Luxembourg

Registered office: 46a Avenue John F Kennedy, L1855 Luxembourg

GFM (CE) S.A.

Grosvenor International Sarl

Grosvenor Continental Europe Holdings Sarl

Grosvenor Investments Portugal Sarl

Grosvenor First European Property Investments Sarl

Notes to the Financial Statements

20 Investments in subsidiary undertakings, associated undertakings and significant holdings continued

Spain

Registered office: Calle de Génova 17, 3ºA, 28004 Madrid, Spain

A de Europa Investments 19 SL	GEurope Investments Madrid SL
Alcobendas Investments SL	GEurope Investments Spain SL
Avenida de America 38, SL	Grosvenor Fund Management Spain SL
Escorial 4 Investment SLU	Rey Francisco 9 Real Estate SL

Sweden

Registered office: Smalandsgatan 10, 4tr, 11146 Stockholm

Grosvenor Fund Management Sweden	Lidingo Centrum Investments AB ¹
KB Lidingo NYA Centrum ¹	Lidingo Centrum LP AB ¹
Lidingo Centrum GP AB ¹	

Registered office:¹ c/o KPMG AB, Box 49, 721 04, Vasteras, Stockholm

United States of America

Registered office: One California Street, Suite 2500, San Francisco, CA 94111

1645 Pacific Homes LLC	Grosvenor Atlantic Limited
240 Stockton LLC	Grosvenor California Limited
3800 California Street, LLC	Grosvenor Capco Limited
394 Pacific, LLC	Grosvenor Financial California LLC
5520 Wisconsin LLC ¹	Grosvenor Financial Inc ¹
720 Battery LLC	Grosvenor Fund Management LLC ⁴
875 California II LLC	Grosvenor GP Limited LLC
875 California LLC	Grosvenor International (American Freeholds) Limited
Ballpark Hotel LLC ¹	Grosvenor International (Atlantic Freeholds) Limited
Ballpark Square LLC ¹ – 99.4% owned	Grosvenor International (Nevada) Limited
Chelsea at Juintina Village LP ¹	Grosvenor International (Westcoast Freeholds) Limited
CP6WW LLC	Grosvenor Investment North American Holdings Inc ³
Eckington Residential LLC ²	Grosvenor Investments North America LLC ³
FCB Silver Spring LLC ¹	Grosvenor Residential GP Limited LLC
Fenton Street Apartments LLC ¹	Grosvenor Urban Maryland ¹
GP Warehouse Investment Member One LLC ³	Grosvenor USA Limited
Grosvenor Americas Inc	Hamilton Marketplace LLC
Grosvenor Americas Joint Ventures LLC	True North California, LLC
Grosvenor Americas LLC	True North US, Inc ¹
Grosvenor Americas Partners	True North US Two, Inc
Grosvenor Americas USA Inc	True North California Two, LLC

Registered office: ¹ 1701 Pennsylvania Avenue, Suite 450, Washington; ² 1500 Harry Thomas Way, NE Washington DC, MD 20002;

³ 850 New Burton Road, Suite 201, Dover, Kent County, DE 19904; ⁴ 50 S 16th Street, Suite 2600, Philadelphia, PA 19102

Notes to the Financial Statements

20 Investments in subsidiary undertakings, associated undertakings and significant holdings continued

Indirectly held joint venture entities, associates and significant undertakings

England and Wales

Registered office: 70 Grosvenor Street, London W1K 3JP

20 Balderton Street Project 1 Limited – 50% owned

7 Green Street Limited – 33.3% owned

10 Bourdon Street Limited – 66.67% owned

Alpha Place Developments LLP – 33.3% owned

Barton Oxford LLP – 50% owned

Barton Park Estate Management Company Limited – 50% owned

Clan Kensington LLP³ – 33.3% owned

Coton Park Consortium Limited⁴ – 50% owned

Four Ashes Limited¹ – 40% owned

GC Bankside LLP³ – 50% owned

GC Campden Hill LLP³ – 16.7% owned

GCPIIB (GB) Ltd – 50% owned

Grosvenor Liverpool Fund – 10% owned

Grosvenor Liverpool Residential Fund – 10% interest

Grosvenor London Office Fund – 12.89% owned

Grosvenor Stow Limited – 50% owned

Grosvenor Stow Projects 2 Limited – 50% owned

Registered office: ¹ 4th Floor, 7/10 Chandos Street, Cavendish Square, London W1G 9DQ; ² 9-10 Carlos Place, London W1K 3AT;

³ The Pavilion, 118 Southwark Street, London SE1 0SW

Grosvenor Stow Projects Limited – 50% owned

Halkin Street LLP – 50% owned

IO Investment 2 LLP² – 27.2% owned

IO Investment LLP² – 97.75% owned

IOG2 LLP² – 99.2% owned

Liverpool One Management Company Limited – 50% owned

London Office (No.1) General Partner Limited – 50% owned

Montrose Place LLP – 50% owned

NLG Campden LLP³ – 33.3% owned

Paris Office JV Limited – 50% owned

Polish Logistics LLP² – 99% owned

Retail Centres V (Sweden) Investment Ltd – 20.17% owned

Retail Centres V (Sweden) Limited Partnership – 20.17% owned

Trumpington Meadows Land Company Limited – 50% owned

Urban Retail V (UK) General Partner Limited – 9.09% owned

Urban Retail V (UK) Limited Partnership – 9.09% owned

Australia

Heathley JV Property Fund – 50% owned

POP III Investment Partnership – 89% owned

Registered office

'01' Suite 7, 56 Clarence Street, Sydney NSW 2000

Level 29, 20 Bond Street, Sydney NSW 2000

British Virgin Islands

Acute Choice Limited – 20% owned

Bonrite Limited – 30% owned

Eagle Wonder Limited – 20% owned

Spring Plus Limited – 50% owned

Registered office

Sea Meadow House, Blackburn Highway, PO Box 116, Road Town, Tortola

PO Box 957, Offshore Incorporations Centre, Road Town, Tortola

PO Box 957, Offshore Incorporations Centre, Road Town, Tortola

PO Box 957, Offshore Incorporations Centre, Road Town, Tortola

Notes to the Financial Statements

20 Investments in subsidiary undertakings, associated undertakings and significant holdings continued

Canada

Registered office: 1200 Waterfront, Vancouver

1300 Marine LP – 30% owned

The Cambie Rise Limited Partnership – 50% owned

Edgemont Village Limited Partnership – 0.01% owned

Greensoil Building Innovation Fund (International) LP – 88.71% owned (33.9% of underlying investments)

Grosvenor Rempel East Clayton Development Ltd – 50% owned

¹ 2000-1040 West Georgia, Vancouver, Canada

Hornby Pacific Limited Partnership – 50% owned

Rise BT Holdings Ltd¹ – 50% owned

The Rise GP Limited – 50% owned

Transca (Polaris) GP Limited¹ – 25% owned

Transca (Polaris) Limited Partnership¹ – 25% limited partner

West 15 Project Holdings Limited – 50% owned

Cayman Islands

Registered office: PO Box 309, Ugland House, Grand Cayman, KY-1104

Grosvenor Park Partners Limited – 63.27% owned

Grosvenor Vega China Retail Fund LP – 10.57% owned

China

Registered office: Room 210, Cooperation and Innovation Building, Block 1, 8 Yuan Hua Road, Xian Lin University Town, Xian Lin Community, Qi Xia District, Nanjing

Nanjing Fu Chen Property Limited – 40% owned

Shanghai MaoXu Real Estate Limited – 50% owned

France

Registered office: 69 Boulevard Haussman, 75008 Paris

A France 85 SAS – 50% owned

Lesault 14 SAS – 50% owned

Hong Kong

Dukes Place Management Services Ltd – 20% owned

First Globe Limited – 50% owned

GDPHK Holdings Limited – 50% owned

Imperial Time Limited – 20% owned

Lucky New Investment Limited – 30% owned

Paramount Shine Limited – 50% owned

Richly Leader Ltd – 50% owned

Unity Asian Development Limited – 60% owned

Registered office

30/F, Jardine House, One Connaught Place, Central, Hong Kong

1910-1917 Jardine House, One Connaught Place, Central, Hong Kong

3108 Bank of America Tower, 12 Harcourt Road, Central, Hong Kong

30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong

30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong

21st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road, Central, Hong Kong

3108, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong

1910-1917 Jardine House, One Connaught Place, Central, Hong Kong

Ireland

Registered office: 21 Lavitts Quay, Cork

Barkhill Limited – 50% owned

Dietacaron Limited – 50% owned

Dutywell Trading Limited – 50% owned

Everuton Limited – 50% owned

Notes to the Financial Statements

20 Investments in subsidiary undertakings, associated undertakings and significant holdings continued

Japan

Registered office: 1-12-32 Akasaka, Mnato-ku, Tokyo

Azabu Tokutei Mokuteki Kaisya – 50% owned

GDP1 Tokutei Mokuteki Kaisya – 38% owned

GDP2 Investment Business Limited Partnership – 38% owned

GDP2 Tokutei Mokuteki Kaisya – 38% owned

GPT Tokutei Mokuteki Kaisya – 78.8% owned

Luxembourg

Registered office: 46a Avenue John F Kennedy, L1855 Luxembourg

GERP Luxembourg SARL – 5% owned

GFRI 2007 Sarl – 32.73% owned

GFRI 2010 Sarl – 32.73% owned

Grosvenor French Retail Investments SA – 32.73% owned

Grosvenor Hexagone Sarl – 55% owned

Grosvenor Retail European Properties II Sarl – 13.95% owned

Grosvenor Retail European Properties SA – 13.95% owned – in liquidation

Urban Retail V (Europe) Sarl – 9.09% owned

Portugal

Registered office: Lugar do Espido, Via Norte, Apartado 1197, 4471-909 Maia

Sonae Sierra SGPS SA (Portugal) – 30% owned

Spain

Registered office: Calle de Génova 17, 3ªA, 28004 Madrid, Spain

G De Parades 4 SL – 50% owned

Grupo Lar Grosvenor Servicios Dos SL – 50% owned

H 47 Salamanca Real Estate SL – 50% owned

Jorge J.53 SL – 50% owned

Modesto L.26 Investment SL – 50% owned

Santa E. 32 Real Estate SL – 50% owned

Urban Value Add I (Spain) SL – 50% owned

Sweden

Registered office: Smalandsgatan 10, 4tr, 11146 Stockholm

GERP Balsta Centrum AB – 5% owned

GERP Burlov AB – 5% owned

GERP Haninge Centrum AB – 5% owned

GERP Sverige AB – 5% owned

GERP Vasby Centrum AB – 5% owned

RCV Skarholmen AB – 20.17% owned

Skarholmen Property Management AB – 20.17% owned

Skarholmen Retail AB – 20.17% owned

Notes to the Financial Statements

20 Investments in subsidiary undertakings, associated undertakings and significant holdings continued

United States of America

Registered office: One California Street, Suite 2500, San Francisco, CA 94111

1500 K Street LLC – 20% owned

180 Post Street LLC – 50% owned

185 Post Street LLC – 50% owned

1900 Duke Street LP¹ – 25% owned

251 Post Street LLC – 50% owned

306 Rodeo Drive LLC – 50% owned

701 North Michigan Avenue LLC – 20% owned

AGP JV LLC⁴ – 99% owned

Atlantic Freeholds¹ – 50% owned

Ballpark Residential LLC¹ – 50% owned

Brazil Student Housing JV LLC⁵ – 80% owned

Crossings II LLC – 19.8% owned

Crossings, LLC – 19.8% owned

District Property Holdings LLC – 25% owned

Fair Oaks Polo Drive II, LLC – 19.8% owned

Fair Oaks Polo Drive, LLC – 19.8% owned

Frontier Drive Metro Centre LP¹ – 50% owned

Grosvenor Maple Leaf Ventures III LP – 20% owned

Grosvenor Maple Leaf Ventures V LP – 20% owned

Grosvenor Maple Leaf Ventures VI LP – 20% owned

Grosvenor Maple Leaf Ventures VII LP – 20% owned

Grosvenor Maple Leaf Ventures VIII LP – 20% owned

HS/GP Warehouse Investment Company LLC² – 52.5% owned

ML7 Residential II, LLC – 19.8% owned

ML7 Residential, LLC – 19.8% owned

Rice Lake Square LP – 25% owned

Stockdale Parking, LLC³ – 90% owned

Urban Retail LLC – 25% owned

Registered office: ¹ 1701 Pennsylvania Avenue, Suite 450, DC 20006 Washington; ² 53 State Street, 38th Floor, Boston, MA 02109;

³ c/o Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801; ⁴ 2711 Centerville Road, Suite 400, Wilmington, DE 19801;

⁴ 2711 Centerville Road, Suite 400, Wilmington, DE 19801; ⁵ 200 Bellevue Parkway, Suite 210, Wilmington, DE 19809

Notes to the Financial Statements

21(a) Investments in joint ventures and associates

2019

	Proprietary assets – Direct				Proprietary assets – Indirect		Total £m
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra* £m	Third-Party Managed £m	
Share of profit from joint ventures and associates							
Revenue	29.9	36.9	27.8	11.9	58.5	19.6	184.6
Property costs	(20.7)	(14.2)	(9.6)	(4.6)	(12.8)	(10.1)	(72.0)
Net property income	9.2	22.7	18.2	7.3	45.7	9.5	112.6
Administrative expenses	(0.1)	(0.5)	(0.6)	(1.2)	(17.6)	(1.5)	(21.5)
Net financing income/(costs)	0.7	(8.6)	(6.2)	(2.9)	(6.2)	(5.3)	(28.5)
Revenue profit	9.8	13.6	11.4	3.2	21.9	2.7	62.6
Net gains/(losses) on revaluation and sale of investment properties	–	–	24.0	(14.5)	(1.4)	8.3	16.4
Net (losses)/gains on other investments	–	–	–	–	(44.2)	3.0	(41.2)
Derivative fair value adjustments	–	(0.4)	–	–	–	(0.5)	(0.9)
Profit/(loss) before tax	9.8	13.2	35.4	(11.3)	(23.7)	13.5	36.9
Current tax	(0.5)	(0.1)	(1.2)	–	(3.0)	–	(4.8)
Deferred tax	–	–	(1.9)	0.2	(8.9)	–	(10.6)
	9.3	13.1	32.3	(11.1)	(35.6)	13.5	21.5
Share of assets and liabilities							
Non-current assets							
– investment properties	–	444.1	517.6	196.7	483.2	215.6	1,857.2
– investment properties under development	–	–	–	–	28.0	–	28.0
– other	0.1	0.3	0.4	–	7.8	4.5	13.1
Current assets							
– cash	5.9	6.3	27.6	13.1	74.5	3.4	130.8
– trading properties	15.2	80.2	100.9	28.6	–	–	224.9
– other	12.4	1.8	29.4	4.7	16.3	2.7	67.3
Non-current liabilities	–	(150.6)	(208.2)	(139.7)	(288.9)	(97.6)	(885.0)
Current liabilities	(23.2)	(71.4)	(58.1)	(18.4)	(35.9)	(9.5)	(216.5)
Net assets	10.4	310.7	409.6	85.0	285.0	119.1	1,219.8
Borrowings included in liabilities	–	(186.0)	(197.0)	(147.4)	(206.3)	(104.6)	(841.3)

* In order to best reflect the underlying results of the Group, for purposes of presenting the Group's revenue profit (Note 5) and share of property assets (Note 16), Sonae Sierra's results have been incorporated on a management accounts basis rather than an IFRS basis, reflecting Sonae Sierra's proportionate share of its underlying investments.

Notes to the Financial Statements

21(a) Investments in joint ventures and associates continued

2018

	Proprietary assets – Direct				Proprietary assets – Indirect		Total £m
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra* £m	Third-party managed £m	
Share of profit from joint ventures and associates							
Revenue	50.9	65.3	26.8	12.1	83.2	20.1	258.4
Property costs	(31.4)	(38.5)	(8.3)	(4.5)	(20.5)	(6.5)	(109.7)
Net property income	19.5	26.8	18.5	7.6	62.7	13.6	148.7
Administrative expenses	–	(0.4)	(0.6)	(1.4)	(23.8)	(1.8)	(28.0)
Net financing costs	–	(6.3)	(2.9)	(2.7)	(9.0)	(4.9)	(25.8)
Revenue profit	19.5	20.1	15.0	3.5	29.9	6.9	94.9
Net gains/(losses) on revaluation and sale of investment properties	–	3.0	24.4	(7.0)	30.2	18.0	68.6
Derivative fair value adjustments	–	(0.2)	(0.1)	–	–	0.1	(0.2)
Profit/(loss) before tax	19.5	22.9	39.3	(3.5)	60.1	25.0	163.3
Current tax	(0.2)	(0.1)	(1.3)	–	(5.8)	(0.1)	(7.5)
Deferred tax	–	–	(2.1)	(0.1)	(8.2)	–	(10.4)
	19.3	22.8	35.9	(3.6)	46.1	24.9	145.4
Share of assets and liabilities							
Non-current assets							
– investment properties	–	545.1	542.6	208.0	561.4	314.4	2,171.5
– investment properties under development	–	–	–	–	29.9	–	29.9
– other	0.1	0.3	–	(0.6)	6.1	3.6	9.5
Current assets							
– cash	11.4	4.3	23.7	8.3	70.2	5.1	123.0
– trading properties	32.3	43.8	103.4	17.6	–	–	197.1
– other	1.4	2.6	15.7	7.2	21.0	7.5	55.4
Non-current liabilities	–	(172.1)	(225.9)	(137.8)	(319.7)	(151.4)	(1,006.9)
Current liabilities	(24.4)	(48.1)	(38.4)	(6.4)	(44.0)	(11.9)	(173.2)
Net assets	20.8	375.9	421.1	96.3	324.9	167.3	1,406.3
Borrowings included in liabilities	–	(205.7)	(216.2)	(136.5)	(227.6)	(156.2)	(942.2)

* In order to best reflect the underlying results of the Group, for purposes of presenting the Group's revenue profit (Note 5) and share of property assets (Note 16), Sonae Sierra's results have been incorporated on a management accounts basis rather than an IFRS basis, reflecting Sonae Sierra's proportionate share of its underlying investments.

Notes to the Financial Statements

21(b) Investments in joint ventures and associates

Summarised financial information in respect of the Group's material associate, Sonae Sierra is set out below. This represents amounts shown in Sonae Sierra's financial statements prepared in accordance with IFRS and is prepared on a different basis to the information shown in [Note 21\(a\)](#) where it is presented on a management accounts basis.

Sonae Sierra

	2019 £m	2018 £m
Net rental income	151.2	192.7
Depreciation and amortisation	(2.6)	(0.8)
Other operating expenses	(99.4)	(110.5)
Financial income	3.6	6.5
Financial expenses	(14.2)	(13.6)
Share of results of associates	64.8	80.2
(Losses)/gains on investments	(175.1)	12.7
(Loss)/profit before tax	(71.7)	167.2
Tax	(18.0)	(17.7)
(Loss)/profit before tax	(89.7)	149.5
Attributable to:		
Equity holders of Sonae Sierra	(118.6)	97.5
Non-controlling interest	28.9	52.1
Consolidated net profit for the period	(89.7)	149.6
The Group's share of (loss)/profit for the year	(35.6)	46.1
	2019 £m	2018 £m
Non-current assets	899.2	1,994.1
Current assets		
– cash	180.0	287.1
– other current assets	938.5	47.1
Total assets	2,017.7	2,328.3
Non-current liabilities		
– non-current financial liabilities	(247.9)	(405.5)
– other non-current liabilities	(66.1)	(159.3)
Current liabilities		
– current financial liabilities	(4.1)	(40.8)
– other current liabilities	(373.8)	(95.1)
Total liabilities	(691.9)	(700.7)
Net assets	1,325.8	1,627.6
Shareholders' funds	949.9	1,083.0
Non-controlling interest	375.9	544.6
Total Equity	1,325.8	1,627.6
Carrying amount of the Group's interest in Sonae Sierra	285.0	324.9

Notes to the Financial Statements

21(c) Investments in joint ventures and associates

At 31 December 2019, the Group had the following principal interests in joint ventures and associates which are accounted for on the basis explained in Note 1(b):

	Principal activities	Country of incorporation/registration	Effective interest %	Group share of net assets. £m
Britain & Ireland				
GC Bankside LLP	Property development	England and Wales	50.0	1.8
NLG Campden LLP	Property development	England and Wales	16.7	1.0
Trumpington Meadows Land Company Limited	Property development	England and Wales	50.0	4.8
Americas				
Joint ventures with BBCAF Inc	Property investment	United States of America	50.0/25.0	190.7
Joint ventures with the Getty Family Trust	Property investment	United States of America	50.0	17.0
Joint ventures with PSP and Alberta Teachers' Retirement Fund	Property investment	United States of America	20.0	18.8
Residential LLC	Property investment	United States of America		
Joint ventures with Manitoba Civil Service Superannuation Board, Bindali Group	Property investment	Canada	30.0	10.7
GEMOA Inc	Property investment	United States of America	50.0	18.6
Asia Pacific				
Richly Leader Limited*	Property investment	Hong Kong	50.0	278.1
Imperial Time Limited*	Property development	Hong Kong	20.0	16.0
Grosvenor Park Partners Limited	Property development	Cayman Islands	63.3	20.0
Azabu Tokutei Mokuteki Kaisya	Property development	Japan	50.0	27.5
GPT Tokutei Mokuteki Kaisya	Property development	Japan	50.0	38.0
GDP1 Tokutei Mokuteki Kaisya	Investment holding	Japan	38.5	4.3
GDP2 Tokutei Mokuteki Kaisya	Investment holding	Japan	38.5	5.9
Nanjing Fu Chen Property Limited	Property development	China	40.0	42.3
Europe				
Grosvenor London Office Fund*	Property investment	England and Wales	12.7	17.8
Grosvenor Liverpool Fund*	Property investment	England and Wales	10.0	43.4
Retail Centres V (Sweden) Limited Partnership	Property investment	England and Wales	20.2	32.7
Grosvenor Retail European Properties*	Property investment	Luxembourg	14.0	0.2
Grosvenor French Retail Investment	Property investment	Luxembourg	11.1	1.1
Grosvenor European Retail Partnership	Property investment	Luxembourg	5.0	3.9
Urban Value Add I (Spain) SL	Property investment	Spain	50.0	13.0
Paris Office JV Limited	Property investment	France	50.0	1.3

* Associate (all other investments are joint ventures).

Notes to the Financial Statements

21(c) Investments in joint ventures and associates continued

	Principal activities	Country of incorporation/registration	Effective interest %	Group share of net assets £m
Indirect investments				
Sonae Sierra SGPS SA*	Property investment and development	Portugal	30.0	282.2
HS/GP Warehouse Investment Company, LLP	Property investment	United States of America	50.0	6.9
Australian Diversified Healthcare Fund	Property investment	Australia	50.0	10.5
Stockdale Parking, LLC	Property investment	United States of America	90.0	13.6
Four Ashes Limited	Property investment	England and Wales	40.0	11.9
AGP JV LLC	Property investment	United States of America	99.0	65.5
Brazil Student Housing JV LLC	Property investment	Brazil	80.0	10.6

* Associate (all other investments are joint ventures).

21(d) Investments in joint ventures and associates

The Financial Statements include, on an equity accounted basis, the results and financial position of the Group's interests in UK limited partnerships. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships (Accounts) Regulations 2008, which dispenses with the requirement for those partnerships to file accounts with Companies House.

22 Other financial assets

	2019 £m	2018 £m
Non-current assets		
Equity shares	1.5	1.6
Structured development loans	34.3	66.1
Other financial assets	93.7	38.1
	129.5	105.8
Current assets		
Structured development loans	45.6	25.7
Current portion of currency swaps	1.3	–
	46.9	25.7

Included in the above are property-related financial assets of £167.6m (2018: £121.2m).

Structured development loans

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

Notes to the Financial Statements

23 Intangible assets

2019

	Goodwill £m	Total £m
Cost		
At 1 January 2019	7.2	7.2
Exchange movements	(0.4)	(0.4)
At 31 December 2019	6.8	6.8
Amortisation/impairment		
At 1 January 2019	–	–
At 31 December 2019	–	–
Carrying amount		
At 1 January 2019	7.2	7.2
At 31 December 2019	6.8	6.8

2018

	Goodwill £m	Total £m
Cost		
At 1 January 2018	12.1	12.1
Disposals	(5.0)	(5.0)
Exchange movements	0.1	0.1
At 31 December 2018	7.2	7.2
Amortisation/impairment		
At 1 January 2018	(0.3)	(0.3)
Disposals	0.3	0.3
At 31 December 2018	–	–
Carrying amount		
At 1 January 2018	11.8	11.8
At 31 December 2018	7.2	7.2

Goodwill balances relate to the Group's acquisitions in Grosvenor First European Property Investments SA and Grosvenor Investments (Portugal) Sarl.

Notes to the Financial Statements

24 Trade and other receivables

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Current receivables				
Trade receivables	30.3	20.8	–	–
Contract assets	2.3	28.5	–	–
Loss allowance	(1.2)	(1.0)	–	–
	31.4	48.3	–	–
Receivables due from subsidiaries	–	–	0.4	–
Receivables due from joint ventures	3.8	2.6	–	–
Other receivables	26.0	80.8	–	–
Prepayments	7.6	5.9	–	–
Accrued income	4.3	6.6	–	–
	73.1	144.2	0.4	–
Non-current receivables				
Receivables due from joint ventures	94.0	83.5	–	–
	94.0	83.5	–	–
	167.1	227.7	0.4	–

Included in the above are receivables due after more than one year totalling £nil (2018: £0.1m). Non-current receivables relate to loans to joint ventures which are considered to be low credit risk. Credit risks for these loans have not increased since their initial recognition.

Notes to the Financial Statements

25 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

	2019			2018		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Investment property – contingent gains*	–	(578.0)	(578.0)	–	(591.2)	(591.2)
Investment property – deferred gains	31.3	–	31.3	31.0	–	31.0
Other property, plant and equipment	–	(7.4)	(7.4)	–	(13.9)	(13.9)
Interest-bearing loans and borrowings	–	(0.7)	(0.7)	–	(0.3)	(0.3)
Employee benefits	15.9	–	15.9	9.9	–	9.9
Tax value and loss carry-forwards recognised	1.2	–	1.2	2.8	–	2.8
Tax assets/(liabilities)	48.4	(586.1)	(537.7)	43.7	(605.4)	(561.7)

* The deferred tax liability for unrealised gains on investment property for GAméricas has been reallocated to the investment property – contingent gains line so the treatment is consistent across the Group.

The deferred tax assets are recognised on the basis that it is probable that the temporary differences will reverse in the foreseeable future, and that taxable profits will be available against which the temporary differences can be utilised.

Temporary differences, including those from unremitted earnings, can arise on the Group's investments in subsidiaries and jointly controlled entities.

Deferred tax is not recognised on these as the Group is able to control their reversal and it is probable they will not reverse in the foreseeable future.

At 31 December 2019, the total of these temporary differences was £780.2m (2018: £703.6m) and the potential tax effect was £39.0m (2018: £35.2m), accruing principally as a result of potential dividend withholding taxes levied by overseas tax jurisdictions.

Notes to the Financial Statements

25 Deferred tax assets and liabilities continued

Unrecognised deferred tax assets

	2019 £m	2018 £m
Tax losses	71.5	62.5

Movement in temporary differences during the year

	Balance at 1 January 2019 £m	Recognised in income £m	Recognised in equity £m	Exchange movement £m	Balance at 31 December 2019 £m
Investment property – contingent gains*	(591.2)	8.5	–	4.7	(578.0)
Investment property – deferred gains	31.0	0.3	–	–	31.3
Other property, plant and equipment	(13.9)	6.5	–	–	(7.4)
Interest-bearing loans and borrowings	(0.3)	(1.2)	0.8	–	(0.7)
Employee benefits	9.9	4.3	1.9	(0.2)	15.9
Tax value and loss carry-forwards recognised	2.8	(1.6)	–	–	1.2
Tax assets/(liabilities)	(561.7)	16.8	2.7	4.5	(537.7)

* The deferred tax liability for unrealised gains on investment property for GAméricas has been reallocated to the investment property – contingent gains line so the treatment is consistent across the Group.

26 Trading properties

	2019 £m	2018 £m
At 1 January	119.8	192.7
Additions	156.5	55.0
Capitalised interest	1.2	0.6
Disposals	(44.7)	(133.5)
Provision for impairment	(1.2)	(0.9)
Transfer to investment properties	(5.9)	–
Transfer to assets held for sale	(13.0)	–
Exchange movements	(4.9)	5.9
	207.8	119.8

At 31 December 2019, trading properties with a carrying value of £176.8m were pledged as security for bank loans (2018: £14.2m).

27 Assets classified as held for sale

During the year the group engaged a third party broker to market and sell 1520 4th Street and the adjacent land assembly surrounding this asset. The assets include an investment property and a surrounding land parcel that has been previously classified as trading property. The disposal is consistent with the Group's decision to not pursue the development of this project. These assets, which are expected to be sold with 12 months, have been classified as held for sale and are presented separately in the consolidated Balance sheet. The proceeds from the disposal are expected to meet or exceed the carrying value of the assets and no impairment losses have been recognised. The major classes of assets held for sale are as follows:

	2019 £m
Investment property	15.9
Trading property	13.0
	28.9

Notes to the Financial Statements

28 Cash and cash equivalents

	2019 £m	2018 £m
Bank balances	481.3	593.8
Cash deposits	285.0	186.7
Cash and cash equivalents	766.3	780.5
Cash and cash equivalents in the statement of cash flows	766.3	780.5

The amount of cash and cash equivalents not available for use by the Group totals £40.8m (2018: £40.7m), of which £nil (2018: £nil) has been pledged as collateral.

29 Interest-bearing loans and borrowings

	2019 £m	2018 £m
Non-current liabilities		
Secured bank loans	413.0	295.5
Secured bond issues	234.6	202.0
Unsecured bond issues	465.0	465.0
Finance lease liabilities	–	1.3
Deferred finance costs	(3.8)	(4.3)
Currency swaps	3.0	3.5
	1,111.8	963.0
Current liabilities		
Current portion of secured bank loans	1.2	10.3
Current portion of unsecured bank loans	–	52.5
	1.2	62.8
	1,113.0	1,025.8

The secured bank loans and secured bonds are secured over investment properties with a carrying value of £2,023.8m (2018: £1,961.4m) and trading properties with a carrying value of £176.8m (2018: £14.2m). Included in secured bond issues is £1.2m (2018: £1.3m) of net unamortised premium.

Finance lease liabilities

Finance lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2018		
	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	0.5	0.5	–
Between one and five years	2.2	2.2	–
More than five years	85.7	84.4	1.3
	88.4	87.1	1.3

From 1 January 2019, finance lease liabilities are included in lease liabilities under IFRS 16, refer to [Note 19](#).

Notes to the Financial Statements

30 Financial instruments

Capital risk management

The capital structure of the Group comprises debt, which includes the borrowings disclosed in [Note 29](#); cash and cash equivalents disclosed in [Note 28](#); and equity, comprising issued share capital, reserves and retained earnings as disclosed in [Notes 36](#) and [37](#).

The Group manages its capital to optimise the allocation of equity between the Operating Companies and Indirect Investments and to enable them to meet their short-, medium- and long-term targets. Internal gearing and interest cover limits are set for each Operating Company. Group gearing on an IFRS basis at the year end is 8.2% (2018: 4.9%); while gearing on an economic basis is 19.9% (2018: 20.5%).

Categories of financial instruments and their fair values

2019

	Effective interest rate %	Financial assets at amortised cost £m	At fair value through profit and loss £m	At fair value through other comprehensive income £m	Total carrying amount £m	Fair value £m
Financial assets:						
Equity shares		–	–	1.5	1.5	1.5
Structured development loans (current and non-current)	10.0	–	79.9	–	79.9	79.9
Other financial assets		–	1.3	86.4	87.7	87.7
Trade and other receivables	6.1	155.2	–	–	155.2	155.2
Cash and cash equivalents	0.5	766.3	–	–	766.3	766.3
Total financial assets		921.5	81.2	87.9	1,090.6	1,090.6

Notes to the Financial Statements

30 Financial instruments continued

The table below provides an analysis of financial instruments that are measured at amortised cost subsequent to initial recognition.

	Effective interest rate %	Financial liabilities at amortised cost £m	Total carrying amount £m	Fair value £m
Financial liabilities:				
Fixed rate loans				
Sterling secured bond 2026	6.5	(201.2)	(201.2)	(263.0)
Sterling secured mortgage 2034	10.4	(50.0)	(50.0)	(97.4)
Sterling unsecured bond 2022	3.4	(60.0)	(60.0)	(62.9)
Sterling unsecured bond 2028	2.8	(100.0)	(100.0)	(98.9)
Sterling unsecured bond 2031	5.6	(95.0)	(95.0)	(115.8)
Sterling unsecured bond 2033	3.0	(105.0)	(105.0)	(97.0)
Sterling unsecured bond 2037	5.0	(30.0)	(30.0)	(34.2)
Sterling unsecured bond 2040	3.1	(45.0)	(45.0)	(39.5)
Sterling unsecured bond 2041	6.1	(30.0)	(30.0)	(38.8)
US Dollars	3.1	(18.2)	(18.2)	(18.2)
Canadian Dollars	3.2	(34.1)	(34.1)	(34.1)
Japanese Yen	1.0	(106.3)	(106.3)	(106.3)
Euros	1.6	(28.6)	(28.6)	(28.6)
Total fixed rate loans		(903.4)	(903.4)	(1,034.7)
Floating rate loans fixed through interest rate swaps				
US Dollars	3.1	(24.2)	(24.2)	(24.2)
Canadian Dollars	5.0	(5.6)	(5.6)	(5.6)
Total floating rate loans fixed through interest rate swaps		(29.8)	(29.8)	(29.8)
Floating rate loans				
US Dollars	5.6	(31.6)	(31.6)	(31.6)
Canadian Dollars	5.0	(81.6)	(81.6)	(76.8)
Euros	1.1	(32.7)	(32.7)	(32.7)
Swedish Krona	1.7	(33.9)	(33.9)	(33.9)
Total floating rate loans		(179.8)	(179.8)	(175.0)
Lease liabilities	2.3	(46.4)	(46.4)	(46.4)
Trade and other payables		(120.6)	(120.6)	(120.6)
Total financial liabilities		(1,280.0)	(1,280.0)	(1,406.5)

Notes to the Financial Statements

30 Financial instruments continued

	At fair value through profit and loss £m	Total carrying amount £m	Fair value £m
Derivatives			
Interest rate swaps			
US Dollars	(2.5)	(2.5)	(2.5)
Hong Kong Dollars	1.3	1.3	1.3
Total interest rate swaps	(1.2)	(1.2)	(1.2)
Currency swaps			
Euros	(3.0)	(3.0)	(3.0)
Total currency swaps	(3.0)	(3.0)	(3.0)
Total derivatives	(4.2)	(4.2)	(4.2)

Currency swaps are against Sterling unless stated otherwise.

Notes to the Financial Statements

30 Financial instruments continued

The table below provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped according to the degree to which the fair value is derived from observable data.

	2019			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through other comprehensive income				
Equity shares	1.5	–	–	1.5
Other	–	–	86.4	86.4
Financial assets at fair value through profit and loss				
Structured development loans	–	–	81.2	81.2
Derivatives	–	1.3	–	1.3
Total financial assets	1.5	1.3	167.6	170.4
Financial liabilities at fair value				
Derivatives	–	(5.5)	–	(5.5)
Total financial liabilities	–	(5.5)	–	(5.5)

There were no transfers between levels during the period.

Level 1: fair values derived from quoted prices in active markets for identical assets/liabilities.

Level 2: fair values derived from observable inputs other than quoted prices.

Level 3: fair values derived from valuation techniques that include inputs that are not based on observable data.

The fair values of financial assets and liabilities are determined as follows:

- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair value of financial assets and liabilities with standard terms and conditions and traded on active markets is determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

2018

	Effective interest rate %	Financial assets at amortised cost £m	At fair value through profit and loss £m	At fair value through other comprehensive income £m	Total carrying amount £m	Fair value £m
Financial assets:						
Equity shares	–	–	–	1.6	1.6	1.6
Structured development loans (current and non-current)	10.0	–	91.8	–	91.8	91.8
Other financial assets	–	–	2.5	28.8	31.3	31.3
Trade and other receivables	2.8	215.2	–	–	215.2	215.2
Cash and cash equivalents	0.3	780.5	–	–	780.5	780.5
Total financial assets		995.7	94.3	30.4	1,120.4	1,120.4

Notes to the Financial Statements

30 Financial instruments continued

	Effective interest rate %	Financial liabilities at amortised cost £m	Total carrying amount £m	Fair value £m
Financial liabilities:				
Fixed rate loans				
Sterling secured bond 2026	6.5	(201.3)	(201.3)	(257.5)
Sterling secured mortgage 2034	10.4	(50.0)	(50.0)	(92.9)
Sterling unsecured bond 2019	8.4	(52.5)	(52.5)	(54.5)
Sterling unsecured bond 2022	3.4	(60.0)	(60.0)	(58.9)
Sterling unsecured bond 2028	2.8	(100.0)	(100.0)	(86.5)
Sterling unsecured bond 2031	5.6	(95.0)	(95.0)	(104.5)
Sterling unsecured bond 2033	4.9	(105.0)	(105.0)	(85.9)
Sterling unsecured bond 2037	5.0	(30.0)	(30.0)	(31.5)
Sterling unsecured bond 2040	3.6	(45.0)	(45.0)	(35.5)
Sterling unsecured bond 2041	6.1	(30.0)	(30.0)	(36.1)
US Dollars	4.9	(19.4)	(19.4)	(19.8)
Canadian Dollars	3.6	(8.3)	(8.3)	(8.3)
Japanese Yen	1.0	(110.3)	(110.3)	(109.7)
Total fixed rate loans		(906.8)	(906.8)	(981.6)
Floating rate loans fixed through interest rate swaps				
US Dollars	5.4	(22.7)	(22.7)	(22.7)
Canadian Dollars	3.9	(16.7)	(16.7)	(16.7)
Total floating rate loans fixed through interest rate swaps		(39.4)	(39.4)	(39.4)
Floating rate loans				
US Dollars	3.6	(0.8)	(0.8)	(0.8)
Canadian Dollars	4.5	(9.2)	(9.2)	(9.2)
Euros	1.1	(31.7)	(31.7)	(31.7)
Swedish Krona	1.7	(36.6)	(36.6)	(36.6)
Total floating rate loans		(78.3)	(78.3)	(78.3)
Finance lease liabilities	6.0	(1.3)	(1.3)	(1.3)
Trade and other payables	–	(170.0)	(170.0)	(170.0)
Total financial liabilities		(1,195.8)	(1,195.8)	(1,270.6)

Notes to the Financial Statements

30 Financial instruments continued

	At fair value through profit and loss £m	Total carrying amount £m	Fair value £m
Derivatives			
Interest rate swaps			
US Dollars	(1.5)	(1.5)	(1.5)
Hong Kong Dollars	2.5	2.5	2.5
Total interest rate swaps	1.0	1.0	1.0
Currency swaps			
Euros	(3.5)	(3.5)	(3.5)
Total currency swaps	(3.5)	(3.5)	(3.5)
Total derivatives	(2.5)	(2.5)	(2.5)

Currency swaps are against Sterling unless stated otherwise.

The table below provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped according to the degree to which the fair value is derived from observable data.

	2018			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through other comprehensive income				
Equity shares	1.6	–	–	1.6
Other	–	2.5	28.8	31.3
Financial assets at fair value through profit and loss				
Structured development loans	–	–	91.8	91.8
Total financial assets	1.6	2.5	120.6	124.7
Financial liabilities at fair value				
Derivatives	–	(5.0)	–	(5.0)
Total financial liabilities	–	(5.0)	–	(5.0)

There were no transfers between levels during the period.

Level 1: fair values derived from quoted prices in active markets for identical assets/liabilities.

Level 2: fair values derived from observable inputs other than quoted prices.

Level 3: fair values derived from valuation techniques that include inputs that are not based on observable data.

The fair values of financial assets and liabilities are determined as follows:

- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair value of financial assets and liabilities with standard terms and conditions and traded on active markets is determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Notes to the Financial Statements

30 Financial instruments continued

Financial risk management

The Group has a decentralised treasury management operating structure, co-ordinated through a central treasury function, which monitors and manages the financial risks relating to the Group's operations and seeks to maximise the efficiency of borrowings and cash deposits throughout the Group.

Treasury policies, approved by the Board, are:

- To manage wholly-owned treasury operations in a co-ordinated manner; debt for joint ventures and funds is raised at joint venture and fund level but is managed within the co-ordinated approach.
- To ensure sufficient committed loan facilities to support anticipated business requirements as they arise.
- To ensure that the Group's debt can be supported from maintainable cash flow through clear internal guidelines.
- To manage interest rate exposure with a combination of fixed rate debt and interest rate swaps so that a minimum of 60% of borrowings are at fixed interest rates.
- Not to hedge long-term net asset positions held in foreign currencies absent in abnormal circumstances.
- To invest short-term cash with approved institutions within limits agreed by the Board.

Transactions in financial instruments, including derivatives, are either governed by specific delegations to Operating Company boards or have prior Board approval. The Group does not enter into any treasury positions for purely speculative purposes. Detailed treasury reports are produced on a monthly basis with consolidated treasury risk reports presented to the Board. Risks include market risk (interest rates, currency and pricing), credit risk and liquidity risk.

Interest rate risk

Exposure to interest rate movements is controlled through the use of a mixture of floating and fixed rate debt and interest rate derivatives, to achieve a balanced interest rate profile to ensure that a minimum level of borrowings are at fixed interest rates. The interest rate profile is reviewed by the Group on a monthly basis.

The total average cost of debt for the year ended 31 December 2019 was 4.2% (2018: 4.8%).

Notes to the Financial Statements

30 Financial instruments continued

Interest rate sensitivity

The sensitivity analysis below is based on the exposure to interest rates at the balance sheet date. For floating rate liabilities and cash balances, it is assumed the liability or asset at the balance sheet date was outstanding for the whole year.

For illustrative purposes the interest rate sensitivity has been estimated based on a 50 basis point increase or decrease to interest rates. If interest rates had been 0.5% higher and all other variables were held constant, the impact on the Group's equity would be:

		2019 £m	2018 £m
Increase in results for the year	– interest	3.5	4.2
	– mark to market of interest rate swaps	2.0	3.1
	– tax charge	(1.1)	(1.4)
Total impact on profit and equity		4.4	5.9

Similarly, if interest rates had been 0.5% lower, then Group profit and equity would have decreased by £4.5m (2018: £5.9m).

As part of the Group's interest rate risk management, interest rate swaps exchanging floating for fixed interest with a notional principal of £61.0m (2018: £70.5m) and a fair value liability of £2.2m (2018: £0.3m liability) were designated for cash flow hedge accounting at 31 December 2019. These hedges were highly effective during the year.

Foreign currency risk

Investments outside the UK are held for the long term, so it is the Group's policy not to hedge the net investment in these regions absent exceptional circumstances. Within each region, there is a certain amount of natural currency hedging as debt is drawn in local currency to finance local operations. Committed cash flows between currencies are routinely hedged by the use of foreign exchange derivatives. Anticipated cash flows between currencies are reviewed and may also be hedged to reduce any foreign currency risk.

At the end of the year, other than that arising on its equity in non-UK Operating Companies investments and related hedges and those stated above, the Group has no material foreign exchange currency risk as there are no material financial instruments denominated in non-functional currencies.

Equity price risk

The Group is exposed to equity price risks arising from its equity investments disclosed in [Note 22](#). Equity investments designated as fair value through other comprehensive income are held for strategic rather than trading purposes.

Equity price sensitivity

The sensitivity analysis below is based on the exposure to equity price risks at the balance sheet date.

If equity prices had been 10% higher/lower, other equity reserves would increase/decrease by £0.2m (2018: increase/decrease by £0.2m) as a result of changes in fair value of equity-shares.

Notes to the Financial Statements

30 Financial instruments continued

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual financial obligations resulting in financial loss to the Group. The Group is exposed to credit risk in respect of its surplus cash deposits, undrawn committed borrowing facilities, trade receivables, structured development loans that are measured at fair value through profit or loss, loans to joint ventures and in the money derivatives.

Surplus cash is deposited with major financial institutions and in money market funds with credit ratings at or above a specified level. Limits are set to restrict the total amount of funds that can be deposited with any single counterparty.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields and, where available, credit default swap (CDS) prices together with available press and regulatory information about issuers.

The tables below detail the credit quality of the Group's financial assets and other items, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

2019	Note	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Financial assets at amortised cost							
Trade and other receivables	<u>24</u>	N/A	Low risk	12m ECL	56.3	(1.2)	55.1
Loans to joint ventures	<u>24</u>	N/A	Low risk	12m ECL	95.3	(4.7)	90.6
Contract assets	<u>24</u>	N/A	Low risk	12m ECL	2.3	(0.1)	2.2
Cash and cash equivalents	<u>28</u>	Refer to <u>Note 30</u>	Low risk	12m ECL	766.3	–	766.3
Pledged bank deposits	<u>28</u>	A–	Low risk	12m ECL	40.8	–	40.8

At the year end, deposits were invested as follows using ratings from major, reputable credit rating institutions:

	Total cash and cash equivalents at 31 December	
	2019 £m	2018 £m
AAA	413.1	443.6
AA–	27.2	62.6
A+	144.5	109.9
A	158.9	86.7
A–	16.9	60.6
BBB+	5.6	3.7
BBB	0.1	–
BBB–	–	13.4
	766.3	780.5

Trade receivables consist of amounts due from a large number of tenants, spread across diverse industries and geographical areas. Credit checks are carried out before commencement of tenancies and before entering joint venture partnership agreements and continuing credit evaluation seeks to ensure any receivables are provided for as required. Trade receivables are small relative to turnover and therefore do not present a significant risk to the Group.

Trade receivables at the year end totalled £31.4m (2018: £48.3m) of which £8.2m was outstanding at 1 March 2020 (1 March 2019: £3.9m).

Notes to the Financial Statements

30 Financial instruments continued

Structured development loans represent loans to developers on which the Group earns interest and a share of the development profit. The Group provides loans to established developers with a track record of stable performance and carries out due diligence before committing funds. In the majority of such loans, the Group receives a second charge on the development property and a guarantee regarding the principal and interest.

The carrying amount of financial assets, excluding equity investments, recorded in the Financial Statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk on those financial assets without taking account of the value of any collateral obtained.

Liquidity risk

The Group obtains financing from a number of sources, including secured lending at project level together with secured and unsecured borrowing at various corporate levels. To ensure sufficient cash is available to meet operating plans, cash flow projections are maintained at Operating Company level and are reviewed by the Group on a monthly basis. In addition to facilities at Operating Company and project level, committed borrowing facilities are maintained in the Holding Company at levels deemed appropriate by the Group Board.

At 31 December, the Group had the following drawn and undrawn committed borrowing facilities available:

	Drawn facilities		Undrawn facilities	
	2019 £m	2018 £m	2019 £m	2018 £m
Expiring in less than one year	–	61.4	24.1	53.3
Expiring from one to two years	50.4	–	–	–
Expiring from two to five years	310.4	114.7	994.1	967.7
Expiring after more than five years	748.4	844.9	–	–
Total	1,109.2	1,021.0	1,018.2	1,021.0

Borrowing limits are set for each Operating Company. Each Operating Company and the Group produces, on a monthly basis, a medium-term cash forecast under an expected and stressed scenario, the latter designed to simulate an extreme financial and market crash. The Operating Companies and the Group seek to maintain sufficient liquidity to sustain such a crash for at least two years.

The Group also monitors its resilience to potential falls in property market values. Resilience is defined in the glossary.

The maturity profile of the anticipated future cash flows, including interest, relating to the Group's non-derivative financial liabilities, on an undiscounted basis (which therefore differs from both carrying value and fair value) is as follows:

2019

	Fixed rate loans £m	Floating rate loans £m	Lease liabilities £m	Other £m	Total £m
Due within one year	39.8	6.0	4.5	108.3	158.6
From one to two years	90.7	6.0	4.8	12.3	113.8
From two to three years	98.5	84.9	4.9	–	188.3
From three to four years	36.9	35.9	5.0	–	77.8
From four to five years	168.6	6.0	4.4	–	179.0
After five years	906.2	59.8	108.9	–	1,074.9
	1,340.8	198.5	132.5	120.6	1,792.4

Notes to the Financial Statements

30 Financial instruments continued

2018

	Fixed rate loans £m	Floating rate loans £m	Finance lease liabilities £m	Other £m	Total £m
Due within one year	92.4	12.7	0.5	148.6	254.2
From one to two years	39.3	3.3	0.5	21.4	64.6
From two to three years	57.2	3.3	0.5	–	61.1
From three to four years	97.6	3.3	0.5	–	101.5
From four to five years	36.0	40.2	0.5	–	76.7
After five years	1,019.7	75.8	85.7	–	1,181.2
	1,342.2	138.6	88.2	170.0	1,739.0

The maturity profile of the Group's financial derivatives, using undiscounted cash flows, is as follows:

	2019		2018	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Due within one year	(43.0)	40.4	(165.0)	166.1
From one to two years	(34.6)	34.0	(39.4)	37.3
From two to three years	(0.9)	0.6	(36.0)	35.9
From three to four years	(0.9)	0.6	(1.3)	1.3
From four to five years	(0.8)	0.5	(1.2)	1.3
After five years	(22.6)	21.9	(3.3)	3.6
	(102.8)	98.0	(246.2)	245.5

31 Trade and other payables

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Current liabilities				
Trade payables	16.7	20.2	–	–
Contract liabilities	–	13.4	–	–
Payables due to subsidiaries	–	–	–	0.4
Other payables	91.6	115.0	–	–
Accrued expenses	54.2	51.9	–	–
Deferred income	49.5	32.4	–	–
	212.0	232.9	–	0.4
Non-current liabilities				
Other payables	12.3	21.4	–	–
Deferred income	176.7	178.8	–	–
	189.0	200.2	–	–
	401.0	433.1	–	0.4

Deferred income includes £184.0m in respect of deferred lease premium profits (2018: £182.4m).

Notes to the Financial Statements

32 Provisions

Development loss provision

	2019 £m	2018 £m
Current liabilities		
At 1 January	0.6	5.9
Recognised in the year	–	0.1
Released in the year	(0.1)	–
Utilised in the year	(0.2)	(5.4)
At 31 December	0.3	0.6
Non-current liabilities		
At 1 January	–	0.3
Utilised in the year	–	(0.3)
At 31 December	–	–
	0.3	0.6

The provisions disclosed above relate to an obligation in respect of a completed development.

33 Operating lease commitments

Leases as lessee

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

	2019 £m	2018 £m
Land and buildings	–	6.7

From 1 January 2019, the Group has recognised right-of-use assets on leases of land and buildings, except for short-term and low-value leases, see note 2(a) and note 19 for further information.

Non-cancellable operating lease rentals are payable as follows:

	2019 £m	2018 £m
Less than one year	0.4	8.2
Between one and five years	1.2	25.5
More than five years	–	43.1
	1.6	76.8

Leases as lessor

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

	2019 £m	2018 £m
Less than one year	115.1	121.1
Between one and five years	306.9	320.0
More than five years	1,098.3	1,098.3
	1,520.3	1,539.4

Notes to the Financial Statements

34 Capital commitments

	2019 £m	2018 £m
Investment properties contracted but not provided	0.5	78.7
Development properties contracted but not provided	45.8	123.3
	46.3	202.0

Included in the above is the Group's share of joint venture and associate capital commitments of £34.0m (2018: £72.6m) relating to development properties.

35 Contingent liabilities

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

36 Share capital

	Authorised number of shares	2019 £m	Authorised number of shares	2018 £m
Allocated, called up and fully paid				
Ordinary shares of £1	5,684,877	5.7	5,684,877	5.7
'A' Preference Shares of £1	5,684,877	5.7	5,684,877	5.7
Non-voting redeemable D1 preference shares of £1	272,874,096	272.9	272,874,096	272.9
	284,243,850	284.3	284,243,850	284.3

Rights of classes of shares

Profits determined by the Directors as available for distribution are to be applied first in paying a fixed non-cumulative dividend of 12% per annum on the amounts paid up on the 'A' preference shares; secondly in paying to the holders of the D1 and D2 Preference Shares. The balance of profits available for distribution shall be distributed pari passu by way of dividend to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

On a return of the Company's assets to Shareholders the assets are to be applied first in repaying to the holders of the 'A' preferences shares the amounts paid up on their shares; secondly repaying to the holders of the 'D1' and 'D2' preference shares in the amounts paid up or deemed paid up on their shares. The balance of the assets is payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

Notes to the Financial Statements

37 Reconciliation of share capital and reserves

(a) Group

	Share capital £m	Share premium £m	Translation reserve £m	Other reserve £m	Fair value reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m	Non- controlling interest £m	Total equity £m
At 1 January 2018	56.9	28.3	449.4	228.4	(0.4)	28.0	4,102.7	4,893.3	(2.1)	4,891.2
Profit for the year	-	-	-	-	-	-	162.6	162.6	-	162.6
Revaluation movement	-	-	-	-	-	(2.3)	-	(2.3)	-	(2.3)
Fair value adjustments	-	-	-	0.1	(1.8)	-	-	(1.7)	-	(1.7)
Deferred tax	-	-	-	(1.5)	-	1.5	(2.9)	(2.9)	-	(2.9)
Pension actuarial gains	-	-	-	-	-	-	17.9	17.9	-	17.9
Dividends	-	-	-	-	-	-	(43.9)	(43.9)	(0.4)	(44.3)
Transfer between reserves	272.9	-	-	(6.1)	-	13.7	(280.5)	-	-	-
Ordinary share redemption	(45.5)	-	-	-	-	-	(35.9)	(81.4)	-	(81.4)
Reclassification to profit and loss	-	-	22.2	-	-	-	-	22.2	-	22.2
Exchange	-	-	63.5	1.7	-	0.1	(1.8)	63.5	-	63.5
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	2.2	2.2
Balance at 31 December 2018	284.3	28.3	535.1	222.6	(2.2)	41.0	3,918.2	5,027.3	(0.3)	5,027.0
Adjustment on initial application of IFRS 16 (see Note 2(b))	-	-	-	-	-	-	(1.0)	(1.0)	-	(1.0)
Balance at 1 January 2019 – As restated	284.3	28.3	535.1	222.6	(2.2)	41.0	3,917.2	5,026.3	(0.3)	5,026.0
Profit for the year	-	-	-	-	-	-	133.7	133.7	-	133.7
Fair value adjustments	-	-	-	(3.8)	0.3	-	-	(3.5)	-	(3.5)
Deferred tax	-	-	-	0.8	-	-	1.9	2.7	-	2.7
Pension actuarial losses	-	-	-	-	-	-	(7.8)	(7.8)	-	(7.8)
Dividends	-	-	-	-	-	-	(46.3)	(46.3)	-	(46.3)
Exchange	-	-	(38.0)	-	-	-	(0.2)	(38.2)	-	(38.2)
Balance at 31 December 2019	284.3	28.3	497.1	219.6	(1.9)	41.0	3,998.5	5,066.9	(0.3)	5,066.6

Other reserves comprise net interest rate hedging losses gains of £2.6m (2018: gains of £0.4m) and capital redemption reserve of £222.2m (2018: £222.2m).

Notes to the Financial Statements

37 Reconciliation of share capital and reserves continued

(b) Company

	Share capital £m	Share premium £m	Merger capital reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2018	56.9	28.3	921.9	225.6	125.7	1,358.4
Ordinary share redemption	(45.5)	–	–	–	(35.9)	(81.4)
Ordinary shares issued from merger reserve	272.9	–	(272.9)	–	–	–
Dividends received from subsidiaries	–	–	–	–	125.4	125.4
Dividends paid	–	–	–	–	(44.4)	(44.4)
At 31 December 2018	284.3	28.3	649.0	225.6	170.8	1,358.0
Dividends received from subsidiaries	–	–	–	–	47.1	47.1
Dividends paid	–	–	–	–	(46.3)	(46.3)
At 31 December 2019	284.3	28.3	649.0	225.6	171.6	1,358.8

Notes to the Financial Statements

38 Notes to the consolidated statement of cash flows

(a) Reconciliation of profit from operations including share of profit from joint ventures to operating profit before changes in working capital and provisions

	2019 £m	2018 £m
Operating activities		
Profit from operations including share of profit from joint ventures and associates	176.5	222.9
Adjustments for:		
Depreciation	12.1	6.3
Amortisation of capitalised lease incentives	(10.6)	(8.7)
Amortisation of deferred lease premiums	(9.4)	(9.3)
Recognition of income from operating lease incentives	0.5	0.4
Uplift on trading properties completed and transferred to investment property	(1.3)	-
Net (gains)/losses on other investments	(6.1)	18.5
Net losses on revaluation and sale of investment property	(135.1)	(48.9)
Share of profit from joint ventures and associates	(21.5)	(145.4)
Impairment loss on trade and other receivables, including contract assets	0.3	3.5
Operating profit before changes in working capital and provisions	5.4	39.3

(b) Analysis of net debt

	1 January 2019 £m	Cash flow £m	Other non-cash movements £m	Exchange £m	31 December 2019 £m
Cash at bank and in hand	593.8	(108.9)	-	(3.6)	481.3
Short term deposits and short-term liquidity investments	186.7	102.6	-	(4.3)	285.0
Cash and cash equivalents	780.5	(6.3)	-	(7.9)	766.3
Borrowings due within one year	(62.8)	61.0	(0.8)	1.4	(1.2)
Borrowings due after more than one year	(963.0)	(155.6)	(0.7)	7.6	(1,111.7)
Total borrowings	(1,025.8)	(94.6)	(1.5)	9.0	(1,112.9)
Net debt	(245.3)	(100.9)	(1.5)	1.1	(346.6)

Other non-cash movements include net fair value adjustments on interest rate and currency swaps.

Notes to the Financial Statements

39 Related party transactions

The Group is wholly-owned by Trustees of the Grosvenor Trusts who hold the shares for the benefit of current and future generations of the Grosvenor family headed by the Duke of Westminster. During 2019, the Group entered into the following transactions with the Grosvenor Trusts and members of the Grosvenor family:

	2019 £m	2018 £m
Rent and service charge income	0.6	0.6
Rent and service charge expense	(2.8)	(1.6)
Development management fees	1.5	1.6
Management and administration fees	21.7	22.2

During 2019, the Group entered into the following transactions with other related parties:

	2019 £m	2018 £m
Development and asset management fees received from joint ventures	0.3	–
Fees received from joint ventures	2.8	2.9
Fees paid to joint ventures	–	(0.7)
Insurance premiums payable to a related company	(8.4)	(8.5)

At the end of the year, the following amounts were due from/(to) related parties:

	2019 £m	2018 £m
Amounts due from joint ventures	90.6	86.1
Amounts due from a related company	0.5	0.4

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Consolidated income statement presented in US Dollars

for the year ended
31 December 2019

	2019 \$m	2018 \$m
Revenue	345.3	521.3
Property costs	(169.6)	(291.2)
Net property income	175.7	230.1
Administrative expenses	(157.7)	(162.7)
Net gains/(losses) on other investments	7.8	(24.6)
Net gains on revaluation and sale of investment property	172.9	65.1
Impairment loss on trade and other receivables, including contract assets	(0.4)	(4.7)
Share of profit from joint ventures	27.5	193.5
Gain from operations including share of joint ventures	225.8	296.7
Financial income	27.9	21.7
Financial expenses	(55.3)	(55.5)
Fair value adjustments	1.7	(1.2)
Net financing costs	(25.7)	(35.0)
Profit before tax	200.1	261.7
Current tax expense	(50.7)	(35.9)
Deferred tax expense	21.5	(9.3)
Profit for the year	170.9	216.5
Attributable to:		
Equity holders of the parent	170.9	216.5
Non-controlling interests	–	–
Profit for the year	170.9	216.5

Consolidated balance sheet presented in US Dollars

As at 31 December 2019

	Group	
	2019 \$m	2018 \$m
Assets		
Non-current assets		
Investment property	6,049.1	5,539.1
Other property, plant and equipment	85.7	85.0
Right-of-use assets	41.9	-
Investments in joint ventures	1,617.8	1,792.1
Other financial assets	171.8	134.9
Intangible assets	9.0	9.1
Trade and other receivables	124.7	106.4
Deferred tax assets	64.2	75.8
Total non-current assets	8,164.2	7,742.4
Current assets		
Trading properties	275.4	152.6
Assets classified as held for sale	38.3	152.6
Trade and other receivables	97.0	183.8
Other financial assets	62.2	32.8
Cash and cash equivalents	1,016.1	994.8
Total current assets	1,489.0	1,364.0
TOTAL ASSETS	9,653.2	9,106.4
LIABILITIES		
Non-current liabilities		
Interest bearing loans and borrowings	(1,474.7)	(1,174.0)
Lease liabilities	(57.8)	-
Trade and other payables	(250.6)	(255.0)
Employee benefits	(54.2)	(36.8)
Deferred tax liabilities	(777.4)	(791.7)
Provisions	(0.1)	-
Total non-current liabilities	(2,614.8)	(2,257.5)
Current liabilities		
Interest bearing loans and borrowings	(1.6)	(134.0)
Lease liabilities	(3.4)	-
Trade and other payables	(281.2)	(270.6)
Income tax payable	(31.8)	(36.4)
Provisions	(0.4)	(0.8)
Total current liabilities	(318.4)	(441.8)
TOTAL LIABILITIES	(2,933.2)	(2,699.3)
NET ASSETS	6,720.0	6,407.1
Equity		
Share capital	377.2	362.5
Share premium	37.3	35.8
Reserves	1,002.3	1,015.1
Retained earnings	5,303.5	4,994.1
Shareholders' funds	6,720.3	6,407.5
Non-controlling interests	(0.3)	(0.4)
TOTAL EQUITY	6,720.0	6,407.1

Consolidated income statement presented in Euros

for the year ended
31 December 2019

	2019 €m	2018 €m
Revenue	308.8	442.5
Property costs	(151.6)	(247.2)
Net property income	157.2	195.3
Administrative expenses	(141.0)	(138.1)
Net gains/(losses) on other investments	7.0	(20.9)
Net gains on revaluation and sale of investment property	154.6	55.2
Impairment loss on trade and other receivables, including contract assets	(0.3)	(4.0)
Share of profit from joint ventures	24.6	164.2
Gain from operations including share of joint ventures	202.1	251.7
Financial income	25.0	18.4
Financial expenses	(49.4)	(47.1)
Fair value adjustments	1.5	(1.0)
Net financing costs	(22.9)	(29.7)
Profit before tax	179.2	222.0
Current tax expense	(45.3)	(30.5)
Deferred tax expense	19.2	(7.9)
Profit for the year	153.1	183.6
Attributable to:		
Equity holders of the parent	153.1	183.6
Non-controlling interests	–	–
Profit for the year	153.1	183.6

Consolidated balance sheet presented in Euros

as at 31 December 2019

	Group	
	2019 €m	2018 €m
Assets		
Non-current assets		
Investment property	5,387.3	4,837.3
Other property, plant and equipment	76.3	74.3
Right-of-use assets	37.4	-
Investments in joint ventures	1,440.8	1,565.0
Other financial assets	153.0	117.6
Intangible assets	8.0	8.0
Trade and other receivables	111.0	92.9
Deferred tax assets	57.2	66.2
Total non-current assets	7,271.0	6,761.3
Current assets		
Trading properties	245.3	133.3
Assets classified as held for sale	34.1	133.3
Trade and other receivables	86.4	160.5
Other financial assets	55.4	28.7
Cash and cash equivalents	905.0	868.8
Total current assets	1,326.2	1,191.3
TOTAL ASSETS	8,597.2	7,952.6
LIABILITIES		
Non-current liabilities		
Interest bearing loans and borrowings	(1,313.4)	(1,025.3)
Lease liabilities	(51.5)	-
Trade and other payables	(223.2)	(222.7)
Employee benefits	(48.2)	(32.1)
Deferred tax liabilities	(692.4)	(691.4)
Provisions	(0.1)	-
Total non-current liabilities	(2,328.8)	(1,971.5)
Current liabilities		
Interest bearing loans and borrowings	(1.3)	(117.0)
Lease liabilities	(3.1)	-
Trade and other payables	(250.4)	(236.3)
Income tax payable	(28.3)	(31.8)
Provisions	(0.3)	(0.7)
Total current liabilities	(283.4)	(385.8)
TOTAL LIABILITIES	(2,612.2)	(2,357.3)
NET ASSETS	5,985.0	5,595.3
Equity		
Share capital	335.9	316.6
Share premium	33.6	31.2
Reserves	892.6	886.5
Retained earnings	4,723.2	4,361.3
Shareholders' funds	5,985.3	5,595.6
Non-controlling interests	(0.3)	(0.3)
TOTAL EQUITY	5,985.0	5,595.3

Ten year summary

Income statement

	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m
Revenue	211.7	195.2	265.5	515.4	254.1	209.1	225.1	378.5	391.8	269.8
Property costs	(89.7)	(80.1)	(157.7)	(315.3)	(124.8)	(86.3)	(91.4)	(224.2)	(218.9)	(132.5)
Administrative and other expenses	(86.2)	(89.8)	(91.0)	(98.6)	(94.7)	(103.9)	(108.9)	(116.5)	(125.8)	(123.5)
Net (losses)/gains on other investments	(1.5)	(7.1)	0.9	(17.7)	(0.2)	(0.5)	1.5	6.8	(18.5)	6.1
Net (losses)/gains on revaluation and sale of investment properties	292.4	324.4	329.0	354.7	540.6	386.3	(36.4)	20.1	48.9	135.1
Impairment of goodwill	–	(0.7)	–	(4.4)	–	–	(0.3)	–	–	–
Share of (loss)/profit from joint ventures	103.7	25.0	58.5	103.2	138.1	151.3	167.7	189.7	145.4	21.5
Profit/(loss) before net financing costs and tax	430.4	366.9	405.2	537.3	713.1	556.0	157.3	254.4	222.9	176.5
Net financing costs	(35.6)	(51.9)	(37.4)	(30.4)	(31.3)	(29.4)	(20.5)	(21.3)	(26.3)	(20.0)
Profit/(loss) before tax	394.8	315.0	367.8	506.9	681.8	526.6	136.8	233.1	196.6	156.5
Revenue profit	50.5	63.6	65.2	153.3	80.1	83.3	79.2	143.5	131.0	65.9

Balance sheet

	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m
Total property assets including share of joint ventures	5,031.0	5,358.9	5,440.7	5,491.3	6,001.2	6,674.6	6,509.5	6,843.2	6,985.3	7,075.4
Investment property	2,525.9	2,812.7	3,054.4	3,349.0	3,876.7	4,349.4	3,745.2	4,177.1	4,345.8	4,561.0
Investment in joint ventures	1,063.3	1,074.8	1,003.9	964.1	992.9	1,114.0	1,350.1	1,426.3	1,406.3	1,219.8
Other financial assets	42.6	36.9	52.9	43.6	67.0	83.3	105.3	53.9	105.8	129.5
Other non-current assets	144.4	148.1	120.0	113.0	134.3	218.8	305.9	305.9	201.2	245.4
	3,776.2	4,072.5	4,231.2	4,469.7	5,070.9	5,765.5	5,506.5	5,963.2	6,059.1	6,155.7
Trading properties	138.7	245.2	294.8	124.9	128.1	157.1	336.7	192.7	119.8	207.8
Assets classified as held for sale	–	–	–	–	–	–	–	–	–	28.9
Cash and cash equivalents	269.4	237.5	238.4	516.6	477.6	237.6	741.8	430.8	780.5	766.3
Other net current assets/(liabilities)	54.5	31.3	40.2	(49.2)	(68.7)	(109.6)	(150.0)	(90.4)	(72.0)	(119.3)
	462.6	514.0	573.4	592.3	537.0	285.1	928.5	533.1	828.3	883.7
Borrowings (including current)	(738.7)	(805.5)	(818.9)	(825.8)	(743.4)	(736.4)	(816.2)	(840.9)	(1,025.8)	(1,113.0)
Deferred tax	(522.1)	(576.4)	(600.1)	(613.7)	(703.4)	(749.1)	(668.3)	(612.6)	(605.4)	(586.1)
Other non-current liabilities	(202.1)	(241.5)	(107.0)	(81.6)	(106.2)	(103.7)	(173.8)	(156.5)	(229.2)	(273.7)
	(1,462.9)	(1,623.4)	(1,526.0)	(1,521.1)	(1,553.0)	(1,589.2)	(1,658.3)	(1,610.0)	(1,860.4)	(1,972.8)
Net Assets	2,775.9	2,963.1	3,278.6	3,540.9	4,054.9	4,461.4	4,776.7	4,886.3	5,027.0	5,066.6
Share capital and share premium	193.2	167.3	130.8	106.8	85.2	85.2	85.2	85.2	312.6	312.6
Reserves	2,456.1	2,688.0	3,061.4	3,348.3	3,881.4	4,289.0	4,693.1	4,803.2	4,714.7	4,754.3
Shareholders' funds	2,649.3	2,855.3	3,192.2	3,455.1	3,966.6	4,374.2	4,778.3	4,888.4	5,027.3	5,066.9
Non-controlling interest	126.6	107.8	86.4	85.8	88.3	87.2	(1.6)	(2.1)	(0.3)	(0.3)
Total equity	2,775.9	2,963.1	3,278.6	3,540.9	4,054.9	4,461.4	4,776.7	4,886.3	5,027.0	5,066.6

Glossary

Assets under management

The total investment in property assets managed by the Group, including the future costs of committed developments.

Co-investment

Where the Group invests equity in joint venture or fund vehicles alongside third parties.

Development exposure

The Group'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 property

A property that is being developed for future use as an investment property.

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.

Equivalent yield

The weighted average yield which if applied to all cashflows from an investment property, including the current rent, reversions to the valuers' current estimated rental value on rent review, lease renewals and new lettings and other items including voids and expenditure produces the valuation having taken the notional purchasers' costs into account. Rent is assumed to be received annually in arrears.

Finance lease

A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.

Financial capacity

Wholly-owned unrestricted cash and undrawn committed facilities.

Future development commitment

The expected costs to complete the development programme to which the Group is committed.

Gearing

Total short- and long-term borrowings, including bank overdrafts, less cash and cash deposits, as a percentage of Shareholders' funds.

Gearing is calculated both on an IFRS basis (using wholly-owned net debt) and an economic basis incorporating our wholly-owned and share of joint venture net debt.

Gross rental income

Total income from rents from the Group's properties.

Grosvenor Estate

The Grosvenor Estate is the term used to represent all the interests of the Grosvenor family headed by the Duke of Westminster. There are three principal elements to these activities: Grosvenor Group, Wheatheaf Investments and The Family Investment Office.

Ground-rented

Property where the freeholder grants a long lease to the tenant, usually in exchange for an up-front premium (for the major part of the value) and a lower ground rent payment for the duration of the lease.

Group

Grosvenor Group Limited and its subsidiary undertakings.

IFRS

International Financial Reporting Standard(s).

Indirect Investments

Grosvenor capital invested with third-party specialists who are responsible for the day-to-day management and business plan delivery of the opportunity.

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.

London estate

The Grosvenor Estate's and the Group's portfolio of office, retail and residential properties in the Mayfair and Belgravia areas of London's West End.

Mark to market

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.

Operating Companies

The Group's regional investment and development businesses.

Passing rent

The annual rental income receivable, which may be more or less than the ERV.

Performance fees

Fees that are payable in the event that the performance of the underlying investment exceeds a predetermined benchmark.

Glossary

Property assets

Investments in property and property-related instruments – comprises investment properties, development properties, trading properties, structured development 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, with the exception of our share of Sonae Sierra, which is accounted for on a management accounts basis.

Proprietary

Relating to the Group's share of investments in property assets. Proprietary assets are both directly and indirectly owned.

Resilience

The extent to which market values of property assets, on a proportional basis, can fall before Group financial covenants are breached.

Revenue profit

Profit before tax, excluding profits on the sale of investment properties, gains or losses on other non-current investments, revaluation movements, major refurbishment costs and derivative fair value adjustments. See also [Note 5](#) to the Financial Statements.

Reversionary yield

The anticipated yield to which running yield will rise (or fall) once the rent reaches ERV; calculated as ERV as a percentage of the value of investment properties.

Running yield

Passing rent as a percentage of the value of investment properties.

Structured development loans

Loans to property developers that are subordinated to senior loans in return for interest and a profit share in the completed development.

Third-party interests

The non-Group share of investments managed by Group.

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

A property held as a current asset in the balance sheet that is being developed with a view to subsequent resale.