Financial Statements 2020

GROSVENOR

Contents

In addition to the information contained in the 2020 Financial Statements, you can download our 2020 Annual Review and the 2020 Non-Financial Data Report to find out more about our progress during the year.

Governance

Accounts

Strategic report

The Directors present their Strategic report for Grosvenor Group Limited (the 'Group') for the year ended 31 December 2020.

Principal activities

The Group develops, manages and invests in property, 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 Note 19 of the Consolidated Financial Statements and Note 2 of the Company Financial Statements.

The Group's purpose

Grosvenor Group's purpose is to improve property 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 2020 Annual Review available at www.Grosvenor.com.

Business review

Group performance

2020 financial results were significantly impacted by Covid-19:

- Revenue profit was down at £25.4m (2019: £65.9m) due to the impact of Covid-19 on recurring revenues (see Operating Company performance below for detail). Revenue Profit is the main metric by which the Group measures itself and is shown in Note 4 and defined in the glossary.
- Loss before tax of £(310.8)m (2019: profit before tax £156.5m) was predominately the result of the negative impact of Covid-19 on property valuations, most notably in relation to retail assets in the UK, Americas and Europe.
- Total return (as defined in the glossary) was negative at (2.9)% (2019: 2.6%). This incorporated negative underlying property returns of (2.8)% (2019: 3.6%) again reflecting the impact of Covid-19 on property valuations. Property returns were further reduced by 0.1% (2019: positive 1.0%) due to a small appreciation of Sterling following the conclusion of a trade agreement between the UK and the EU.
- Shareholders' funds decreased by £0.4bn to £4.7bn (2019: £5.1bn), largely as a consequence of the negative revaluations relating to retail assets.

Operating Company performance

The impact of Covid-19 on the performances of the individual Group's Operating Companies was varied with Grosvenor Asia, Grosvenor America and Grosvenor Europe showing greater resilience than Grosvenor Britain & Ireland and Indirect Investment which were most heavily impacted due to higher exposure to retail:

- Grosvenor Britain & Ireland's recurring income stream has been significantly impacted by the meaningful financial support provided to its vulnerable retail tenants during the pandemic. Net income was enhanced by trading profits relating to the Campden Hill residential development but still resulted in reduced revenue profit of £19.1m (2019: £41.1m). Total return of (4.1)% (2019: 3.1%) and loss before tax of £(184.4)m (2019: profit before tax of £93.0m) reflected negative valuation movements, primarily in relation to the retail assets.
- Rental income in Grosvenor Americas was less impacted as rent collection rates remained high, but anticipated trading profits have largely been delayed or reduced because of Covid-19 disruption. This resulted in reduced revenue profits of £16.0m (2019: £22.8m). Negative revaluation movements, relating primarily to retail assets, have driven a total return of (2.1)% (2019: 7.0%) and a loss before tax of £(56.7)m (2019: profit before tax of £89.6m).
- Grosvenor Asia Pacific's improved performance was driven by trading profits, mainly from the sale of units at Dukes Place (delayed from 2019) and the sale of Dayu Villa in Nanjing. This resulted in revenue profit of £21.6m being generated (2019: £2.3m). Total return of 2.6% (2019: 3.8%) and profit before tax of £16.7m (2019: £27.7m) were only down slightly, as market values were subdued and disposal profits were down compared to 2019.
- Grosvenor Europe delivered a revenue profit of £1.4m (2019: £(0.9)m), despite the challenges of Covid-19. The income from retail assets was reduced due to tenant support provided and bad debt provisions, but this was partly offset by the full year benefit of office acquisitions in Paris and Madrid made towards the end of 2019. Total return of (7.1)% (2019: (0.8)%) and a loss before tax of £(43.8)m (2019: £(11.2)m) were mainly due to negative revaluation of retail assets.

Strategic report

Business review continued

- Indirect Investment's third-party managed assets have shown resilience to the more widely seen impacts of the global pandemic. However, this has been overshadowed by the significant impact that Covid-19 has had on the performance of Sonae Sierra, the international real estate specialist, resulting in an overall revenue profit of £0.4m (2019: £25.5m). Likewise, significant revaluation losses in Sonae Sierra are the main driver for the much lower total return of 0.3% (2019: 5.1%) and a loss before tax of £(9.5)m (2019: £(21.7)m).

Financial position

The Group's Shareholders' funds now stand at £4.7bn (2019: £5.1bn). The reduction is largely due to revaluation losses resulting from the impact of Covid-19 on market sentiment, primarily relating to retail assets. Economic gearing was 25.7% (2019: 20.9%) 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 40%.

During 2020, the Group's share of property assets (shown in Note 15 and defined in the glossary) decreased by £0.4bn to £6.7bn (2019: £7.1bn) and assets under management decreased by £0.8bn to £11.1bn (2019: £11.9bn). The reduction in property assets was largely driven by overall revaluation losses and foreign currency translation losses across the non-UK portfolio plus net property disposals in Grosvenor Britain & Ireland, Grosvenor Asia and Sonae Sierra. This was partly offset by net property acquisitions in Grosvenor America, Grosvenor Europe and Indirect Investment. The reduction in assets under management is largely for the same reasons, with the exception of an overall foreign currency translation gain being realised across the non-UK portfolio.

Financial capacity and liquidity

The Group is well funded and therefore positioned to manage risks and 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) remained at £1.7bn at 31 December 2020 (2019: £1.7bn). The weighted average life of wholly-owned facilities is 5.4 years (2019: 6.2 years).

The Group's relationship approach to treasury continues, and the benefits of this approach have been borne out during the pandemic, as the Group has continued to work constructively with all of its banking partners. The Group plans to consolidate its existing 17 back-up facilities across the Group into one single Group facility during 2021, thereby strengthening its Group bank relationships.

Group reorganisation

During the year there was a reorganisation of the ownership of Grosvenor Group Limited. Detail is provided in the Directors' report on page 16.

Future developments

The Group expects that the impact of Covid-19 and challenging market conditions are likely to persist through 2021, 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 Group's ability to take a long-term view combined with its strong balance sheet and financial capacity puts it in a position to be able to manage risks as well as seek new opportunities.

In 2019, a new Digital Innovation team was established to work with each of the Operating Companies to help them embed digital technology into the business. It continues to be expected that digital innovation will radically change the property industry in the next decade. During 2020, the Group invested in NearSt, a digital start up working with Grosvenor Britain & Ireland and its retail tenants.

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 4. 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	2020	2019	Comment
Revenue profit	To identify underlying performance, excluding market movements.	**£25.4m**	£65.9m	Reduction in net rental income due to financial support provided to tenants, increased bad debt provisions and delayed trading profits.
Total return (including currency movement)	To show how the property portfolio has performed, including both income and capital returns.	**(2.9)%**	2.6%	Total return, before the impact of foreign currency translation, also reduced to (2.8)% (2019: 3.6%). This was due to negative revaluations, largely relating to retail assets. Foreign currency translation provided further losses in 2020 (losses in 2019).
(Loss)/profit before tax	To show the return on assets delivered in absolute terms.	**£(310.8)m**	£156.5m	Primarily revaluation losses in our operating companies, combined with reduced revenue profits and lower disposal profits.
Shareholders' funds	To report the total value of the Shareholders' investment in the Group.	**£4.7bn**	£5.1bn	Shareholders' funds fell in the year primarily due to the revaluation losses largely relating to retail assets in the UK, Americas and Europe.
Property assets (proportional basis)	To quantify the Group's financial investment in property assets.	**£6.7bn**	£7.1bn	Property valuations losses in our operating companies plus net property disposals in Grosvenor Britain & Ireland, Grosvenor Asia and Sonae Sierra and foreign currency translation losses across non-UK portfolio. This is partly offset by net property acquisitions in Grosvenor America, Grosvenor Europe and Indirect Investment.
Assets under management	To monitor the scale of the portfolio of property assets for which the Group's management teams are responsible.	**£11.1bn**	£11.9bn	Reduction in assets under management largely for the same reasons as the movements in property assets with the exception of a foreign currency translation gain across non-UK portfolio.
Development exposure	To indicate the level of committed development activity, expressed as a proportion of total property commitments.	**13.2%**	11.9%	Increase in exposure is the result of investment in several development projects combined with a fall in investment property valuations.

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, including those experienced in 2020 as a result of Covid-19. Taking a long-term view, the Group's focus is less on short-term value fluctuations and more on underlying value-generating potential. The Group is monitoring and considering the possibility of longer-term structural changes to the commercial property market, some of which have been accelerated by Covid-19.

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.

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 Investment and the devolution of property decision-making authority to local boards. The process for identifying both long-term targets and medium-term ranges for the proportion of capital to be allocated to each geographic region is set out on page 10. This year, the Board decided to defer its review of the Group's capital allocation due to the uncertainty caused by Covid-19 and plans to revisit this next year.

Long-term targets and medium-term ranges for capital allocated to regions and between direct (i.e. Operating Companies) and indirect investments, together with actual allocations at 31 December 2020, were as follows:

	Percentage of Capital Invested		
	Long-term target %	Medium-term ranges %	At 31 December 2020 %
United Kingdom	45	40-50	49
North America	25	20-30	26
Europe	10	5-15	11
Asia Pacific	14	10-20	12
Others*	6	0-10	2

* Others includes South America, Africa and Australia.

	Percentage of Capital Invested		
	Long-term target %	Medium-term ranges %	At 31 December 2020 %
Direct	90	85-95	89
Indirect	10	5-15	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.

Risks and uncertainties continued

The distribution of the Group's property assets and assets under management at 31 December 2020 is shown below:

Group property interests and assets under management

	GROUP				THIRD-PARTY INTERESTS				
Year ended 31 December 2020	Investment £m	Development £m	Financial assets £m	Total £m	Investment £m	Development £m	Total £m	Future development commitment £m	**Assets under management £m**
Great Britain & Ireland (GBI)	3,035	169	–	3,204	1,700	11	1,711	164	**5,079**
Grosvenor Americas (GA)	1,082	360	42	1,484	970	166	1,136	31	**2,651**
Grosvenor Asia Pacific (GAsia)	712	93	2	807	136	–	136	–	**943**
Grosvenor Europe (GEurope)	428	57	–	485	1,146	30	1,176	17	**1,678**
Indirect Investments:									
Sonae Sierra	335	16	–	351	–	–	–	–	**351**
Third-party managed	288	12	98	398	–	–	–	–	**398**
TOTAL	5,880	707	142	6,729	3,952	207	4,159	212	**11,100**
Commercial	2,128	72	–	2,200	980	9	989	73	**3,262**
Retail	1,981	113	1	2,095	1,733	–	1,733	6	**3,834**
Residential	1,225	510	124	1,859	1,038	198	1,236	133	**3,228**
Industrial	261	–	–	261	–	–	–	–	**261**
Student accommodation	165	12	–	177	–	–	–	–	**177**
Other	120	–	17	137	201	–	201	–	**338**
TOTAL	5,880	707	142	6,729	3,952	207	4,159	212	**11,100**

Property risks

Investment properties

A significant risk in property investment is the loss of income. This risk has been particularly relevant this year due to the impact that Covid-19 has had on retail and leisure tenants' ability to operate and the resulting financial support that the Group has provided to them.

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.

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. Covid-19 has disrupted the real estate market and resulted in the delay of some planned acquisitions and disposals.

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 28 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 a five-year vision for 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 Director for Health and Safety 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 OHSAS 18001 / ISO 45001 international standard. This addresses verifying that workplace and other risks are being managed where necessary and includes construction and development projects. Each business made good progress in completing its 2020 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 has a web-based health and safety risk management system to assist the Operating Companies.

All Operating Companies have followed local Government requirements during the pandemic. Information and best practice has been shared through regular CEO co-ordination meetings. Intelligence tracking of cases/vaccination and other World Health Organisation data has taken place with the support of our Chief Medical Officer. Relevant in country controls for working in the office, home working and carrying out essential work activities have been identified, deployed and regularly reviewed. Support provided to employees in relation to health and wellbeing is set out in the Employee section below.

There were no fatalities and no other reportable health and safety incidents to statutory authorities involving the Group's employees in 2020. There were five 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 continues to believe 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 continues to share 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 Government's high-risk category for combustible cladding. As industry and regulatory improvement in this area continues, the Group is committed to playing its part.

Risks and uncertainties continued

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. Last year, the Group 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. During 2020 Grosvenor Britain & Ireland and Grosvenor Europe published their net zero carbon pathways and the GAsia Board approved its net zero carbon strategy. It is intended that the Grosvenor Americas pathway will be agreed by the end of 2021 so that the Group's progress to operational net zero by 2030 can be tracked.

The Group is aware of the risks and opportunities presented by climate change, and this year undertook scenario analysis to assess the physical risks posed by global warming and transition risks associated with a transition to a low carbon economy. The Group commissioned Willis Towers Watson to perform the analysis and to assist in the quantification of these risks. The intention is to further embed this analysis and its findings during 2021 into the Group's risk management processes.

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. For the first time this year, the projected operational carbon emissions were included in Group's 10 year strategic plan to provide insight into the progress towards the 2030 target.

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 2020 Annual Review. Detail on these metrics and methodologies can be found in the 2020 Non-Financial Data Report. Both reports are 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).

Uncertainty over the UK's exit from the European Union

Grosvenor saw no discernible impact on operations arising from the end of the transition period of the UK's exit from the European Union (the 'EU') on 31 December 2020. Grosvenor has been proactively monitoring possible impacts arising from the new trading arrangements between the UK and the EU during 2020 and plans have been put in place to mitigate any identified risks. Areas of particular focus have been:

- 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.

Grosvenor will continue to monitor these and any other new risks arising from the UK's exit from the EU during 2021 and manage accordingly.

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 the UK's exit from the EU, the economic exposure is being managed by diversifying this currency exposure. This policy will be reviewed in early 2021.

Risks and uncertainties continued

Covid-19 uncertainty

The Group's performance for 2020 has been significantly impacted by the coronavirus pandemic and performance in 2021 is also expected to be impacted. The Group continues to monitor the ongoing uncertainty on the global economic outlook and to consider, and manage where possible, the impact on customers, employees, wider society and the Group's business performance. Detail on the Group's response to the crisis and the support afforded to our stakeholders is set out in the 2020 Annual Review.

As highlighted in the Going concern and viability 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 17).

The Directors have considered the going concern assumption in light of Covid-19 and the potential ongoing impact on customers and the underlying property businesses' performances. As part of the Group level assessment on the Group's cash flow forecasts for the period ending 31 December 2022, the possible ongoing impact of Covid-19, in particular as it relates to rental income, asset valuations and availability of finance has been considered. Based on the Group's continued forecast liquidity, the Directors still consider it appropriate to prepare the accounts on a going concern basis.

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.

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 ongoing horizon scanning for such industry trends and works closely with Operating Companies 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.

During the Covid-19 pandemic, employees' mental and physical wellbeing was supported through a range of tools, talks and workshops with employees openly encouraged by leaders to take part in these activities.

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 & Engagement on page 12.

Strategic report

Statement of Compliance with Section 172 of Companies Act 2006

Throughout 2020, 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 and 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 & Engagement on page 12.

More information on the Group, its purpose and relationships with stakeholders is provided in the 2020 Annual Review available at www.Grosvenor.com.

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 takes into account both commercial and social outcomes, Health and Safety, People, updates from each 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 principal decisions made by the Group Board during 2020 include:

- Prior to the Covid-19 pandemic, the Board had identified the need for the Group to consider its long-term resilience against the ongoing and increasing disruption in the real estate market. With some of this disruption accelerated by Covid-19, the Board approved a review to consider how the Group should adapt to be strategically and operationally fit for the future. Work is ongoing through 2021 and includes consideration of many stakeholder groups including, employees, customers and wider society.
- Given the unprecedented level of uncertainty from the Covid-19 pandemic on real estate markets, the Board decided to defer its formal review of long-term geographic allocations until 2021.
- The Board approved an opportunistic investment in a joint venture with existing partners REINO-IO into the 'VALE' portfolio of high-quality industrial logistics assets in Poland.
- Having decided to establish a Digital Innovation team in 2019, the Group approved its first investment into a technology company. NearSt is a retail technology company that aligns with the Group's strategic goal of being a more data and customer insight led business. More detail on this investment is provided in the 2020 Annual Review.

Suzie McConnell
Company Secretary

UK Company registration number 12656651
Registered Office
70 Grosvenor Street
London W1K 3JP
18 March 2021

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 again 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 frequently 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 our long-term outlook for urban real estate returns in selected global cities 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 optimisation analysis, consideration of long-term risk and return factors (macro-economic and property market projections, political developments, country risk), a review of Operating Company historic performance, consideration of the overall strategic objectives of the Group and wider issues such as climate change.

Given the high level of uncertainty created by the Covid-19 pandemic on many of these factors, the Board decided to delay its review of capital allocation that was due in 2020 until 2021. However, the Board did review the framework used for these geographic capital allocations decisions and concluded that long-term (15-year plus timeframe) targets and medium-term (five-year timeframe) ranges would be used. The intention is that regional allocations should remain within the medium-term range on their journey towards the long-term target. Actual allocation of new capital is also made periodically which can be as a response to short-term (zero to two year) tactical and opportunistic considerations with the Board approving an investment in REINO by the Indirect Investments business on this basis in 2020. See page 4 of the Strategic report for the long-term targets and medium-term ranges as at 31 December 2020.

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 supports all initiatives by the executive to foster an 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.

Corporate governance

Corporate governance continued

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

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 and carried one out during 2020. Several areas were identified requiring additional focus including risk appetite, succession talent planning and scenario modelling of radical post-Covid-19 outcomes.

The Board held five standard meetings during the year, with full attendance by each Director at every meeting. There was an additional meeting held in November 2020 with only two of the 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 Investment business, the Group Investment Committee oversees its operations and approval of investment decisions up to £25m per capital transaction. Capital transactions above this amount are reserved for approval by the Board.

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 holds a Group Strategy day 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. In line with this thinking the Board approved a strategic and operational review of the Group to consider how the Group may need to adapt in the medium to long term to ensure it remains fit for the future. The work is ongoing in 2021.

With the potential impact of digital disruption on real estate becoming more apparent, last year the Board decided 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. This year, the Board approved an investment in NearSt, a retail technology company that is working with GBI's tenants.

In addition, an opportunistic investment with existing partners REINO-IO in an industrial logistics portfolio in Poland allowed us to take advantage of market changes largely brought about by the Covid-19 pandemic.

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.

Corporate governance

Corporate governance continued

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 twice during 2020 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.

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.

Our philosophy on remuneration is never to pay at the top or the bottom of the market, so we work to ensure a steady income for all levels of the organisation. Each Operating Company has its own variable pay plan managed by its own Remuneration Committee with the Group Remuneration Committee having oversight of all CEO and CFO total remuneration and any low paid workers across the organisation. Some Operating Companies have met their variable pay plan targets and will pay a bonus for 2020, whilst others have not. This is managed by the local businesses. Overall the low inflation environment is likely to impact salary increases in all parts of Grosvenor in 2021 except for those people who are below the median market rate for the role and those who have been promoted. This is in line with the Group's philosophy and reflects the economic impact of Covid-19 rather than Covid-19 itself.

The Group published its Gender Pay Gap reporting for 2020 on the Group's website in October 2020, relating to UK employees only. While we ensure that there is equal pay between the genders for equivalent roles, there remains a gender pay gap in favour of men given the number of men in senior roles. Over time we expect this to come into balance, assisted by a series of initiatives, including more flexible working arrangements and awareness training.

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 strives for a meritocratic culture, whereby the Group can attract, promote and retain talent from all parts of society, removing any constraints from achieving that objective. The Group gives full and fair consideration to applications by disabled persons for employment. Grosvenor aims to build a diverse workforce, reflecting the communities in which it operates. Doing so will require attracting the best people from as wide a pool as possible and retaining them within an inclusive culture.

Corporate governance

Corporate governance continued

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 quarterly face-to-face briefings on business performance and key issues from senior management to regular news updates via various digital means. During the Covid-19 crisis, face-to-face meetings have been organised via MS Teams. During the year, formal employee opinion surveys have been conducted both at the Grosvenor Holding Company and Operating Company level.

The senior management of each business area has reviewed the results from these surveys and plans are created and delivered to address any concerns raised. Responses are specific to the findings in each business and during 2020 have included increased regularity of open forum sessions, newsletters with updates on business and community matters, increased technology support for working from home and support with home schooling.

During the Covid-19 pandemic, emphasis has been placed on supporting employees' physical and mental wellbeing. Support is provided in a number of ways: teams are encouraged to meet virtually at a minimum once a week for work and social catch ups. Weekly updates are sent to all employees signposting access to online fitness classes or mental health workshops. These activities are supported by employees who have been trained as mental health first aiders and speak up allies as well as the provision of an online employee assist programme.

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. 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. Building on these existing policies, the Group is targeting that by 2030, 75% of its direct suppliers will align with ethical business principles that focus on the suppliers' management of its own stakeholders namely customers, employees, community and environment. More detail is provided in the Annual Review 2020.

For the Holding Company's limited number of direct suppliers and all other business stakeholders, the 2020 Annual Review is widely distributed, and together with the 2020 Financial Statements it is available on the Group's website.

The Group's policy is to maintain close contact during each financial year with banks, 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 has also disclosed in this Directors' report (see page 22) certain GHG emissions and energy consumption in line with the streamlined energy and carbon reporting requirements.

Last year, the Group announced 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. This year, Grosvenor Britain & Ireland and Grosvenor Europe published their net zero carbon pathways while Grosvenor Asia developed a bespoke NZC strategy. Grosvenor Americas is on track to publish its pathway in 2021. More detail on these pathways is provided in the 2020 Non-Financial Data Report which is available on the Group's website. Meanwhile, local communities continue to be at the centre of the Operating Companies' activities. Given the Covid-19 pandemic, the emphasis on local communities has been even more acute, as illustrated in the Annual Review 2020.

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.

Corporate governance

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)

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 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 internal and external auditors 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 2020, with full attendance at each of the meetings.

The Britain & Ireland, Americas, Asia Pacific and 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.

Corporate governance

Committees of the Board continued

Remuneration Committee

Currently, the Group Remuneration Committee comprises:

- Michael McLintock (Chairman)
- Sir Philip Dilley

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 2020.

Directors' report disclosures

The Company was incorporated on 9 June 2020 as GGL Group Number Two Limited. On 3 August 2020, as part of a wider reorganisation of the ownership of Grosvenor Group Limited ('GGL'), the Company entered into an agreement to acquire the entire share capital of GGL. The transaction was funded by the issue of new shares to the existing Shareholders of GGL, as a result of this, the Company is now the ultimate parent company of the GGL Group. The purpose of the transaction is to align the net assets of the holding company with that of the consolidated group. The Financial Statements for the Company have been prepared in accordance with FRS 102 and the Group's Consolidated Financial Statements under IFRS.

As there has been no change to the ultimate ownership of the GGL Group, the Directors consider it appropriate to prepare the Consolidated Financial Statements by applying the book-value method of accounting for the reorganisation, with the Company including the previous holding company's assets, liabilities, income and expenses in its Consolidated Financial Statements retrospectively from the beginning of the earliest period presented. Pre-reorganisation information has then been restated as if the Company and the transferred entity had always been combined. The difference between the nominal value of the share capital issued by the Company as consideration for the transaction and the net carrying amount of the assets and liabilities recognised was £4,737.5m. This is presented within the Company's Merger Capital reserve and assessed for impairment at each subsequent year end.

Subsequent to the reorganisation, on 8 October 2020, the Company and previous holding company exchanged names such that the Company became Grosvenor Group Limited and the previous holding company became GGL Group Number Two Limited.

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 28 to the Accounts.

Directors

The Directors of the Company during the period, and to the date of signing these Financial Statements were Matthew Barzun, Robert Davis, Sir Philip Dilley, Barbara Kux, Michael McLintock, Christopher Pratt, Dame Fiona Reynolds, Mark Preston and Peter Vernon. Mark Preston and Robert Davis were appointed on incorporation of the Company with the remaining Directors appointed on 3 August 2020, as part of the wider reorganisation.

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 with the opening position referred to being the shares held in the previous holding company.

	Ordinary shares		'A' preference shares		Non-voting redeemable preference shares	
	At 1 January 2020	**At 31 December 2020**	At 1 January 2020	**At 31 December 2020**	At 1 January 2020	**At 31 December 2020**
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	**4,324,433**	2,881,004	**4,324,433**	138,288,192	**207,572,784**
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.

Directors' report

Dividends

Dividends paid during the year amounted to £47,468,723 (2019: £46,274,897).

The Directors have proposed a final dividend of £32,176,404 to be paid on 1 April 2021.

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.

Covid-19 continues to impact on the underlying business performance and tenants. The Group's financial planning already incorporates a broad range of outcomes including a significant property market and financial market crash. Therefore, the Directors are of the view that our planning already considers extreme downside volatility that may arise from Covid-19 related economic uncertainty.

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.

Directors' report

The Group uses the following financial 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 40%.
- **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.
- **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 or Covid-19 economic uncertainty, 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.

Directors' report

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 28 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 monthly cash flow forecasts 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.

As part of the Group level assessment on the Operating Company and Group cash flow forecasts, the possible ongoing impact of Covid-19 has been considered. The monthly cash flow forecast already includes 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 scenario; 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 a two-year period under this downturn scenario. This downturn scenario, which has also been sensitised in the context of Covid-19, includes reduced income, reduced availability of finance and assumes a significant fall in property valuations.

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 at least 12 months from the date of signing of the Financial Statements and for the foreseeable future. Accordingly, the Financial Statements have been prepared on the going concern basis.

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 prepared.

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 including a two-year forward view of a stressed cash flow scenario which incorporates an extreme downturn. 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, and this is largely done via the Westminster Foundation which is a grant-making foundation representing the charitable interests of The Duke of Westminster and the Grosvenor Estate, including Grosvenor Group Limited. In 2020, Grosvenor Group Limited's charitable contributions amounted to £3.9m (2019: £3.9m) of which £3.4m (2019: £2.6m) was donated via 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 2020, the total figure given by the Westminster Foundation in this way was £9,283 (2019: £21,380). In addition, Grosvenor supports Give As You Earn up to £1,200 for UK-based employees and in 2020 this amounted to £31,483 (2019: £29,783).

Following the adoption of a new funding strategy by the Westminster Foundation in 2019, 2020 charitable giving across the Grosvenor Estate focussed on inspiring children and young people early in life (aged 0–25) with opportunities to thrive, build confidence and raise aspirations. Support has been provided to each Operating Company charity committee by the Westminster Foundation team to identify charities that meet these themes.

At the beginning of the Covid-19 pandemic, a personal donation from the Duke and a donation from Grosvenor Group enabled the Foundation to make £2.5m of funding immediately available to support charities providing essential food distribution or vital educational resources to vulnerable children and families during school closures. This 'crisis fund' supported an army of community groups and volunteers who worked around the clock to provide a lifeline to those in desperate need.

As soon as it became apparent the national impact of Covid-19 would be long lasting, the Duke made an additional personal donation of £10m available to the Foundation, bringing the total amount to £12.5m. This extra funding created a 'rebuild and resilience fund' to support initiatives that would help people struggling with the long-term impact of the pandemic, as well as contribute to the national rebuild effort. This included a £5m donation to NHS Charities Together to create a 'Family Fund' that provided food, respite, rehabilitation and mental health support to NHS key workers and their families. Funding also went towards medical research and development linked to Covid-19, as well as organisations playing a vital role in supporting vulnerable individuals or families who may struggle with the long-term impact of the epidemic.

Full details of charities awarded major grants in 2020 can be found in the Westminster Foundation report and accounts.

Furthermore, a portfolio of approximately 20,000 sq ft of office space in South Belgravia 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 2020 totalled £550,000 (2019: £510,000). Further rent deductions were provided to the tenants during the year to assist them during Covid-19.

Political donations

No political donations were made during the year (2019: £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 2020, the Group's economic share of tax payments totalled £83.2m (2019: £68.1m). Over the last three years, the economic tax contribution totalled £249.1m (2019: £264.9m).

TAX TYPE	TOTAL TAX BORNE (£m) 2020	%	TOTAL TAX BORNE (£m) 3 YEARS to 2020	%
Corporate Income Tax paid in the year	36.6	44	110.9	45
Property Transaction Taxes paid in the year	18.2	22	53.1	21
Annual Property Taxes	8.4	10	31.4	13
Employer Taxes and Social Security Costs	8.8	11	28.9	11
Irrecoverable VAT (UK only)	11.2	13	24.8	10
TOTAL	**83.2**	**100**	**249.1**	**100**

COUNTRY	TOTAL TAX BORNE (£m) 2020	%	TOTAL TAX BORNE (£m) 3 YEARS to 2020	%
United Kingdom	24.5	30	88.8	35
Canada	3.3	4	27.9	11
Japan	13.5	16	27.5	11
United States	14.2	17	45.6	18
Portugal	1.8	2	12.1	5
Spain	9.1	11	14.7	6
Australia	4.4	5	7.5	3
Brazil	0.3	0	2.3	1
Sweden	0.9	1	2.3	1
Hong Kong	2.2	3	3.9	2
Other	9.0	11	16.5	7
TOTAL	**83.2**	**100**	**249.1**	**100**

Directors' report

Energy and carbon reporting

This statement has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the Government's policy on Streamlined Energy and Carbon Reporting.

During the reporting period 1 December 2019 to 30 November 2020, measured Scope 1 and 2 emissions (location-based) totalled 30,682 tCO_2e (2019: 37,356 tCO_2e). This comprised:

	12 months ended 30 November 2020			12 months ended 30 November 2019		
Scope	**UK**	**Rest of world**	**Total**	UK	Rest of world	Total
Scope 1	**3,351**	**2,279**	**5,630**	3,289	3,164	6,453
Scope 2 (location-based)	**4,532**	**20,520**	**25,052**	6,041	24,862	30,903
Scope 2 (market-based)	**0**	**17,358**	**17,358**	0	19,979	19,979
Total Scope 1 and 2 (location-based)	**7,883**	**22,799**	**30,682**	9,330	28,026	37,356
Scope 3	**1,167**	**3,392**	**4,559**	1,322	3,572	4,894
Scope 3 (business mileage)	**5**	**208**	**213**	1,172	865	2,037
TOTAL (location-based)	**9,055**	**26,399**	**35,454**	11,824	32,463	44,287
tCO_2e per m^2	**77**	**109**	**186**	95	128	223

Overall, Scope 1 and 2 emissions have decreased by 18% in 2020. A large portion of this was due to occupancy and travel reductions due to the coronavirus pandemic globally. LED retrofits across the portfolio have also led to tangible reductions in energy consumption. Efficiencies on heating and cooling infrastructure have accounted for reductions in district heating and cooling in the Swedish sites. Despite the disruption caused by Covid-19 in 2020, a number of important energy projects have taken place, such as the smart meter rollout in Grosvenor Britain & Ireland's London portfolio, and optimisation programmes across Grosvenor Americas and Grosvenor Europe.

Furthermore, the Group has committed to achieve net zero carbon operational emissions from all directly-managed buildings globally, by 2030. Both Grosvenor Britain & Ireland and Grosvenor Europe published net zero carbon pathways in 2020 that reduce carbon impact by at least 50% by 2030. As a result of identifying its pathway, Grosvenor Britain & Ireland has had an increased focus in the embodied carbon of buildings and material across its portfolio. In addition, Grosvenor Asia developed a bespoke net zero carbon strategy and Grosvenor Americas is expected to publish its pathway in 2021.

Directors' report

Energy and carbon reporting continued

During the year, total fuel and electricity consumption totalled 150,053 MWh (2019: 171,427 MWh), of which 26% was consumed in the UK. The split between fuel and electricity consumption is displayed below.

	12 months ended 30 November 2020			12 months ended 30 November 2019		
Energy consumption (MWh)	**UK**	**Rest of world**	**Total**	UK	Rest of world	Total
Electricity and gas	**39,050**	**110,228**	**149,278**	44,168	126,982	171,150
Fuels (oil and diesel)	**0**	**775**	**775**	0	277	277
TOTAL	**39,050**	**111,003**	**150,053**	44,168	127,259	171,427

Our emissions have been verified to a reasonable level of assurance by an external third party according to the ISAE 3000 standard.

Methodology

The Group's organisational GHG emissions has been quantified and reporting in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. The Group's organisational boundary is consolidated according to the operational control approach. A materiality threshold of 5% has been adopted for GHG reporting purposes. The GHG sources that constituted the Group's operational boundary for the year are:

Scope 1: Natural gas, fuel oil

Scope 2: Electricity, district heating and cooling

Scope 3: Tenant energy consumption, water, business travel, fuel and energy related activities

In some cases, where data is missing, values have been estimated using either extrapolation of available data or data from the previous year as a proxy.

The Scope 2 Guidance requires that Scope 2 emissions are quantified and reported according to two different methodologies ('dual reporting'): (i) the location-based method, using average emissions factors for the country in which the reported operations take place; and (ii) the market-based method, which uses the actual emissions factors of the energy procured.

More information on the Group's energy consumption and net zero target and pathways is provided in the 2020 Non-Financial Data Report which is available on the Group's website.

Post balance sheet events

In January 2021 Grosvenor Americas repaid the outstanding balance of a secured loan of £42.0m.

In March 2021, the Group sold down a 10% stake in Sonae Sierra to Sonae SGPS, reducing our shareholding to 20%.

Directors' report

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.

Suzie McConnell
Company Secretary

UK Company registration number 12656651
Registered Office
70 Grosvenor Street
London W1K 3JP
18 March 2021

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. Under that law the Directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 18 March 2021 and is signed on its behalf by:

Michael McLintock
Chairman

Corporate advisers and bankers

Corporate advisers and bankers

Auditor: Deloitte LLP

Tax advisers: KPMG LLP

Principal valuers: Cushman & Wakefield, CB Richard Ellis

Solicitors: Boodle Hatfield LLP, Slaughter and May

Lead bankers: NatWest 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 of Grosvenor Group Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cashflows;
- the consolidated and parent company accounting policies;
- the related consolidated notes 1 to 37; and
- the related parent company notes 1 to 5.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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.

Independent auditor's report

to the members of Grosvenor Group Limited

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- review of financing facilities including nature of facilities, repayment terms and covenants
- review of linkage to business model and medium-term risks
- review of assumptions used in the forecasts
- review of amount of headroom in the forecasts (cash and covenants)
- review of stressed cash flow forecast and related assumptions
- assessment of the model used to prepare the forecasts and our assessment of the historical accuracy of forecasts prepared by management

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

We have nothing to report in this regard.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report

to the members of Grosvenor Group Limited

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Validity of data used by the external valuers in the estimation of the fair value of investment property – there is a potential fraud risk in management's ability to influence the lease data provided to the external valuers. To address this fraud risk, we obtained and documented an understanding of relevant controls in the valuation process and in particular the information provided to the valuers. We tested the completeness and accuracy of a sample of the data provided to the external valuers through agreeing a sample of the information provided to the external valuers to underlying lease agreements.
- Accounting for investment property disposals – there is a potential fraud risk in relation to management recognising investment property disposals in the incorrect period in order to manipulate the financial statements. To address this fraud risk, we have audited a sample of disposals made in December 2020 and January 2021 to ensure they have been recognised in the correct period based on the transaction completion date.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Independent auditor's report

to the members of Grosvenor Group Limited

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; and
- 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; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- 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.

Georgina Robb FCA
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
18 March 2021

Consolidated income statement

for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Revenue	5	**209.5**	269.8
Property costs	6	**(97.9)**	(132.5)
Net property income		**111.6**	137.3
Administrative expenses	7	**(114.4)**	(123.2)
Net gains on other investments	11	**1.0**	6.1
Net (losses)/gains on revaluation and sale of investment property	12	**(241.1)**	135.1
Impairment loss on trade and other receivables, including contract assets	28	**(13.4)**	(0.3)
Share of profit from joint ventures	19	**(28.7)**	21.5
(Loss)/profit from operations including share of joint ventures		**(285.0)**	176.5
Dividend income		**–**	–
Financial income	13	**17.4**	21.9
Financial expenses	13	**(43.8)**	(43.2)
Fair value adjustments	13	**0.6**	1.3
Net financing costs	13	**(25.8)**	(20.0)
(Loss)/profit before tax		**(310.8)**	156.5
Current tax expense	14	**(3.1)**	(39.6)
Deferred tax credit	14	**16.2**	16.8
(Loss)/profit for the year	35	**(297.7)**	133.7
Attributable to:			
Equity holders of the parent	35	**(297.7)**	133.7
Non-controlling interests	35	**–**	–
(Loss)/profit for the year	35	**(297.7)**	133.7

Revenue profit is shown in Note 4.

All results are derived from continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
(Loss)/Profit for the year	35	**(297.7)**	133.7
Other comprehensive income which may be reclassified to profit or loss in subsequent periods:			
Revaluation of property, plant and equipment	35	**(2.8)**	–
Fair value adjustments on swaps			
Losses arising during the period	35	**(3.5)**	(3.8)
Exchange differences on translation of foreign operations – Group	35	**5.1**	(11.7)
Exchange differences on translation of foreign operations – joint ventures and associates	35	**(10.6)**	(26.5)
Tax relating to gains on fair value adjustments and revaluations	35	**0.9**	0.8
Other comprehensive expense, net of tax, which may be reclassified to profit or loss in subsequent periods		**(10.9)**	(41.2)
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:			
Actuarial losses on defined pension benefit schemes	35	**(32.7)**	(7.8)
Tax relating to actuarial gains	14	**5.9**	1.9
Fair value gain on investments in equity instruments designated as at fair value through other comprehensive income	35	**5.4**	0.3
Other comprehensive loss, net of tax, not to be reclassified to profit or loss in subsequent periods		**(21.4)**	(5.6)
Total comprehensive (loss)/income for the period		**(330.0)**	86.9
Attributable to:			
Equity holders of the parent		**(330.0)**	86.9
Non-controlling interests		**–**	–
		(330.0)	86.9

The final dividend proposed by the Directors of £32,176,404 is to be paid on 1 April 2021.

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Attributable to equity holders of the parent									
	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**
Balance at 1 January 2019	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**
Changes in equity for 2020										
Loss for the year	–	–	–	–	–	–	(297.7)	**(297.7)**	–	**(297.7)**
Other comprehensive (expense)/income	–	–	(5.4)	(2.5)	5.4	(3.0)	(26.8)	**(32.3)**	–	**(32.3)**
Dividends	–	–	–	–	–	–	(47.5)	**(47.5)**	(0.2)	**(47.7)**
Transfers between reserves (see Note 35)	–	(28.3)	–	(222.2)	–	–	250.5	**–**	–	**–**
Balance at 31 December 2020	284.3	–	491.7	(5.1)	3.5	38.0	3,877.0	**4,689.4**	(0.5)	**4,688.9**

Consolidated balance sheet

as at 31 December 2020

	Notes	2020 £m	2019 £m
ASSETS			
Non-current assets			
Investment property	16	**4,266.8**	4,561.0
Other property, plant and equipment	17	**62.5**	64.6
Right-of-use assets	18	**29.4**	31.6
Investments in joint ventures and associates	19	**1,112.5**	1,219.8
Other financial assets	20	**137.4**	129.5
Intangible assets	21	**7.2**	6.8
Trade and other receivables	22	**125.2**	94.0
Deferred tax assets	23	**59.8**	48.4
Total non-current assets		**5,800.8**	6,155.7
Current assets			
Trading properties	24	**347.8**	207.8
Assets classified as held for sale	25	**–**	28.9
Trade and other receivables	22	**69.0**	73.1
Other financial assets	20	**12.9**	46.9
Income tax receivable		**16.8**	–
Cash and cash equivalents	26	**699.5**	766.3
Total current assets		**1,146.0**	1,123.0
TOTAL ASSETS		**6,946.8**	7,278.7
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	27	**(1,129.3)**	(1,111.8)
Lease liabilities	18	**(41.0)**	(43.8)
Trade and other payables	29	**(190.9)**	(189.0)
Employee benefits	9	**(79.4)**	(40.9)
Deferred tax liabilities	23	**(572.4)**	(586.1)
Provisions	30	**(0.4)**	–
Total non-current liabilities		**(2,013.4)**	(1,971.6)
Current liabilities			
Interest bearing loans and borrowings	27	**(51.2)**	(1.2)
Lease liabilities	18	**(3.1)**	(2.6)
Trade and other payables	29	**(185.0)**	(212.0)
Current tax payable		**(5.0)**	(24.4)
Provisions	30	**(0.2)**	(0.3)
Total current liabilities		**(244.5)**	(240.5)
TOTAL LIABILITIES		**(2,257.9)**	(2,212.1)
NET ASSETS		**4,688.9**	5,066.6
Equity			
Share capital	34	**284.3**	284.3
Share premium	35	**–**	28.3
Reserves	35	**528.1**	755.8
Retained earnings	35	**3,877.0**	3,998.5
Shareholders' funds	35	**4,689.4**	5,066.9
Non-controlling interests	35	**(0.5)**	(0.3)
TOTAL EQUITY	35	**4,688.9**	5,066.6

Approved by the Board and authorised for issue on 18 March 2021 and signed on behalf of the Board

Michael McLintock (Chairman)

Robert Davis (Group Finance Director)

Company registration number: 12656651

Consolidated statement of cash flows

for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Operating activities			
Operating (loss)/profit before changes in working capital and provisions	36(a)	**(15.7)**	5.4
(Increase)/decrease in trade and other receivables		**(13.2)**	75.7
Increase in trading properties		**(135.7)**	(110.6)
Increase/(decrease) in trade and other payables		**35.5**	(19.0)
Increase in employee benefits		**5.0**	3.4
Increase/(decrease) in provisions		**0.2**	(0.3)
Cash flow used in operations		**(123.9)**	(45.4)
Interest paid		**(55.0)**	(52.2)
Taxes paid		**(30.8)**	(18.8)
Interest received		**19.8**	23.1
Cash flow used in operations		**(189.9)**	(93.3)
Investing activities			
Proceeds from sale of investment properties		**111.3**	112.8
Acquisition of investment and development properties		**(59.0)**	(189.6)
Development of investment and development properties		**(24.5)**	(19.0)
Acquisition of other financial assets		**–**	(44.0)
Proceeds from sale of other financial assets		**30.0**	–
Acquisition of other plant, property and equipment		**(6.7)**	(5.2)
Proceeds from sale of other plant, property and equipment		**–**	–
Loans to joint ventures and associates		**(31.1)**	(15.6)
Distributions from joint ventures and associates		**161.2**	157.3
Acquisition of joint ventures and associates		**(167.3)**	(30.4)
Disposals of joint ventures and associates		**69.6**	78.2
Cash flow from investing activities		**83.5**	44.5
Financing activities			
Proceeds from additional borrowings		**150.6**	156.9
Repayment of borrowings		**(61.6)**	(62.3)
Repayment of lease liabilities		**(6.1)**	(5.8)
Non-controlling shares acquired by subsidiaries		**–**	–
Dividends paid to minorities		**(0.2)**	–
Dividends paid		**(47.5)**	(46.3)
Cash flow from financing activities		**35.2**	42.5
Net decrease in cash and cash equivalents		**(71.2)**	(6.3)
Cash and cash equivalents at 1 January		**766.3**	780.5
Effect of exchange rate fluctuation on cash held		**4.4**	(7.9)
Cash and cash equivalents at 31 December		**699.5**	766.3

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.

The consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The individual Financial Statements of the Company have been prepared under Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and are set out on pages 98–110.

Disclosures are consistent with prior years. The consolidated accounts have been prepared as if the Company had always been the parent company of the Group in line with the book-value method of accounting for the reorganisation that took place during the year.

The Financial Statements are prepared in Sterling. They have been prepared on the going concern basis as described in the Going concern and viability section of the Directors' report on page 18. 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 remeasured to fair value at the date of transfer and any gain or loss is recognised in the income statement. The remeasured amount becomes the deemed cost at which the property is then carried in trading properties.

(e) Leases

The Group has leases 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. 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.

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.

Notes to the Financial Statements

1 Accounting policies continued

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.

(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.

(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.

Notes to the Financial Statements

1 Accounting policies continued

(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.

(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.

Notes to the Financial Statements

1 Accounting policies continued

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 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. 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 14 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.

Notes to the Financial Statements

1 Accounting policies continued

(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 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Financial Statements.

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

- Amendments to References to the Conceptual Framework in IFRS Standards;
- IFRS 3 (Amendments) Business Combinations: Definition of a business; and
- IAS 1 and IAS 8 (Amendments): Definition of material.

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 3 (Amendments) Business Combinations: Reference to the Conceptual Framework;
- IFRS 10 and IAS 28 (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IAS 1 (Amendments): Classification of Liabilities as Current or Non-current;
- Annual Improvements to IFRS Standards 2018-2020 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture;
- IAS 16 (Amendments): Property, Plant and Equipment – Proceeds before Intended Use; and
- IAS 37 (Amendments): Onerous Contracts – Cost of Fulfilling a Contract.

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.

(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 the property yields and the estimated future rental income assumed in the valuations. The various valuers' reports for Grosvenor Americas, Sonae Sierra and GEurope's Spanish and Swedish assets, for the year ended 31 December 2020, contained 'material uncertainty' clauses in line with RICS Red Book Global or International Valuation Standards guidance due to a heightened degree of uncertainty caused by the impact of the Covid-19 pandemic. The inclusion of this clause indicates that these is substantially more uncertainty than normal and therefore a higher likelihood that the assumptions upon which the external valuer has based its valuation prove to be inaccurate. See Note 16 for details of the estimates used in deriving the valuations.

1 Accounting policies continued

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 9. 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.

Expected credit losses

In accordance with IFRS 9, a provision is required to be made for expected credit losses on financial assets. The most material source of estimation uncertainty in this regard relates to the Group's trade debtors (typically arrears on rental income) and any debtors held in relation to lease incentives provided to tenants. The likelihood of recovery is assessed at the point invoices become due and an expected credit loss is recognised to the extent that any of the balance is considered irrecoverable by applying a probability weighted percentage chance of recovery to each debtor based on the counterparty's circumstances. Covid-19 has made this assessment more subjective due to the unprecedented challenges the pandemic has presented to the ability of tenants to meet their lease obligations. As such there is significant uncertainty over the value of the associated expected credit losses and financial impact of changing key inputs has been set out in Note 22.

Notes to the Financial Statements

2 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	
	2020 £1	2019 £1	**2020 £1**	2019 £1
US Dollars	**1.29**	1.28	**1.37**	1.33
Canadian Dollars	**1.73**	1.69	**1.74**	1.72
Euros	**1.13**	1.14	**1.12**	1.18
Australian Dollars	**1.87**	1.84	**1.78**	1.89
Hong Kong Dollars	**10.01**	10.03	**10.59**	10.33
Chinese Renminbi	**8.90**	8.83	**8.91**	9.21
Japanese Yen	**137.24**	139.54	**141.15**	144.03
Swedish Krona	**11.80**	12.12	**11.24**	12.40

Notes to the Financial Statements

3 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. The balance sheet is presented on a proportional basis as property assets presented in this manner is a key performance metric of the Group.

2020

	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**
Income statement									
Revenue	128.6	59.0	7.4	14.5	–	–	–	–	**209.5**
Property costs (excluding major refurbishments)	(54.0)	(31.3)	(1.0)	(2.2)	–	(2.9)	–	–	**(91.4)**
Net property income/(cost)*	74.6	27.7	6.4	12.3	–	(2.9)	–	–	**118.1**
Administrative expenses	(19.6)	(29.4)	(15.2)	(14.1)	–	–	(3.3)	(32.8)	**(114.4)**
Impairment loss on trade and other receivables, including contract assets	(13.2)	–	(0.2)	–	–	–	–	–	**(13.4)**
Net financing (costs)/income	(27.8)	2.6	0.8	(1.4)	–	8.9	(0.6)	(0.3)	**(17.8)**
Revenue profit/(loss) of joint ventures and associates (Note 19)	5.1	15.1	29.8	4.6	(4.1)	2.4	–	–	**52.9**
Group revenue profit/(loss)	19.1	16.0	21.6	1.4	(4.1)	8.4	(3.9)	(33.1)	**25.4**
Net gains/(losses) on revaluation and sale of investment properties	(196.6)	(31.1)	(0.3)	(13.1)	–	–	–	–	**(241.1)**
Major refurbishment costs	(6.5)	–	–	–	–	–	–	–	**(6.5)**
Net gains on other investments	–	–	–	1.0	–	–	–	–	**1.0**
Derivative fair value adjustments	–	0.4	(1.7)	–	–	–	–	–	**(1.3)**
Derivative fair value adjustments related to structured development loans	–	(6.7)	–	–	–	–	–	–	**(6.7)**
Other (losses)/gains of joint ventures and associates (Note 19)	–	(35.2)	(1.1)	(34.0)	(10.2)	(2.8)	–	–	**(83.3)**
Profit/(loss) before tax	(184.0)	(56.6)	18.5	(44.7)	(14.3)	5.6	(3.9)	(33.1)	**(312.5)**
Tax and non-controlling interests in joint ventures and associates	(0.4)	(0.1)	(1.8)	0.9	3.1	–	–	–	**1.7**
Profit/(loss) before tax reported in the income statement	(184.4)	(56.7)	16.7	(43.8)	(11.2)	5.6	(3.9)	(33.1)	**(310.8)**
Tax (expense)/credit	(15.2)	17.9	(2.1)	2.8	–	(0.4)	–	10.1	**13.1**
Profit/(loss) after tax reported in the income statement	(199.6)	(38.8)	14.6	(41.0)	(11.2)	5.2	(3.9)	(23.0)	**(297.7)**

* Included in net property income are net loss on trading properties amounting to £(15.9)m (2019: profit of £7.2m) arising from income from sale of trading and development properties of £4.9m (2019: £58.0m) less the carrying value of trading properties sold of £20.8m (2019: £50.8m).

Notes to the Financial Statements

3 Segmental analysis continued

2020

	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	3,034.7	1,082.1	712.0	428.5	335.0	287.5	–	–	**5,879.8**
Investment property under development	155.3	–	–	–	16.2	12.1	–	–	**183.6**
Trading property	14.5	359.6	92.6	56.8	–	–	–	–	**523.5**
Other financial assets	–	41.9	2.3	–	–	98.1	–	–	**142.3**
Total property assets	3,204.5	1,483.6	806.9	485.3	351.2	397.7	–	–	**6,729.2**
Net (debt)/cash	(378.2)	(436.7)	(106.9)	(283.6)	(93.8)	(142.5)	(23.2)	257.9	**(1,207.0)**
Deferred tax (liability)/asset	(374.1)	(112.3)	(17.3)	(10.5)	(51.2)	–	0.2	6.8	**(558.4)**
Other net (liabilities)/assets	(226.8)	(63.0)	(24.3)	60.1	3.6	6.9	(75.6)	44.2	**(274.9)**
Net assets/(liabilities)	2,225.4	871.6	658.4	251.3	209.8	262.1	(98.6)	308.9	**4,688.9**
Property additions	15.9	25.6	1.8	63.6	2.2	104.9	–	–	**214.0**

2019

	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
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	(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 19)	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	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 19)	–	(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

3 Segmental analysis continued

2019

	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	3,288.2	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/(liabilities)	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

Notes to the Financial Statements

4 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.

	2020			2019		
	Group £m	**Share of joint ventures and associates (Note 19) £m**	**Total £m**	Group £m	Share of joint ventures and associates (Note 19) £m	Total £m
Revenue	**209.5**	**209.4**	**418.9**	269.8	184.6	454.4
Property costs (excluding major refurbishments)	**(91.4)**	**(111.3)**	**(202.7)**	(123.9)	(72.0)	(195.9)
Net property income (before major refurbishments)	**118.1**	**98.1**	**216.2**	145.9	112.6	258.5
Administrative expenses	**(114.4)**	**(21.6)**	**(136.0)**	(123.2)	(21.5)	(144.7)
Impairment loss on trade and other receivables, including contract assets	**(13.4)**	**–**	**(13.4)**	(0.3)	–	(0.3)
Net financing costs (excluding derivative fair value adjustments)	**(17.8)**	**(23.6)**	**(41.4)**	(19.1)	(28.5)	(47.6)
Revenue profit/(loss)	**(27.5)**	**52.9**	**25.4**	3.3	62.6	65.9
Reconciliation of revenue profit/(loss) to profit/(loss) before tax:						
Revenue profit/(loss)	**(27.5)**	**52.9**	**25.4**	3.3	62.6	65.9
Joint ventures and associates:						
– Revenue profit/(loss)	**–**	**(52.9)**	**(52.9)**	–	(62.6)	(62.6)
– Equity accounted profit/(loss)	**–**	**(28.7)**	**(28.7)**	–	21.5	21.5
Net gains on revaluation and sale of investment properties	**(241.1)**	**–**	**(241.1)**	135.1	–	135.1
Major refurbishment costs	**(6.5)**	**–**	**(6.5)**	(8.6)	–	(8.6)
Net gains/(losses) on other investments	**1.0**	**–**	**1.0**	6.1	–	6.1
Fair value realised from prior years related to structured development loans	**(8.7)**	**–**	**(8.7)**	(2.2)	–	(2.2)
Derivative fair value adjustments related to structured development loans	**2.0**	**–**	**2.0**	1.7	–	1.7
Derivative fair value adjustments	**(1.3)**	**–**	**(1.3)**	(0.4)	–	(0.4)
Profit/(loss) before tax	**(282.1)**	**(28.7)**	**(310.8)**	135.0	21.5	156.5

Notes to the Financial Statements

5 Revenue

	2020 £m	2019 £m
Gross lease payments receivable	**140.1**	149.8
Amortisation of lease incentives	**15.2**	10.6
Amortisation of deferred lease premiums	**9.1**	9.4
Gross rental income	**164.4**	169.8
Revenue from contracts with customers:		
Income from sale of trading and development properties	**4.9**	58.0
Service charge income	**17.1**	15.4
Other income	**23.1**	26.6
Revenue from contracts with customers	**45.1**	100.0
	209.5	269.8

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 (2019: £nil).

Other income can be further analysed as follows:

	2020 £m	2019 £m
Fund management and asset management fees	**16.4**	15.2
Project management fees	**2.5**	4.4
Other income	**4.2**	7.0
	23.1	26.6

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	–	4.9	–	–	–	**4.9**
Service charge income	16.6	–	–	0.5	–	**17.1**
Fund management and asset management fees*	5.2	6.1	0.5	4.6	–	**16.4**
Project management fees	0.1	2.4	–	–	–	**2.5**
Other income	0.8	2.5	0.5	0.4	–	**4.2**
	22.7	15.9	1.0	5.5	–	**45.1**
Timing of revenue recognition						
At a point in time	1.0	4.9	–	–	–	**5.9**
Over time	21.7	11.0	1.0	5.5	–	**39.2**
	22.7	15.9	1.0	5.5	–	**45.1**

* Included within fund management and asset management fees are £2.7m (2019: £2.6m) of land development costs written-off.

Notes to the Financial Statements

6 Property costs

	2020 £m	2019 £m
Service charge expenses	**17.1**	15.2
Major refurbishment costs	**6.5**	8.6
Development costs	**14.5**	4.2
Carrying value of trading properties sold	**3.5**	45.4
Reversal of impairment of trading properties	**2.8**	1.2
Other property operating expenses	**53.5**	57.9
Total property costs	**97.9**	132.5

Operating expenses associated with unlet properties totalled £1.0m (2019: £0.8m). The carrying value of trading properties sold includes £nil of capitalised interest (2019: £1.6m).

7 Administrative expenses

		2020 £m	2019 £m
Staff costs		**81.2**	93.4
Office costs		**10.4**	11.5
Auditor's remuneration	– audit services in relation to Financial Statements	**1.5**	1.8
	– other services	**0.2**	0.2
Other professional fees		**12.9**	10.0
Allocation of costs to Grosvenor Trusts		**(18.0)**	(23.2)
Other administrative expenses		**26.2**	29.5
Total administrative expenses		**114.4**	123.2

All of the Group's Operating Companies were audited by Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited. £0.1m (2019: £0.1m) of the total audit fee is estimated to relate to the audit of the Group and £1.3m (2019: £1.5m) to the audit of the Group's subsidiaries. The Company's audit fees (£0.1m) were borne by another Group company (2019: £0.1m). Amounts paid to other accountancy firms for non-audit services in 2020 totalled £1.7m (2019: £1.5m).

8 Employee information

	2020 £m	2019 £m
Staff costs		
Wages and salaries	**66.8**	82.4
Social security contributions	**6.5**	7.3
Other staff costs	**7.4**	9.0
Pension costs		
Contributions to defined contribution plans	**4.1**	3.6
Net cost of defined benefit plans (Note 9)	**10.9**	10.1
	95.7	112.4
Included in:		
Administrative expenses	**81.2**	93.4
Property operating expenses	**12.7**	16.8
Development costs	**1.8**	2.2
	95.7	112.4

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.

Employee numbers

	At the end of the year		Average	
	2020 number	2019 number	**2020 number**	2019 number
Britain & Ireland	**269**	279	**274**	280
Americas	**112**	110	**112**	110
Asia Pacific	**49**	50	**49**	50
Europe	**67**	63	**66**	65
Indirect	**8**	8	**8**	8
Holding Company and shared services	**80**	76	**78**	74
	585	586	**587**	587

9 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 £4.1m (2019: £3.6m).

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 ongoing 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 £1.7bn, the Group is comfortably positioned to make further contributions to the schemes should they be required.

9 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 (Actuarial valuation to 31 December 2020 is currently being completed)
USA	31 December 2018
Canada	31 December 2019

All the valuations have been updated to 31 December 2020 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$3.7m for 2020 and CA$1.3m for both 2021 and 2022 to fund the plan deficit, and, in the USA, contributions are determined on an annual basis.

In the UK, no contributions in addition to payments in respect of the continuing accrual of benefits are currently required (2019: £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 25 years in the UK scheme, 15 years in the US scheme and 15 years in the Canadian scheme.

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

	2020 £m	2019 £m
Current service cost	**9.6**	8.6
Past service cost	**0.1**	0.3
Interest cost	**1.1**	1.1
Administrative expenses	**0.1**	0.1
	10.9	10.1

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

	2020 £m	2019 £m
Actuarial losses	**(32.7)**	(7.8)
	(32.7)	(7.8)

Within actuarial losses is a gain of £2.2m (2019: £0.8m gain) due to changes in demographic assumptions.

9 Retirement benefit schemes continued

The movement in the net defined benefit obligation is:

	2020 £m	2019 £m
1 January	**(40.9)**	(29.0)
Expense charged to income statement	**(11.1)**	(10.1)
Amount recognised in the statement of comprehensive income	**(32.7)**	(7.8)
Employer contributions	**4.7**	5.5
Benefit payments	**0.2**	0.3
Exchange movement	**0.4**	0.2
31 December	**(79.4)**	(40.9)

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

	2020 £m	2019 £m
Present value of unfunded obligations	**(24.3)**	(21.8)
Present value of funded obligations	**(344.6)**	(296.3)
Present value of total defined benefit obligations	**(368.9)**	(318.1)
Fair value of scheme assets	**289.5**	277.2
Defined benefit pension deficit	**(79.4)**	(40.9)

The net deficit arises in the following regions:

	2020 £m	2019 £m
UK	**(61.9)**	(19.9)
USA	**(8.3)**	(8.8)
Canada	**(9.2)**	(12.2)
	(79.4)	(40.9)

Movements in the present value of defined benefit obligations are:

	2020 £m	2019 £m
At 1 January	**318.1**	277.0
Current service cost	**9.6**	8.6
Past service cost	**0.1**	0.3
Interest cost	**6.5**	8.7
Actuarial (gains)/losses		
Experience on benefit obligation	**(16.9)**	(1.6)
Changes in financial assumptions	**62.5**	34.4
Changes in demographic assumptions	**(2.2)**	(0.8)
Benefits paid	**(7.8)**	(8.1)
Exchange movements	**(1.0)**	(0.4)
At 31 December	**368.9**	318.1

Notes to the Financial Statements

9 Retirement benefit schemes continued

Analysis of the scheme liabilities:

	2020 £m	2019 £m
UK	**302.9**	253.1
USA	**24.7**	24.2
Canada	**41.3**	40.8
At 31 December	**368.9**	318.1

Movements in fair value of scheme assets were:

	2020 £m	2019 £m
At 1 January	**277.2**	248.0
Interest on plan assets	**5.4**	7.6
Actuarial return on plan assets less interest on plan assets	**10.8**	24.2
Contributions by the employer	**4.7**	5.5
Benefits paid	**(7.4)**	(7.8)
Administrative expenses	**(0.1)**	(0.1)
Exchange movements	**(1.1)**	(0.2)
At 31 December	**289.5**	277.2

Analysis of scheme assets:

	2020 £m	2019 £m
Equities	**190.9**	199.0
Corporate bonds	**46.4**	47.4
Multi-asset credit funds	**19.9**	19.3
Other	**32.3**	11.5
Fair value of plan assets	**289.5**	277.2

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

9 Retirement benefit schemes continued

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

2020

	UK	USA	Canada
Discount rate	**1.27%**	**2.25%**	**2.65%**
Expected rate of salary increase	**4.10%**	**n/a**	**3.50%**
Expected rate of future pension increase	**2.86%**	**2.50%**	**2.00%**
Inflation	**2.86%**	**2.50%**	**2.00%**

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%

	Male		Female	
	2020	2019	**2020**	2019
Life expectancy of a 65-year-old today				
UK	**23.7**	24.5	**26.0**	26.2
USA	**20.4**	20.7	**22.4**	22.7
Canada	**23.1**	23.1	**25.5**	25.5
Life expectancy of a 65-year-old in 20 years				
UK	**25.3**	26.2	**27.7**	27.7
USA	**21.9**	22.3	**23.8**	24.3
Canada	**24.1**	24.1	**26.4**	26.4

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 2021 £m
Based on the assumptions above	368.9	13.2
Approximate impact of:		
Increase in discount rate by 0.25%	(19.7)	(0.7)
Increase in inflation rate by 0.25%	20.4	0.8
Increase in life expectancy by one year at 65	16.4	0.6

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

10 Directors' remuneration details

	2020 £000	2019 £000
Aggregate remuneration:		
Emoluments	**2,690**	3,423
Performance-related bonus	**491**	567
Long-term incentive scheme	**296**	2,616
	3,477	6,606

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 £1,205,000 (2019: £1,213,000) and a long-term incentive plan payment of £223,000 (2019: £1,301,000).

Retirement benefits accrued to one Director. The highest paid Director accrued benefits under the defined benefit scheme and an unfunded defined benefit scheme. The total annual accrued pension under the defined benefit pension schemes was £211,000 (2019: £192,000) and for the highest paid Director was £211,000 (2019: £192,000). Total contributions in respect of money purchase pension benefits were £nil (2019: £nil) and for the highest paid Director were £nil (2019: £nil).

Notes to the Financial Statements

11 Net gains on other investments

	2020 £m	2019 £m
Profit on disposal of trade investments/other fixed assets	**1.0**	6.1
	1.0	6.1

12 Net gains/(losses) on revaluation and sale of investment property

	2020 £m	2019 £m
Valuation gains on investment property	**–**	112.3
Valuation losses on investment property	**(243.1)**	(10.4)
Valuation (losses)/gains on redevelopment properties	**(2.5)**	15.0
Net valuation (losses)/gains on investment property	**(245.6)**	116.9
Profit on disposal of investment property	**4.5**	18.2
	(241.1)	135.1

13 Net financing costs

	2020 £m	2019 £m
Interest income	**10.4**	15.2
Other financial income	**7.0**	6.7
Financial income	**17.4**	21.9
Gross interest expense	**(49.6)**	(47.0)
Interest expense on lease liabilities	**(1.2)**	(1.0)
Interest capitalised	**12.6**	10.8
Commitment and other financing costs	**(5.6)**	(6.0)
Financial expenses	**(43.8)**	(43.2)
Fair value adjustments of interest rate swaps and foreign exchange contracts	**(1.3)**	(0.4)
Fair value adjustments of embedded derivatives related to structured development loans	**1.9**	1.7
Total fair value adjustments	**0.6**	1.3
Net financing costs	**(25.8)**	(20.0)

The average rate of interest capitalised in the year was 5.7% (2019: 5.4%).

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

14 Corporate income tax

Recognised in the income statement

	2020 £m	2019 £m
Current tax expense/(credit)		
UK corporation tax at 19.00% (2019: 19.00%)	**2.0**	10.6
Overseas tax	**3.7**	30.0
Adjustment for prior years	**(2.6)**	(1.0)
	3.1	39.6
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**(63.8)**	(5.5)
Effect of tax rate change	**44.8**	(1.6)
Adjustment for prior years	**2.8**	(9.7)
	(16.2)	(16.8)
Total income tax (credit)/expense in the income statement	**(13.1)**	22.8

Deferred tax recognised in other comprehensive income

	2020 £m	2019 £m
Revaluation of property, plant and equipment	**0.1**	–
Fair value adjustments on financial instruments treated as cash flow hedges	**(0.9)**	(0.8)
Actuarial losses on defined pension benefit schemes	**(5.9)**	(1.9)
	(6.7)	(2.7)
Reconciliation of effective tax rate		
(Loss)/profit before taxation	**(310.8)**	156.5
Less: share of profit/(loss) of joint ventures	**28.7**	(21.5)
Add: (loss)/profit of joint ventures where the tax charge is directly attributable to the Group	**(32.9)**	45.0
Adjusted Group profit/(loss) before taxation	**(315.0)**	180.0
Tax on adjusted Group (loss)/profit at standard UK corporation tax rate of 19.00% (2019: 19.00%)	**(59.8)**	34.2
Effect of foreign tax rates	**(3.3)**	4.1
Expenses not deductible for tax purposes	**0.6**	1.1
Provision for uncertain tax positions	**(4.2)**	(4.2)
Deferred tax not recognised	**8.3**	(0.2)
Effect of tax rate change on deferred tax balance	**0.2**	(1.6)
Other adjustments	**0.3**	0.1
Total income tax (credit)/charge in the income statement	**(57.9)**	33.5
Effective tax rate based on adjusted Group profit excluding prior year adjustments	**18.4%**	18.6%
Adjustments in respect of prior years	**44.8**	(10.7)
Total income tax (credit)/expense in the income statement	**(13.1)**	22.8
Effective tax rate based on adjusted Group profit	**4.2%**	12.7%

14 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 2020.

The UK Budget on 3 March 2021 announced an increase in the UK corporation tax rate from 19% to 25% from 1 April 2023. This change was not substantively enacted at the balance sheet date and therefore has not been reflected in the measurement of deferred tax balances at the period end. Once enacted this change is expected to increase the Group's net deferred tax liability by c.£120m.

The scheduled reduction in UK Corporation Tax from 19% to 17% from 1 April 2020 was revoked in the Budget on 11 March 2020 and substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 remains at 19%. A deferred tax rate of 19% has therefore been applied to opening balances and movements in UK deferred tax in the year ended 31 December 2020.

The 2020 total tax credit of £13.1m includes a current tax ('CT') charge of £3.1m, and a deferred tax ('DT') credit of £16.2m.

The CT charge of £3.1m is due to:

- Tax arising on investment property disposals during 2020.
- The impact of the Corporate Interest Restriction rules in the UK.
- The effect of foreign tax rates and withholding taxes on overseas profits.
- CT on rental income and other revenues.

The DT credit of £16.2m is due to:

- The adjustment to increase UK DT provisions made in earlier years from 17% to 19%.
- Release of DT liabilities previously booked on investment property disposals.
- Movement in DT arising from the revaluation movement in the accounts.
- A restatement of deferred tax provisions made in earlier years.

The Group's share of joint ventures' and associates' tax credits of £1.7m (2019: charges of £15.4m) 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 21 of the Directors' report.

15 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.

		2020 £m	2019 £m
Investment property	– Group	**4,111.5**	4,436.4
	– Share of joint ventures and associates	**1,768.3**	1,857.2
Investment properties under development	– Group	**155.3**	124.6
	– Share of joint ventures and associates	**28.3**	28.0
Assets classified as held for sale	– Group	**–**	28.9
Trading properties	– Group	**347.8**	207.8
	– Share of joint ventures and associates	**175.7**	224.9
Other financial assets*		**142.3**	167.6
Total property assets		**6,729.2**	7,075.4

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

Notes to the Financial Statements

16 Investment property

	Completed property Freehold £m	Completed property Leasehold £m	Completed property Total £m	Under development Freehold £m	Under development Leasehold £m	Under development Total £m	Total £m
At January 2019	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/(losses)	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 to investment in joint ventures	(80.0)	–	(80.0)	–	–	–	**(80.0)**
Transfer from trading properties	6.8	–	6.8	–	–	–	**6.8**
Transfer to assets held for sale	(15.9)	–	(15.9)	–	–	–	**(15.9)**
Exchange movements	27.1	9.2	36.3	–	–	–	**36.3**
At 31 December 2019	**1,055.4**	**3,381.0**	**4,436.4**	**102.0**	**22.6**	**124.6**	**4,561.0**
Acquisitions	57.6	1.4	59.0	–	–	–	**59.0**
Costs capitalised	8.2	19.0	27.2	10.5	–	10.5	**37.7**
Disposals	(54.3)	(52.4)	(106.7)	–	–	–	**(106.7)**
Revaluation losses	(44.2)	(192.9)	(237.1)	(8.5)	–	(8.5)	**(245.6)**
Transfer to development project	–	(28.7)	(28.7)	–	28.7	28.7	**–**
Transfer to investments in joint ventures	(62.5)	–	(62.5)	–	–	–	**(62.5)**
Transfer from assets held for sale	15.7	–	15.7	–	–	–	**15.7**
Exchange movements	6.1	2.1	8.2	–	–	–	**8.2**
At 31 December 2020	**982.0**	**3,129.5**	**4,111.5**	**104.0**	**51.3**	**155.3**	**4,266.8**

Investment properties were valued at 31 December 2020 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	**112.2**
	Long leasehold	Cushman & Wakefield, Chartered Surveyors	**3,077.7**
Americas	Freehold	Altus Group, Research valuation and advisory	**333.8**
	Freehold	CB Richard Ellis, Chartered Surveyors	**338.0**
Asia Pacific	Freehold	Tanizawa SOGO Appraisal Co Ltd	**98.6**
	Long leasehold	Tanizawa SOGO Appraisal Co Ltd	**103.1**
Europe	Freehold	Colliers International Consultancy and Valuation	**128.0**
	Freehold	CB Richard Ellis	**75.4**
			4,266.8

The historical cost of the Group's investment properties was £1,867.4m (2019: £2,164.4m).

The carrying value of investment properties includes capitalised interest of £52.0m (2019: £41.4m).

At 31 December 2020, investment properties with a carrying amount of £2,203.1m were pledged as security for bank loans (2019: £2,475.9m).

Included in the above are investment properties available for sale of £nil (2019: £15.8m).

16 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 2020 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 2020 £m	Valuation/FV 2019 £m	Valuation technique	Valuation inputs	Average property 2020	Average property 2019
GBI – Office	Level 3	1,126.1	1,255.7	Investment method and market comparable method	Weighted average ERV psf	£70 psf	£73 psf
					ERV range psf	£19–£123 psf	£24–£127 psf
					Weighted average Eq yld	4.3%	4.2%
					Equivalent yield range	3.4%–6.3%	3.3%–7.5%
GBI – Retail	Level 3	918.0	1,105.0	Investment method and market comparable method	Weighted average ERV psf	£52 psf	£62 psf
					ERV range psf	£3–£143 psf	£12–£223 psf
					Weighted average Eq yld	3.8%	3.7%
					Equivalent yield range	3.2%–5.7%	3.2%–5.3%
GBI – Residential	Level 3	904.0	934.0	Investment method and market comparable method	Average revaluation capital value psf	£1,310 psf	£1,519 psf
					Capital value range psf	£13–£3,146 psf	£285–£3,019 psf
GBI – Hotel	Level 3	60.0	60.0	Discounted cash flow method and market comparable method	Weighted average ERV psf	£21 psf	£20 psf
					ERV range psf	£1–£45 psf	£4–£38 psf
					Weighted average Eq yld	5.1%	5.1%
					Discount rate range	4.0%–6.0%	5.8%
GBI – Investment properties under development	Level 3	223.0	102.0	Residual approach	Average capital value psf	n/a	n/a
					ERV range psf	£35–£93 psf	£27–£147 psf
					Exit yield	4.4%	3.5%
GA – Office	Level 3	175.0	171.0	Discounted cash flow	Weighted average capitalisation rate	5.1%	4.7%
					Weighted average discount rate	5.9%	6.4%
GA – Retail	Level 3	158.1	174.3	Discounted cash flow	Weighted average capitalisation rate	4.5%	4.7%
					Weighted average discount rate	6.1%	6.2%

Notes to the Financial Statements

16 Investment property continued

Class of property	Fair value hierarchy	Valuation/FV 2020 £m	Valuation/FV 2019 £m	Valuation technique	Valuation inputs	Average property 2020	Average property 2019
GA – Residential	Level 3	139.5	164.1	Discounted cash flow	Weighted average capitalisation rate	5.0%	4.7%
					Weighted average discount rate	6.3%	6.6%
GA – Industrial	Level 3	199.3	194.8	Discounted cash flow	Weighted average capitalisation rate	4.8%	4.8%
					Weighted average discount rate	5.8%	5.8%
GAsia – Retail	Level 3	201.7	197.8	Investment method and market comparable method	Weighted average passing rents psf	£146 psf	£139 psf
					Weighted average ERV psf	£164 psf	£157 psf
					Weighted average running yield	2.9%	3.1%
					Weighted average reversionary yield	3.3%	3.5%
GEurope	Level 3	203.4	246.4	(Shopping centre) Investment method and market comparable method	Weighted average ERV psf	£24 psf	£19 psf
					ERV range psf	£5–£67 psf	£7–£54 psf
					Equivalent yield range	5.0%	4.3%
				(Office) Investment method and market comparable method	Weighted average ERV psf	£20 psf	£20 psf
					ERV range psf	£18–£22 psf	n/a
					Weighted average Eq yld	4.8%	4.7%
					Equivalent yield range	4.7%–5.0%	n/a
Total		**4,308.1**	4,605.1				
The table above includes property classed in Other Property, Plant and Equipment		41.3	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.

16 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	1,428.6	44.4	(43.3)	–	–	(75.5)	87.0	(4.7)	4.7	12.1	(11.1)
Retail	1,353.6	49.5	(49.1)	–	–	(70.0)	81.2	(5.5)	4.4	11.3	(11.9)
Residential	1,043.7	–	–	43.7	(43.2)	(22.1)	24.3	(6.1)	2.8	9.3	(12.0)
Industrial	199.2	–	–	–	–	–	–	(2.4)	3.0	15.0	(13.8)
Hotel	60.0	–	–	3.0	(3.0)	(3.3)	3.7	–	–	–	–
Total	**4,085.1**	**93.9**	**(92.4)**	**46.7**	**(46.1)**	**(170.9)**	**196.1**	**(18.6)**	**14.8**	**47.8**	**(49.0)**

* Total market value excludes £223.0m of investment properties under development and includes £41.3m of property classed in Other Property, Plant and Equipment.

Notes to the Financial Statements

17 Other property, plant and equipment

2020

	Land and buildings £m	Leasehold improvements £m	Computer and IT equipment £m	Fixtures, fittings and motor vehicles £m	**Total £m**
Cost					
At 1 January 2020	44.1	11.9	31.9	16.9	**104.8**
Additions	–	2.9	2.4	1.4	**6.7**
Disposals	–	(0.9)	(0.2)	(1.4)	**(2.5)**
Revaluation losses	(2.8)	–	–	–	**(2.8)**
At 31 December 2020	41.3	13.9	34.1	16.9	**106.2**
Depreciation					
At 1 January 2020	–	(8.4)	(21.7)	(9.9)	**(40.0)**
Depreciation charge for the year	–	(0.8)	(3.6)	(1.6)	**(6.0)**
Disposals	–	0.8	0.2	1.3	**2.3**
At 31 December 2020	–	(8.4)	(25.1)	(10.2)	**(43.7)**
Carrying amount					
At 1 January 2020	44.1	3.5	10.2	7.0	**64.8**
At 31 December 2020	41.3	5.5	9.0	6.7	**62.5**

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

The land and buildings above are long leasehold properties and were valued at 31 December 2020 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.

17 Other property, plant and equipment continued

The historical cost of the revalued land and buildings above at 31 December 2020 was £12.5m (2019: £12.5m).

The carrying value of the freehold land and buildings above includes capitalised interest of £nil (2019: £nil).

At 31 December 2020, land and buildings above with a carrying value of £nil were pledged as security for bank loans (2019: £nil).

18 Right-of-use of assets and lease liabilities

As of 1 January 2020, the Group had recognised £31.6m of right-of-use assets and £46.4m of lease liabilities.

During the year, the Group further recognised additions of right-of-use assets in the amount of £2.7m 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 2.4% for office buildings.

	Right-of-use assets £m
At 1 January 2020	**31.6**
Additions	**2.7**
Depreciation of right-of-use assets	**(4.9)**
Transfer to investment property	**–**
Effects of movement in exchange rates	**–**
At 31 December 2020	**29.4**

	Lease liabilities £m
Current	**3.1**
Non-current	**41.0**
	44.1

	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.

Notes to the Financial Statements

18 Right-of-use of assets and lease liabilities continued

Amounts recognised in the income statement:

	2020 £m	2019 £m
Interest expense on lease liabilities	**1.2**	1.0
Expense relating to short-term leases	**0.3**	0.3
Expense relating to leases of low-value assets	**0.2**	0.2
Charged to the income statement	**1.7**	1.5

Maturity analysis

Maturity analysis – contractual undiscounted cash flows	2020 £m	2019 £m
Less than one year	**5.6**	5.6
Between one and five years	**17.8**	21.1
More than five years	**24.2**	24.5
Total undiscounted lease liabilities at 31 December	**47.6**	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

19(a) Investments in joint ventures and associates

2020

	Proprietary assets – Direct				Proprietary assets – Indirect		
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra* £m	Third-party Managed £m	**Total £m**
Share of profit from joint ventures and associates							
Revenue	14.4	58.2	64.5	19.6	31.5	21.2	**209.4**
Property costs	(9.4)	(36.0)	(29.3)	(11.9)	(14.3)	(10.4)	**(111.3)**
Net property income	5.0	22.2	35.2	7.7	17.2	10.8	**98.1**
Administrative expenses	(0.2)	(0.5)	(0.5)	(0.5)	(16.6)	(3.3)	**(21.6)**
Net financing income/(costs)	0.3	(6.6)	(4.9)	(2.6)	(4.7)	(5.1)	**(23.6)**
Revenue profit	5.1	15.1	29.8	4.6	(4.1)	2.4	**52.9**
Net gains/(losses) on revaluation and sale of investment properties	–	(33.7)	(1.1)	(34.0)	(9.6)	(2.5)	**(80.9)**
Impairment of goodwill	–	–	–	–	(0.6)	–	**(0.6)**
Derivative fair value adjustments	–	(1.5)	–	–	–	(0.3)	**(1.8)**
Profit/(loss) before tax	5.1	(20.1)	28.7	(29.4)	(14.3)	(0.4)	**(30.4)**
Current tax	(0.4)	(0.1)	(1.6)	(0.2)	(0.6)	–	**(2.9)**
Deferred tax	–	–	(0.2)	1.1	3.7	–	**4.6**
	4.7	(20.2)	26.9	(28.5)	(11.2)	(0.4)	**(28.7)**
Share of assets and liabilities							
Non-current assets							
– investment properties	–	410.3	510.3	225.1	335.1	287.5	**1,768.3**
– investment properties under development	–	–	–	–	16.2	12.1	**28.3**
– other	–	–	–	–	7.4	5.1	**12.5**
Current assets							
– cash	4.2	10.8	104.2	11.6	75.8	8.9	**215.5**
– trading properties	12.8	100.9	32.2	29.8	–	–	**175.7**
– other	7.3	10.1	20.2	4.4	18.8	4.1	**64.9**
Non-current liabilities	–	(203.2)	(193.8)	(196.1)	(220.1)	(143.9)	**(957.1)**
Current liabilities	(21.5)	(68.0)	(48.9)	(15.8)	(30.4)	(11.0)	**(195.6)**
Net assets	2.8	260.9	424.2	59.0	202.8	162.8	**1,112.5**
Borrowings included in liabilities	–	(235.4)	(182.2)	(203.2)	(169.6)	(151.2)	**(941.6)**

* In order to best reflect the underlying results of the Group, for purposes of presenting the Group's revenue profit (Note 4) and share of property assets (Note 15), 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.

19(a) Investments in joint ventures and associates continued

2019

	Proprietary assets – Direct				Proprietary assets – Indirect		
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra* £m	Third-party Managed £m	Total £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 4) and share of property assets (Note 15), 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

19(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 19(a) where it is presented on a management accounts basis.

Sonae Sierra

	2020 £m	2019 £m
Net rental income	**59.3**	151.2
Depreciation and amortisation	**(2.5)**	(2.6)
Other operating expenses	**(103.1)**	(99.4)
Financial income	**1.8**	3.6
Financial expenses	**(9.1)**	(14.2)
Share of results of associates	**(42.1)**	64.8
(Losses)/gains on investments	**52.4**	(175.1)
(Loss)/profit before tax	**(43.3)**	(71.7)
Tax	**2.0**	(18.0)
(Loss)/profit before tax	**(41.3)**	(89.7)
Attributable to:		
Equity holders of Sonae Sierra	**(37.2)**	(118.6)
Non-controlling interest	**(4.1)**	28.9
Consolidated net profit for the period	**(41.3)**	(89.7)
The Group's share of (loss)/profit for the year	**(11.2)**	(35.6)

	2020 £m	2019 £m
Non-current assets	**853.8**	899.2
Current assets		
– cash	**222.7**	180.0
– other current assets	**34.3**	938.5
Total assets	**1,110.8**	2,017.7
Non-current liabilities		
– non-current financial liabilities	**(203.0)**	(247.9)
– other non-current liabilities	**(55.2)**	(66.1)
Current liabilities		
– current financial liabilities	**(59.0)**	(4.1)
– other current liabilities	**(64.1)**	(373.8)
Total liabilities	**(381.3)**	(691.9)
Net assets	**729.5**	1,325.8
Shareholders' funds	**676.0**	949.9
Non-controlling interest	**53.5**	375.9
Total equity	**729.5**	1,325.8
Carrying amount of the Group's interest in Sonae Sierra	**202.8**	285.0

Notes to the Financial Statements

19(c) Investments in joint ventures and associates

At 31 December 2020, 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	0.1
Trumpington Meadows Land Company Limited	Property development	England and Wales	50.0	1.1
Americas				
Joint ventures with BBCAF Inc	Property investment	United States of America	50.0/25.0	144.8
Joint ventures with the Getty Family Trust	Property investment	United States of America	50.0	14.3
Joint ventures with PSP and Alberta Teachers' Retirement Fund	Property investment	United States of America	20.0	20.2
Joint venture with ADMNS	Property investment	Canada	50.0	31.8
Joint ventures with Manitoba Civil Service Superannuation Board, Bindali Group	Property investment	Canada	30.0	10.1
GEMOA Inc	Property investment	United States of America	50.0	21.4
Asia Pacific				
Richly Leader Limited*	Property investment	Hong Kong	50.0	272.3
Imperial Time Limited*	Property development	Hong Kong	20.0	17.0
Grosvenor Park Partners Limited	Property development	Cayman Islands	63.3	20.6
Azabu Tokutei Mokuteki Kaisya	Property development	Japan	50.0	18.0
GPT Tokutei Mokuteki Kaisya	Property development	Japan	50.0	14.9
GDP1 Tokutei Mokuteki Kaisya	Investment holding	Japan	38.5	1.6
GDP2 Tokutei Mokuteki Kaisya	Investment holding	Japan	38.5	5.7
Nanjing Maoxu Investment Co. Limited	Property investment	China	50.0	74.2
Europe				
Grosvenor London Office Fund*	Property investment	England and Wales	12.7	18.1
Grosvenor Liverpool Fund*	Property investment	England and Wales	10.0	20.5
Retail Centres V (Sweden) Limited Partnership	Property investment	England and Wales	20.2	33.4
Grosvenor Retail European Properties*	Property investment	Luxembourg	14.0	0.2
Grosvenor French Retail Investment	Property investment	Luxembourg	11.1	0.3
Grosvenor European Retail Partnership	Property investment	Luxembourg	5.0	1.9
Urban Value Add I (Spain) SL	Property investment	Spain	50.0	15.1
Alcobendas Investments SL	Property investment	Spain	50.0	6.2
Paris Office JV Limited	Property investment	France	50.0	6.2

* Associate (all other investments are joint ventures).

19(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	202.8
HS/GP Warehouse Investment Company, LLP	Property investment	United States of America	50.0	0.7
Australian Diversified Healthcare Fund	Property investment	Australia	50.0	12.5
Stockdale Parking, LLC	Property investment	United States of America	90.0	12.6
Four Ashes Limited	Property investment	England and Wales	40.0	11.8
AGP JV LLC	Property investment	United States of America	99.0	70.2
Brazil Student Housing JV LLC	Property investment	Brazil	80.0	10.6
Polish Logistics LLP	Property investment	England and Wales	99.0	32.5

* Associate (all other investments are joint ventures).

19(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.

19(e) Event after the reporting period

In March 2021, the Group sold down a 10% stake in Sonae Sierra to Sonae SGPS, reducing our shareholding to 20%.

20 Other financial assets

	2020 £m	2019 £m
Non-current assets		
Equity shares	**2.6**	1.5
Structured development loans	**29.0**	34.3
Other financial assets	**105.8**	93.7
	137.4	129.5
Current assets		
Structured development loans	**12.9**	45.6
Current portion of currency swaps	**–**	1.3
	12.9	46.9

Included in the above are property-related financial assets of £142.3m (2019: £167.6m).

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.

21 Intangible assets

2020

	Goodwill £m	**Total £m**
Cost		
At 1 January 2020	6.8	**6.8**
Exchange movements	0.4	**0.4**
At 31 December 2020	7.2	**7.2**
Amortisation/impairment		
At 1 January 2020	–	**–**
At 31 December 2020	–	**–**
Carrying amount		
At 1 January 2020	6.8	**6.8**
At 31 December 2020	7.2	**7.2**

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

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

22 Trade and other receivables

	2020 £m	2019 £m
Current receivables		
Trade receivables	**43.4**	30.3
Contract assets	**1.5**	2.3
Expected credit loss allowance	**(20.5)**	(1.2)
	24.4	31.4
Receivables due from joint ventures	**3.1**	3.8
Other receivables	**32.0**	26.0
Prepayments	**6.0**	7.6
Accrued income	**3.5**	4.3
	69.0	73.1
Non-current receivables		
Receivables due from joint ventures	**125.2**	94.0
	125.2	94.0
	194.2	167.1

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.

The increase in the expected loss provision mainly relates to rental and other arrears and rent-free debtors in Britain & Ireland, with many tenants within this segment being impacted by the difficult trading conditions caused by Covid-19 in 2020.

Sensitivity to significant changes in unobservable inputs of loss allowance

	Expected credit loss (£m)					
	Recorded on the balance sheet	Recorded on the income statement*	10 percentage point increase in default rate – balance sheet	10 percentage point decrease in default rate – balance sheet	10 percentage point increase in default rate – income statement	10 percentage point decrease in default rate – income statement
Expected credit loss – trade receivables	20.5	6.1	2.8	(2.8)	0.9	(0.9)
Expected credit loss – rent-free debtors*	6.6	6.6	1.9	(1.9)	1.9	(1.9)

* A further £0.5m of expected credit losses have been recognised on the income statement relating to loans made to joint ventures. A change of 10 percentage points on this balance would lead to a +/- £0.1m impact on the income statement.

Notes to the Financial Statements

23 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

	2020			2019		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Investment property – contingent gains	–	(562.8)	(562.8)	–	(578.0)	(578.0)
Investment property – deferred gains	36.0	–	36.0	31.3	–	31.3
Other property, plant and equipment	–	(9.3)	(9.3)	–	(7.4)	(7.4)
Interest-bearing loans and borrowings	2.3	–	2.3	–	(0.7)	(0.7)
Employee benefits	21.0	–	21.0	15.9	–	15.9
Tax value and loss carry-forwards recognised	0.5	–	0.5	1.2	–	1.2
Tax assets/(liabilities)	**59.8**	**(572.1)**	**(512.3)**	48.4	(586.1)	(537.7)

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 2020, the total of these temporary differences was £717.9m (2019: £780.2m) and the potential tax effect was £35.9m (2019: £39.0m), accruing principally as a result of potential dividend withholding taxes levied by overseas tax jurisdictions.

Notes to the Financial Statements

23 Deferred tax assets and liabilities continued

Unrecognised deferred tax assets

	2020 £m	2019 £m
Tax losses	**80.8**	71.5

Movement in temporary differences during the year

	Balance at 1 January 2020 £m	Recognised in income £m	Recognised in equity £m	Exchange movement £m	Change in ownership £m	**Balance at 31 December 2020 £m**
Investment property – contingent gains	(578.0)	12.9	(0.1)	2.7	(0.3)	**(562.8)**
Investment property – deferred gains	31.3	4.7	–	–	–	**36.0**
Other property, plant and equipment	(7.4)	(1.9)	–	–	–	**(9.3)**
Interest-bearing loans and borrowings	(0.7)	2.1	1.0	(0.1)	–	**2.3**
Employee benefits	15.9	(0.6)	5.8	(0.1)	–	**21.0**
Tax value and loss carry-forwards recognised	1.2	(0.7)	–	–	–	**0.5**
Tax assets/(liabilities)	(537.7)	16.5	6.7	2.5	(0.3)	**(512.3)**

24 Trading properties

	2020 £m	2019 £m
At 1 January	**207.8**	119.8
Additions	**146.4**	156.5
Capitalised interest	**3.5**	1.2
Disposals	**(11.6)**	(44.7)
Provision for impairment	**(2.6)**	(1.2)
Transfer to investment properties	**–**	(5.9)
Transfer to/(from) assets held for sale	**12.9**	(13.0)
Exchange movements	**(8.6)**	(4.9)
	347.8	207.8

At 31 December 2020, trading properties with a carrying value of £104.4m were pledged as security for bank loans (2019: £176.8m).

25 Assets classified as held for sale

	2020 £m	2019 £m
Investment property	**–**	15.9
Trading property	**–**	13.0
	–	28.9

During the year Grosvenor Americas transferred an asset from available for sale assets to the investment property and trading property asset classes as they no longer meet the definition of an available for sale asset under IFRS 5. In the prior year it was expected that the combined asset would be sold within 12 months, however due to the unexpected onset of Covid-19, there is now significant uncertainty around this sale.

26 Cash and cash equivalents

	2020 £m	2019 £m
Bank balances	**466.5**	481.3
Cash deposits	**233.0**	285.0
Cash and cash equivalents	**699.5**	766.3
Cash and cash equivalents in the statement of cash flows	**699.5**	766.3

The amount of cash and cash equivalents not available for use by the Group totals £41.7m (2019: £40.8m), of which £nil (2019: £nil) has been pledged as collateral.

27 Interest-bearing loans and borrowings

	2020 £m	2019 £m
Non-current liabilities		
Secured bank loans	**413.6**	363.0
Secured bond issues	**251.2**	284.6
Unsecured bond issues	**465.0**	465.0
Deferred finance costs	**(3.3)**	(3.8)
Currency swaps	**2.8**	3.0
	1,129.3	1,111.8
Current liabilities		
Current portion of secured bank loans	**51.2**	1.2
Current portion of unsecured bank loans	**–**	–
	51.2	1.2
	1,180.5	1,113.0

The secured bank loans and secured bonds are secured over investment properties with a carrying value of £2,203.1m (2019: £2,023.8m) and trading properties with a carrying value of £104.4m (2019: £176.8m). Included in secured bond issues is £1.1m (2019: £1.2m) of net unamortised premium.

Event after the reporting period

In January 2021 Grosvenor Americas repaid the outstanding balance of a secured loan of £42.0m.

Notes to the Financial Statements

28 Financial instruments

Capital risk management

The capital structure of the Group comprises debt, which includes the borrowings disclosed in Note 27; cash and cash equivalents disclosed in Note 26; and equity, comprising issued share capital, reserves and retained earnings as disclosed in Notes 34 and 35.

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 11.2% (2019: 8.2%); while gearing on an economic basis is 25.7% (2019: 20.9%).

Categories of financial instruments and their fair values

2020

	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		–	–	2.6	**2.6**	**2.6**
Structured development loans (current and non-current)	9.0	–	41.9	–	**41.9**	**41.9**
Other financial assets		–	–	97.8	**97.8**	**97.8**
Trade and other receivables	6.1	184.7	–	–	**184.7**	**184.7**
Cash and cash equivalents	0.4	699.5	–	–	**699.5**	**699.5**
Total financial assets		884.2	41.9	100.4	**1,026.5**	**1,026.5**

Notes to the Financial Statements

28 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	(201.0)	**(201.0)**	**(256.1)**
Sterling secured mortgage 2034	10.4	(50.0)	**(50.0)**	**(97.4)**
Sterling unsecured bond 2022	3.4	(60.0)	**(60.0)**	**(63.4)**
Sterling unsecured bond 2028	2.8	(100.0)	**(100.0)**	**(108.8)**
Sterling unsecured bond 2031	5.6	(95.0)	**(95.0)**	**(127.1)**
Sterling unsecured bond 2033	3.0	(105.0)	**(105.0)**	**(114.3)**
Sterling unsecured bond 2037	5.0	(30.0)	**(30.0)**	**(40.4)**
Sterling unsecured bond 2040	3.1	(45.0)	**(45.0)**	**(48.0)**
Sterling unsecured bond 2041	6.1	(30.0)	**(30.0)**	**(45.9)**
US Dollars	4.9	(17.1)	**(17.1)**	**(17.1)**
Canadian Dollars	3.7	(67.3)	**(67.3)**	**(68.1)**
Japanese Yen	0.9 – 1	(141.9)	**(141.9)**	**(141.9)**
Euros	1.8	(10.7)	**(10.7)**	**(10.7)**
Total fixed rate loans		(953.0)	**(953.0)**	**(1,139.2)**
Floating rate loans fixed through interest rate swaps				
US Dollars	4.7	(24.8)	**(24.8)**	**(24.8)**
Canadian Dollars	4.0	(5.2)	**(5.2)**	**(5.2)**
Euros	0.9	(22.5)	**(22.5)**	**(22.5)**
Swedish Krona	1.7	(30.2)	**(30.2)**	**(30.2)**
Total floating rate loans fixed through interest rate swaps		(82.7)	**(82.7)**	**(82.7)**
Floating rate loans				
US Dollars	4.0	(80.1)	**(80.1)**	**(80.1)**
Canadian Dollars	4.0	(48.9)	**(48.9)**	**(48.9)**
Euros	0.9	(8.5)	**(8.5)**	**(8.5)**
Swedish Krona	1.7	(7.3)	**(7.3)**	**(7.3)**
Total floating rate loans		(144.8)	**(144.8)**	**(144.8)**
Lease liabilities	2.9	(44.1)	**(44.1)**	**(44.1)**
Trade and other payables		(116.8)	**(116.8)**	**(116.8)**
Total financial liabilities		(1,341.4)	**(1,341.4)**	**(1,527.6)**

Notes to the Financial Statements

28 Financial instruments continued

	At fair value through profit and loss £m	**Total carrying amount £m**	**Fair value £m**
Derivatives			
Interest rate swaps			
US Dollars	(3.7)	**(3.7)**	**(3.7)**
Canadian Dollars	(0.4)	**(0.4)**	**(0.4)**
Hong Kong Dollars	(0.3)	**(0.3)**	**(0.3)**
Total interest rate swaps	(4.4)	**(4.4)**	**(4.4)**
Currency swaps			
Euros	(2.8)	**(2.8)**	**(2.8)**
Total currency swaps	(2.8)	**(2.8)**	**(2.8)**
Total derivatives	(7.2)	**(7.2)**	**(7.2)**

28 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.

	2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through other comprehensive income				
Equity shares	**1.1**	**1.5**	**–**	**2.6**
Other	**–**	**–**	**97.8**	**97.8**
Financial assets at fair value through profit and loss	**–**	**–**	**–**	
Structured development loans	**–**	**–**	**41.9**	**41.9**
Derivatives	**–**	**–**	**–**	**–**
Total financial assets	**1.1**	**1.5**	**139.7**	**142.3**
Financial liabilities at fair value				
Derivatives	**–**	**(7.2)**	**–**	**(7.2)**
Total financial liabilities	**–**	**(7.2)**	**–**	**(7.2)**

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.

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

28 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	(201.2)	(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

28 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.

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.

Notes to the Financial Statements

28 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 2020 was 4.1% (2019: 4.2%).

Notes to the Financial Statements

28 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:

		2020 £m	2019 £m
Increase in results for the year	– interest	**3.2**	3.5
	– mark to market of interest rate swaps	**1.1**	2.0
	– tax charge	**(0.8)**	(1.1)
Total impact on profit and equity		**3.5**	4.4

Similarly, if interest rates had been 0.5% lower, then Group profit and equity would have decreased by £3.5m (2019: £4.4m).

As part of the Group's interest rate risk management, interest rate swaps exchanging floating for fixed interest with a notional principal of £27.2m (2019: £61.0m) and a fair value liability of £4.1m (2019: £2.2m liability) were designated for cash flow hedge accounting at 31 December 2020. 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 20. 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 £0.3m (2019: increase/decrease by £0.2m) as a result of changes in fair value of equity shares.

28 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:

2020	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	22	N/A	Low risk	12m ECL	78.9	(20.5)	58.4
Loans to joint ventures	22	N/A	Low risk	12m ECL	130.5	(2.2)	128.3
Contract assets	22	N/A	Low risk	12m ECL	1.5	–	1.5
Cash and cash equivalents	26	Refer to Note 28	Low risk	12m ECL	699.5	–	699.5
Pledged bank deposits	26	A–	Low risk	12m ECL	41.7	–	41.7

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	
	2020 £m	2019 £m
AAA	**416.5**	413.1
AA–	**65.0**	27.2
A+	**116.8**	144.5
A	**87.4**	158.9
A–	**13.6**	16.9
BBB+	**0.2**	5.6
BBB	**–**	0.1
BBB-	**–**	–
	699.5	766.3

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 £24.4m net of ECL allowances of £20.5m (2019: £31.4m net of ECL allowances of £1.2m) of which £5.4m was outstanding at 1 March 2021 (1 March 2020: £8.2m). Increased allowances reflect the impact of Covid-19.

28 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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Expiring in less than one year	**51.0**	–	**24.2**	24.1
Expiring from one to two years	**60.2**	50.4	**50.0**	–
Expiring from two to five years	**355.3**	310.4	**940.1**	994.1
Expiring after more than five years	**711.2**	748.4	**–**	–
Total	**1,177.7**	1,109.2	**1,014.3**	1,018.2

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:

2020

	Fixed rate loans £m	Floating rate loans £m	Lease liabilities £m	Other £m	Total £m
Due within one year	56.9	7.1	5.8	115.3	185.1
From one to two years	98.6	7.1	5.2	10.2	121.1
From two to three years	37.0	134.9	5.8	–	177.7
From three to four years	170.5	6.4	4.3	–	181.2
From four to five years	87.0	37.5	4.2	–	128.7
After five years	835.2	55.5	114.4	–	1,005.1
	1,285.2	248.5	139.7	125.5	1,798.9

Notes to the Financial Statements

28 Financial instruments continued

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

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

	2020		2019	
	Payable £m	**Receivable £m**	Payable £m	Receivable £m
Due within one year	**(50.2)**	**48.6**	(43.0)	40.4
From one to two years	**(0.8)**	**0.1**	(34.6)	34.0
From two to three years	**(0.8)**	**0.2**	(0.9)	0.6
From three to four years	**(0.8)**	**0.2**	(0.9)	0.6
From four to five years	**(0.6)**	**0.2**	(0.8)	0.5
After five years	**(21.3)**	**20.4**	(22.6)	21.9
	(74.5)	**69.7**	(102.8)	98.0

29 Trade and other payables

	2020 £m	2019 £m
Current liabilities		
Trade payables	**24.3**	16.7
Payables due to joint ventures	**0.2**	–
Other payables	**91.0**	91.6
Accrued expenses	**45.8**	54.2
Deferred income	**23.7**	49.5
	185.0	212.0
Non-current liabilities		
Other payables	**10.2**	12.3
Deferred income	**180.7**	176.7
	190.9	189.0
	375.9	401.0

Deferred income includes £187.9m in respect of deferred lease premium profits (2019: £184.0m).

Notes to the Financial Statements

30 Provisions

Development loss provision

	2020 £m	2019 £m
Current liabilities		
At 1 January	**0.3**	0.6
Recognised in the year	**–**	–
Released in the year	**–**	(0.1)
Utilised in the year	**(0.1)**	(0.2)
At 31 December	**0.2**	0.3
Non-current liabilities		
At 1 January	**–**	–
Recognised in the year	**0.4**	–
At 31 December	**0.4**	–
	0.6	0.3

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

31 Operating lease commitments

Leases as lessee

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

	2020 £m	2019 £m
Land and buildings	**–**	–

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 18 for further information.

Non-cancellable operating lease rentals are payable as follows:

	2020 £m	2019 £m
Less than one year	**0.1**	0.4
Between one and five years	**0.3**	1.2
More than five years	**–**	–
	0.4	1.6

Leases as lessor

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

	2020 £m	2019 £m
Less than one year	**123.3**	115.1
Between one and five years	**295.5**	306.9
More than five years	**940.1**	1,098.3
	1,358.9	1,520.3

32 Capital commitments

	2020 £m	2019 £m
Investment properties contracted but not provided	**29.0**	0.5
Development properties contracted but not provided	**29.1**	45.8
	58.1	46.3

Included in the above is the Group's share of joint venture and associate capital commitments of £18.9m (2019: £34.0m) relating to development properties.

33 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.

34 Share capital

	Authorised number of shares	2020 £m	Authorised number of shares	2019 £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

The Company was incorporated on 9 June 2020 as GGL Group Number Two Limited. On 3 August, as part of a wider reorganisation of the ownership of Grosvenor Group Limited ('GGL'), the Company entered into an agreement to acquire the entire share capital of GGL. The transaction was funded by the issue of new shares to the existing Shareholders of GGL, as a result of this, the Company is now the ultimate parent company of the GGL Group.

As there has been no change to the ultimate ownership of the GGL Group, the Directors consider it appropriate to prepare the Consolidated Financial Statements by applying the book-value method of accounting for the reorganisation, with the Company including the previous holding company's assets, liabilities, income and expenses in its Consolidated Financial Statements retrospectively from the beginning of the earliest period presented. Pre-reorganisation information has then been restated as if the Company and the transferred entity had always been combined. For more information refer to the Directors' report and the Company only share capital note.

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.

35 Reconciliation of share capital and reserves

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 2019	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**
Loss for the year	–	–	–	–	–	–	(297.7)	**(297.7)**	–	**(297.7)**
Revaluation movement	–	–	–	–	–	(2.8)	–	**(2.8)**	–	**(2.8)**
Fair value adjustments	–	–	–	(3.5)	5.4	–	–	**1.9**	–	**1.9**
Deferred tax	–	–	–	1.1	–	(0.1)	5.8	**6.8**	–	**6.8**
Pension actuarial losses	–	–	–	–	–	–	(32.7)	**(32.7)**	–	**(32.7)**
Dividends	–	–	–	–	–	–	(47.5)	**(47.5)**	(0.2)	**(47.7)**
Transfer between reserves	–	(28.3)	–	(222.2)	–	–	250.5	**–**	–	**–**
Exchange	–	–	(5.4)	(0.1)	–	(0.1)	0.1	**(5.5)**	–	**(5.5)**
Balance at 31 December 2020	284.3	–	491.7	(5.1)	3.5	38.0	3,877.0	**4,689.4**	(0.5)	**4,688.9**

Other reserves comprise net interest rate hedging losses of £5.1m (2019: losses of £2.6m) and capital redemption reserve of £nil (2019: £222.2m).

Notes to the Financial Statements

36 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

	2020 £m	2019 £m
Operating activities		
(Loss)/profit from operations including share of profit from joint ventures and associates	**(285.0)**	176.5
Adjustments for:		
Depreciation	**10.9**	12.1
Amortisation of capitalised lease incentives	**(15.2)**	(10.6)
Amortisation of deferred lease premiums	**(9.1)**	(9.4)
Recognition of income from operating lease incentives	**0.5**	0.5
Uplift on trading properties completed and transferred to investment property	**–**	(1.3)
Net gains on other investments	**(1.0)**	(6.1)
Net losses/(gains) on revaluation and sale of investment property	**241.1**	(135.1)
Share of loss/(profit) from joint ventures and associates	**28.7**	(21.5)
Impairment loss on trade and other receivables, including contract assets	**13.4**	0.3
Operating (loss)/profit before changes in working capital and provisions	**(15.7)**	5.4

(b) Analysis of net debt

	1 January 2020 £m	Cash flow £m	Other non-cash movements £m	Exchange £m	31 December 2020 £m
Cash at bank and in hand	481.3	(16.6)	–	**1.8**	**466.5**
Short-term deposits and short-term liquidity investments	285.0	(54.6)	–	**2.6**	**233.0**
Cash and cash equivalents	766.3	(71.2)	–	**4.4**	**699.5**
Borrowings due within one year	(1.2)	(50.3)	0.2	**0.1**	**(51.2)**
Borrowings due after more than one year	(1,111.7)	(19.6)	(2.2)	**4.2**	**(1,129.3)**
Total borrowings	(1,112.9)	(69.9)	(2.0)	**4.3**	**(1,180.5)**
Net debt	(346.6)	(141.1)	(2.0)	**8.7**	**(481.0)**

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

Notes to the Financial Statements

37 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 2020, the Group entered into the following transactions with the Grosvenor Trusts and members of the Grosvenor family:

	2020 £m	2019 £m
Rent and service charge income	**0.6**	0.6
Rent and service charge expense	**(2.2)**	(2.8)
Development management fees	**1.4**	1.5
Management and administration fees	**16.9**	21.7

During 2020, the Group entered into the following transactions with other related parties:

	2020 £m	2019 £m
Development and asset management fees received from joint ventures	**0.5**	0.3
Fees received from joint ventures	**3.6**	2.8
Fees paid to joint ventures	**–**	–
Insurance premiums payable to a related company	**(9.2)**	(8.4)

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

	2020 £m	2019 £m
Amounts due from joint ventures	**125.2**	90.6
Amounts due from a related company	**0.5**	0.5

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 2020

	2020 $m	2019 $m
Revenue	**270.5**	345.3
Property costs	**(126.4)**	(169.6)
Net property income	**144.1**	175.7
Administrative expenses	**(147.7)**	(157.7)
Net gains/(losses) on other investments	**1.3**	7.8
Net gains on revaluation and sale of investment property	**(311.3)**	172.9
Impairment loss on trade and other receivables, including contract assets	**(17.3)**	(4.7)
Share of profit from joint ventures	**(37.1)**	27.5
Gain from operations including share of joint ventures	**(368.0)**	221.5
Financial income	**22.5**	28.0
Financial expenses	**(56.6)**	(55.3)
Fair value adjustments	**0.8**	1.7
Net financing costs	**(33.3)**	(25.6)
Profit before tax	**(401.3)**	195.9
Current tax expense	**(4.0)**	(50.7)
Deferred tax expense	**20.9**	21.5
Profit for the year	**(384.4)**	166.7
Attributable to:		
Equity holders of the parent	**(384.4)**	171.3
Non-controlling interests	**–**	–
Profit for the year	**(384.4)**	171.3

Consolidated balance sheet presented in US Dollars

As at 31 December 2020

	Group 2020 $m	Group 2019 $m
Assets		
Non-current assets		
Investment property	**5,833.1**	5,539.1
Other property, plant and equipment	**85.2**	85.0
Right-of-use assets	**40.1**	–
Investments in joint ventures	**1,520.8**	1,792.1
Other financial assets	**187.8**	134.9
Intangible assets	**9.8**	9.1
Trade and other receivables	**171.1**	106.4
Deferred tax assets	**69.4**	75.8
Total non-current assets	**7,917.3**	7,742.4
Current assets		
Trading properties	**475.4**	152.6
Assets classified as held for sale	**–**	152.6
Trade and other receivables	**94.4**	183.8
Other financial assets	**17.2**	32.8
Income tax receivable	**22.8**	–
Cash and cash equivalents	**956.2**	994.8
Total current assets	**1,566.0**	1,364.0
TOTAL ASSETS	**9,483.3**	9,106.4
LIABILITIES		
Non-current liabilities		
Interest bearing loans and borrowings	**(1,543.9)**	(1,174.0)
Lease liabilities	**(56.0)**	–
Trade and other payables	**(260.9)**	(255.0)
Employee benefits	**(108.4)**	(36.8)
Deferred tax liabilities	**(770.1)**	(791.7)
Provisions	**(0.6)**	–
Total non-current liabilities	**(2,739.9)**	(2,257.5)
Current liabilities		
Interest bearing loans and borrowings	**(69.9)**	(134.0)
Lease liabilities	**(4.2)**	–
Trade and other payables	**(252.5)**	(270.6)
Income tax payable	**(7.0)**	(36.4)
Provisions	**(0.2)**	(0.8)
Total current liabilities	**(333.8)**	(441.8)
TOTAL LIABILITIES	**(3,073.7)**	(2,699.3)
NET ASSETS	**6,409.6**	6,407.1
Equity		
Share capital	**388.7**	362.5
Share premium	**38.4**	35.8
Reserves	**1,025.7**	1,015.1
Retained earnings	**4,957.4**	4,994.1
Shareholders' funds	**6,410.2**	6,407.5
Non-controlling interests	**(0.6)**	(0.4)
TOTAL EQUITY	**6,409.6**	6,407.1

Consolidated income statement presented in Euros

for the year ended 31 December 2020

	2020 €m	2019 €m
Revenue	**236.0**	308.8
Property costs	**(110.3)**	(151.6)
Net property income	**125.7**	157.2
Administrative expenses	**(128.9)**	(141.0)
Net gains on other investments	**1.1**	7.0
Net (losses)/gains on revaluation and sale of investment property	**(271.6)**	154.6
Impairment loss on trade and other receivables, including contract assets	**(15.1)**	(4.0)
Share of profit from joint ventures	**(32.3)**	24.6
Gain from operations including share of joint ventures	**(321.1)**	198.4
Financial income	**19.6**	25.1
Financial expenses	**(49.3)**	(49.4)
Fair value adjustments	**0.7**	1.5
Net financing costs	**(29.0)**	(22.8)
Profit before tax	**(350.1)**	175.6
Current tax expense	**(3.5)**	(45.3)
Deferred tax expense	**18.3**	19.2
Profit for the year	**(335.3)**	149.5
Attributable to:		
Equity holders of the parent	**(335.3)**	153.0
Non-controlling interests	**–**	–
Profit for the year	**(335.3)**	153.0

Consolidated balance sheet presented in Euros

as at 31 December 2020

	Group	
	2020 €m	2019 €m
Assets		
Non-current assets		
Investment property	**4,773.2**	5,387.3
Other property, plant and equipment	**69.7**	76.3
Right-of-use assets	**32.8**	37.4
Investments in joint ventures	**1,244.4**	1,440.8
Other financial assets	**153.9**	153.0
Intangible assets	**8.0**	8.0
Trade and other receivables	**140.0**	111.0
Deferred tax assets	**56.8**	57.2
Total non-current assets	**6,478.8**	7,271.0
Current assets		
Trading properties	**389.1**	245.3
Assets classified as held for sale	**–**	34.1
Trade and other receivables	**77.3**	86.4
Other financial assets	**14.1**	55.4
Income tax receivable	**18.7**	–
Cash and cash equivalents	**782.5**	905.0
Total current assets	**1,281.7**	1,326.2
TOTAL ASSETS	**7,760.5**	8,597.2
LIABILITIES		
Non-current liabilities		
Interest bearing loans and borrowings	**(1,263.3)**	(1,313.4)
Lease liabilities	**(45.8)**	(51.5)
Trade and other payables	**(213.5)**	(223.2)
Employee benefits	**(88.7)**	(48.2)
Deferred tax liabilities	**(630.2)**	(692.4)
Provisions	**(0.5)**	(0.1)
Total non-current liabilities	**(2,242.0)**	(2,328.8)
Current liabilities		
Interest bearing loans and borrowings	**(57.3)**	(1.3)
Lease liabilities	**(3.4)**	(3.1)
Trade and other payables	**(206.6)**	(250.4)
Income tax payable	**(5.7)**	(28.3)
Provisions	**(0.2)**	(0.3)
Total current liabilities	**(273.2)**	(283.4)
TOTAL LIABILITIES	**(2,515.2)**	(2,612.2)
NET ASSETS	**5,245.3**	5,985.0
Equity		
Share capital	**318.1**	335.9
Share premium	**31.8**	33.6
Reserves	**839.3**	892.6
Retained earnings	**4,056.6**	4,723.2
Shareholders' funds	**5,245.8**	5,985.3
Non-controlling interests	**(0.5)**	(0.3)
TOTAL EQUITY	**5,245.3**	5,985.0

Ten-year summary

Income statement

	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**
Revenue	195.2	265.5	515.4	254.1	209.1	225.1	378.5	391.8	269.8	**209.5**
Property costs	(80.1)	(157.7)	(315.3)	(124.8)	(86.3)	(91.4)	(224.2)	(218.9)	(132.5)	**(97.9)**
Administrative and other expenses	(89.8)	(91.0)	(98.6)	(94.7)	(103.9)	(108.9)	(116.5)	(125.8)	(123.5)	**(127.8)**
Net (losses)/gains on other investments	(7.1)	0.9	(17.7)	(0.2)	(0.5)	1.5	6.8	(18.5)	6.1	**1.0**
Net (losses)/gains on revaluation and sale of investment properties	324.4	329.0	354.7	540.6	386.3	(36.4)	20.1	48.9	135.1	**(241.1)**
Impairment of goodwill	(0.7)	–	(4.4)	–	–	(0.3)	–	–	–	**–**
Share of (loss)/profit from joint ventures	25.0	58.5	103.2	138.1	151.3	167.7	189.7	145.4	21.5	**(28.7)**
Profit/(loss) before net financing costs and tax	366.9	405.2	537.3	713.1	556.0	157.3	254.4	222.9	176.5	**(285.0)**
Net financing costs	(51.9)	(37.4)	(30.4)	(31.3)	(29.4)	(20.5)	(21.3)	(26.3)	(20.0)	**(25.8)**
Profit/(loss) before tax	315.0	367.8	506.9	681.8	526.6	136.8	233.1	196.6	156.5	**(310.8)**
Revenue profit	63.6	65.2	153.3	80.1	83.3	79.2	143.5	131.0	65.9	**25.4**

Balance sheet

	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**
Total property assets including share of joint ventures	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	**6,729.2**
Investment property	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	**4,266.8**
Investment in joint ventures	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	**1,112.5**
Other financial assets	36.9	52.9	43.6	67.0	83.3	105.3	53.9	105.8	129.5	**137.4**
Other non-current assets	148.1	120.0	113.0	134.3	218.8	305.9	305.9	201.2	245.4	**284.1**
	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	**5,800.8**
Trading properties	245.2	294.8	124.9	128.1	157.1	336.7	192.7	119.8	207.8	**347.8**
Assets classified as held for sale	–	–	–	–	–	–	–	–	28.9	**–**
Cash and cash equivalents	237.5	238.4	516.6	477.6	237.6	741.8	430.8	780.5	766.3	**699.5**
Other net current assets/(liabilities)	31.3	40.2	(49.2)	(68.7)	(109.6)	(150.0)	(90.4)	(72.0)	(119.3)	**(94.6)**
	514.0	573.4	592.3	537.0	285.1	928.5	533.1	828.3	883.7	**952.7**
Borrowings (including current)	(805.5)	(818.9)	(825.8)	(743.4)	(736.4)	(816.2)	(840.9)	(1,025.8)	(1,113.0)	**(1,180.5)**
Deferred tax	(576.4)	(600.1)	(613.7)	(703.4)	(749.1)	(668.3)	(612.6)	(605.4)	(586.1)	**(572.4)**
Other non-current liabilities	(241.5)	(107.0)	(81.6)	(106.2)	(103.7)	(173.8)	(156.5)	(229.2)	(273.7)	**(311.7)**
	(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)	**(2,064.6)**
Net assets	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	**4,688.9**
Share capital and share premium	167.3	130.8	106.8	85.2	85.2	85.2	85.2	312.6	312.6	**284.3**
Reserves	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	**4,405.1**
Shareholders' funds	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	**4,689.4**
Non-controlling interest	107.8	86.4	85.8	88.3	87.2	(1.6)	(2.1)	(0.3)	(0.3)	**(0.5)**
Total equity	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	**4,688.9**

Company balance sheet

as at 31 December 2020

	Notes	2020 £m
FIXED ASSETS		
Investments	2	**4,688.9**
CURRENT ASSETS		
Trade and other receivables	3	**3.9**
NET ASSETS		**4,692.8**
CAPITAL AND RESERVES		
Called up share capital	4	**284.3**
Share premium account		**–**
Other reserves		**4,404.6**
Retained earnings		**3.9**
Shareholders' funds		**4,692.8**
Non-controlling interests		**–**
TOTAL EQUITY		**4,692.8**

Approved by the Board and authorised for issue on 18 March 2021 and signed on behalf of the Board

Michael McLintock
(Chairman)

Robert Davis
(Group Finance Director)

Company registration number: 12656651

Company statement of changes in equity

for the year ended 31 December 2020

	Share capital £m	Share premium £m	Merger Capital reserve £m	Retained earnings £m	**Total equity £m**
Balance on incorporation on 9 June 2020	–	–	–	–	**–**
Shares issued	284.3	–	–	–	**284.3**
Retained loss for the year	–	–	–	(312.8)	**(312.8)**
Dividends paid	–	–	–	(16.1)	**(16.1)**
Arising on issue of shares	–	–	4,737.4	–	**4,737.4**
Transfer between reserves	–	–	(332.8)	332.8	**–**
Balance at 31 December 2020	284.3	–	4,404.6	3.9	**4,692.8**

Notes to the Company Financial Statements

1 Company 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 Company was incorporated on 9 June 2020 as GGL Group Number Two Limited. Subsequent to the reorganisation outlined in the Directors' report on page 16, on 8 October 2020, the Company and previous holding company exchanged names such that the Company became Grosvenor Group Limited and the previous holding company became GGL Group Number Two Limited.

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.

The Company Financial Statements have been prepared under the historical cost convention and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The Financial Statements are prepared in Sterling. The principal accounting policies adopted are set out below.

(b) Financial Reporting Standard 102 – Reduced Disclosure Exemptions

The Company meets the definition of a qualifying entity under FRS 102 (Financial Reporting Standard 102) issued by the Financial Reporting Council.

Accordingly, in preparing these Financial Statements Grosvenor Group Limited has taken advantage of the following disclosure exemptions available under FRS 102:

a) The requirements of Section 7 Statement of Cashflows.

b) The requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29(a), 12.29(b), and 12.29A.

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The loss realised during the year within the Financial Statements of the Company was £312.8m. The Company has no employees.

The Company's results are included in the publicly available consolidated Financial Statements of Grosvenor Group Limited and these Financial Statements can be found at www.grosvenor.com.

(c) Going concern

The Company Financial Statements have been prepared on the going concern basis as described in the Going concern and viability section of the Directors' report on page 18.

(d) Investments in subsidiary undertakings, associated undertakings and significant holdings

The Company is a holding company for the Grosvenor Group Limited Group. Shares in subsidiary undertakings, associated undertakings and significant holdings are carried at amounts equal to their original cost less any provision for impairment. A review of the potential impairment of an investment is carried out by the Directors if impairment indicators are identified that indicate that the carrying value of the investment may not be recoverable.

(e) Other

Accounting policies for trade and other receivables are the same as those of the Group and are set out on page 39.

Notes to the Company Financial Statements

2 Investments in subsidiary undertakings, associated undertakings and significant holdings

Company

	Shares at cost £m
At 9 June 2020	5,021.7
Impairments	(332.8)
At 31 December 2020	**4,688.9**

The impairments were transferred from retained earnings into the merger reserve. Refer to page 16 of the Directors' report for information on the Company's incorporation.

At 31 December 2020, 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
110 Park Street Limited
29-37 Davies Street Limited
32-42 BPR Limited
64/70 South Audley Street Limited
65 Davies Street Development Limited
65 Davies Street Investment Limited
Bankside 4 Limited
Belgrave House Developments Limited
Belgravia Leases Limited
Coton Park Limited
Drummond Road Limited
Due West Investments Limited
Eaton Square Properties Limited
Fountain North Limited[1]
Fournier Securities Limited
GCH Investments (1) Limited
GCH Investments (2) Limited
GCH Investments LLP
GEB2 Limited
GFAL Limited
Gio European Investments Limited
Gio Investments Limited
Grosvenor Alpha Place LLP
Grosvenor Americas Holdings Limited
Grosvenor Americas Investments Limited
Grosvenor Americas UK Limited
Grosvenor Asset Management Limited
Grosvenor Australia Asia Pacific Limited
Grosvenor Australian Residential Opportunities Limited
Grosvenor Basingstoke Management Limited
Grosvenor Basingstoke Properties Limited
Grosvenor Commercial Properties
Grosvenor Community Investment Limited
Grosvenor Continental Europe Holdings Limited
Grosvenor Developments (GB) Limited
Grosvenor Developments (UK) Limited
Grosvenor Developments Limited
Grosvenor DI Limited
Grosvenor ECO Limited
Grosvenor Eighty Five Limited
Grosvenor Eighty Four Limited
Grosvenor Eighty Seven Limited
Grosvenor Eighty Six LLP
Grosvenor Eighty Three Limited
Grosvenor Estate Belgravia
Grosvenor Estate Holdings
Grosvenor Estate International Developments

Notes to the Company Financial Statements

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

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

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

Notes to the Company Financial Statements

2 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

4th Street Station Development Ltd
1300 Marine Holdings Ltd
1146078 B.C Limited
1164 Robson Holdings BT Limited
Brentwood BT Development Limited
Brentwood Office Centre Limited
Edgemont Village BT Ltd[1]
Edgemont Village Parking Limited[1]
Grosvenor 5th Avenue Holdings Limited
Grosvenor Americas Corporation[2]
Grosvenor Beltline Holdings II Limited
Grosvenor Beltline Holdings III Limited
Grosvenor Beltline Holdings Limited
Grosvenor Brentwood Development Limited
Grosvenor Development Corporation
Grosvenor Edgemont Holdings Limited
Grosvenor International Investments (Canada) Limited
Grosvenor Metrotown Limited
Grosvenor Pacific Development Limited
Grosvenor Properties (2008) Limited
Grosvenor True North Services Canada
Grosvenor True North Services Management Canada
Hornby BT Holdings Ltd
Hornby Pacific GP Limited[1]
Marine Drive BT Holdings Limited
Marine Drive WV Development Limited
Pacific BT Holdings Limited
True North GP Limited
True North Two GP Limited[1]
True North Residential One LP[1]
True North Residential Two LP[1]

[1] 1200 Waterfront (BLG); [2] 1959 Upper Water Street, suite 900, PO Box 997 Halifax, NS, B3J 3N2; 3 Koffman Kalef LLP, 885 West Georgia, 19th Floor

China
Registered office: Unit 4108, HKRI Centre One, HKRI Taikoo Hui, 288 Shimen Yi Road, Shanghai 20004, People's Republic of China

Grosvenor Management Consulting (Shanghai) Limited

France
Registered office: 69 Boulevard Haussman, 75008 Paris

Bruyeres 9 SAS
Des Grilles 40 SAS
Grosvenor Continental Europe SAS
Grosvenor Development SAS

Notes to the Company Financial Statements

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

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

First Globe Limited
Fortune Joy Properties Limited
Global Trinity Limited
Grosvenor Asia Pacific Limited
Grosvenor Asia Strategic Adjacencies Limited
Grosvenor Fund Management Hong Kong Limited
Grosvenor Hong Kong Limited
Grosvenor Limited (HK)
Majesty International Limited
Regal Way International Limited
Silver Brilliance Limited
Star Land Enterprises Limited

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

Grosvenor Belgravia Investment Limited

Japan
Registered office: 3-22-10-201, Toranomon, Minato-ku, Tokyo

Ginza Kabuki Tokutei Mokuteki Kaisya
Ginza Namiki Tokutei Mokuteki Kaisya
Grosvenor Limited Japan branch

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 Continental Europe Holdings Sarl
Grosvenor First European Property Investments Sarl
Grosvenor International Sarl
Grosvenor Investments Portugal Sarl

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

Avenida de America 38, SL
GEurope Investments Madrid SL
GEurope Investments Spain SL
Grosvenor RE Spain SL
Titan 8 Mendez Alvaro SL

Notes to the Company Financial Statements

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

Sweden
Registered office: Smalandsgatan 10, 4tr, 11146 Stockholm

Grosvenor Fund Management Sweden AB	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 3000, San Francisco, CA 94111

1 Neal Place, LLC	Grosvenor Americas USA Inc
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
720 Battery LLC	Grosvenor Financial Inc [1]
875 California II LLC	Grosvenor Fund Management LLC
875 California LLC	Grosvenor GP Limited LLC
Ballpark Hotel LLC [1]	Grosvenor International (American Freeholds) Limited
CC Village, LLC	Grosvenor International (Westcoast Freeholds) Limited
Chelsea at Juantina Village LP	Grosvenor Investment North American Holdings Inc
CP6WW LLC	Grosvenor Investments North America LLC
Eckington Residential LLC [1]	Grosvenor Residential GP Limited LLC
FCB Silver Spring LLC [1]	Grosvenor USA Limited
Fenton Street Apartments LLC [1]	Hamilton Marketplace LLC
GMOB MP Member LLC	True North California, LLC
GP Warehouse Investment Member One LLC	True North US, Inc [1]
Grosvenor Americas Joint Ventures LLC	True North US Two, Inc [1]
Grosvenor Americas Partners	True North California Two, LLC

Registered office: [1] 1701 Pennsylvania Avenue, Suite 450, Washington

Notes to the Company Financial Statements

2 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

10 Bourdon Street Limited – 66.7% owned	Grosvenor Stow Projects 2 Limited – 50% owned
20 Balderton Street Project 1 Limited – 50% owned	Grosvenor Stow Projects Limited – 50% owned
7 Green Street Limited [6] – 33.3% owned	Halkin Street LLP – 50% owned
Alpha Place Developments LLP – 33.3% owned	IO Investment 2 LLP [2] – 27.2% interest
Barton Oxford LLP – 50% owned	IOG2 LLP [2] – 99.2% owned
Barton Park Estate Management Company – 50% owned	Liverpool One Management Company Limited [5] – 50% owned
Clan Kensington LLP [3] – 33.3% owned	London Office (No.1) General Partner Limited – 50% owned
Coton Park Consortium Limited [4] – 50% owned	Montrose Place LLP – 50% owned
Four Ashes Limited [1] – 40% owned	NLG Campden LLP [3] – 33.3% owned
GC Bankside LLP [3] – 50% owned	Paris Office JV Limited – 50% owned
GC Campden Hill LLP [3] – 16.7% owned	Polish Logistics LLP [2] – 99% owned
Grosvenor CPPIB (GB) Ltd – 50% owned	Retail Centres V (Sweden) Investment Ltd – 20.17% owned
Grosvenor Liverpool Fund – 10% owned	Retail Centres V (Sweden) Limited Partnership – 20.17% owned
Grosvenor Liverpool Residential Fund – 10% interest	Trumpington Meadows Land Company Limited – 50% owned
Grosvenor London Office Fund – 12.89% owned	Urban Retail V (UK) General Partner Limited – 9.09% owned
Grosvenor Stow Limited – 50% owned	Urban Retail V (UK) Limited Partnership – 9.09% 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; [4] The Office, 12 Westfield Close Gravesend Kent DA12 5EH; [5] 33 Margaret Street, London, W1G 0LD; [6] 33 Kinnerton Street, London, SW1X 8ED

Australia	Registered office
Australian Diversified Healthcare Fund – 50% owned	'01' Suite 7, 56 Clarence Street, Sydney NSW 2000

British Virgin Islands	Registered office
Acute Choice Limited – 20% owned	Sea Meadow House, Blackburn Highway, PO Box 116, Road Town, Tortola
Bonrite Limited – 30% owned	PO Box 957, Offshore Incorporations Centre, Road Town, Tortola
Eagle Wonder Limited – 20% owned	PO Box 957, Offshore Incorporations Centre, Road Town, Tortola
Spring Plus Limited – 50% owned	PO Box 957, Offshore Incorporations Centre, Road Town, Tortola

Notes to the Company Financial Statements

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

Canada
Registered office: 1200 Waterfront, Vancouver

1300 Marine LP – 30% owned	Rise BT Holdings Ltd – 50% owned
Connaught Retail Limited Partnership – 20% owned	The Rise GP Limited – 50% owned
Connaught Retail GP Limited – 20% owned	Transca (Polaris) GP Limited[1] – 25% owned
The Cambie Rise Limited Partnership – 50% owned	Transca (Polaris) Limited Partnership[1] – 25% owned
Greensoil Building Innovation Fund (International) LP – 88.71% owned (38.2% of underlying investments)	West 15 Project Holdings Limited – 50% owned
Hornby Pacific Limited Partnership – 50% owned	

[1] 2000-1040 West Georgia, Vancouver, Canada

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

Grosvenor Park Partners Limited – 63.27% owned	Grosvenor Vega GP Ltd – 75% owned
Grosvenor Vega China Retail Fund LP – 10.57% owned	

China	Registered office
Nanjing Maoxu Investment Co., Ltd – 50% owned	No. 1 Hanzhong Road, Qinhuai District, Nanjing
Nanjing Fucheng Real Estate Development Company Ltd – 50% owned	
3701 Nanjing International Financial Center, No. 1 Hanzhong Road, Qinhuai District, Nanjing	

France
Registered office: 69 Boulevard Haussman, 75008 Paris

A France 85 SAS – 50% owned	Lesault 14 SAS – 50% owned

Hong Kong	Registered office
Dukes Place Management Services Ltd – 20% owned	3108 Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
GDP Holdings Limited – 38.46% owned	1910-1917 Jardine House, One Connaught Place, Central, Hong Kong
GDP Investment 1A Limited – 38.46% owned	1910-1917 Jardine House, One Connaught Place, Central, Hong Kong
GBP Investment 1B Limited – 38.46% owned	1910-1917 Jardine House, One Connaught Place, Central, Hong Kong
GDPHK Holdings Limited – 50% owned	1910-1917 Jardine House, One Connaught Place, Central, Hong Kong
Imperial Time Limited – 20% owned	3108 Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Lucky New Investment Limited – 30% owned	30th Floor, YF Life Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
Paramount Shine Limited – 50% owned	30th Floor, YF Life Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
Richly Leader Ltd – 50% owned	21st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
Sino Profit Development Limited – 50% owned	34/F, Shui On Centre, 6-8 Harbour Road, Hong Kong
Unity Asian Development Limited – 60% owned	1910-1917 Jardine House, One Connaught Place, Central, Hong Kong
World Gain Holdings Limited – 50% owned	34/F, Shui On Centre, 6-8 Harbour Road, Hong Kong

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

Ireland
Registered office: 21 Lavitts Quay, Cork

Barkhill Limited – 50% owned
Dietacaron Limited – 50% owned
Dutywell Trading Limited – 50% owned
Everuton Limited – 50% owned
Liffey Valley Office Campus Management Company Limited – 50% owned

Japan
Registered office: 3-22-10-201, Toranomon, Minato-ku, Tokyo

Azabu Tower Tokutei Mokuteki Kaisya – 50% owned
GDP1 Tokutei Mokuteki Kaisya – 38% owned
GDP2 Investment Business Limited Partnership[1] – 38% owned
GDP2 Tokutei Mokuteki Kaisya – 38% owned
GPT Tokutei Mokuteki Kaisya – 50% owned

[1] 1-9-7, Otemachi, Chiyoda-ku, Tokyo

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

GERP Luxembourg SARL – 5% owned
Grosvenor Retail European Properties SA – 13.95% owned

Mauritius
Registered office: Level 5, Alexander House, 35 Cybercity, Ebène 72201, Republic of Mauritius

RMB Westport Fund II – 10.9% ownership

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, 3°A, 28004 Madrid, Spain

A de Europa Investments 19 SL – 50% owned
Alcobendas Investments SL – 50% owned
Escorial 4 Investment SLU – 50% owned
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: c/o KPMG AB, Box 49, 721 04, Vasteras, Stockholm

GERP Balsta Centrum 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 Company Financial Statements

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

United States of America
Registered office: One California Street, Suite 3000, San Francisco, CA 94111

1500 K Street LLC – 20% owned
1701 Pennsylvania LLC – 50% owned
180 Post Street LLC – 50% owned
185 Post Street LLC – 50% owned
1900 Duke Street LP[1] – 25% owned
251 Post Street LLC – 50% owned
306 Rodeo Drive LLC – 50% owned
5520 Wisconsin LCC – 25% owned
701 North Michigan Avenue LLC – 20% owned
AGP JV LLC[4] – 99% owned
Ballpark Residential LLC[1] – 50% owned
Ballpark Square LLC[1] – 99.4% owned
Brazil Student Housing JV LLC[5] – 80% owned
Bridge Workforce and Affordable Housing Fund LP– 9% 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 LP[1] – 50% owned
Green Harris LLC – 25% 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
Grosvenor Urban Maryland[1] – 25% owned
HS/GP Warehouse Investment Company LLC[2] – 52.5% owned
High Street Real Estate Fund IV Inc – 7.1% owned
High Street Real Estate Fund IV Inc – 4.2% owned
MedProperties Fund III, LP – 15.4% owned
MedProperties Fund III, Platform JV, LLC – 50% owned
ML7 Residential II, LLC – 19.8% owned
ML7 Residential, LLC – 19.8% owned
Rice Lake Square LP – 25% owned
Stockdale Parking, LLC[3] – 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; [5] 200 Bellevue Parkway, Suite 210, Wilmington, DE 19809

Notes to the Company Financial Statements

3 Trade and other receivables

	2020 £m
Current receivables	
Receivables due from subsidiaries	3.9
	3.9

Receivables due from subsidiaries are unsecured, interest free and are repayable on demand.

4 Share capital

	Authorised number of shares	2020 £m
Allocated, called up and fully paid		
Ordinary shares of £1	5,684,877	5.7
'A' preference shares of £1	5,684,877	5.7
Non-voting redeemable D1 preference shares of £1	272,874,096	272.9
	284,243,850	284.3

On 3 August 2020 the Company issued the following new shares:

- Ordinary shares (nominal value and number issued, total amount) 5,684,877 ordinary shares of £1 each
- 'A' preference irredeemable shares (as above) 5,684,877 'A' preference shares of £1 each
- 'D' preference shares (we call these 'B' shares) (as above) 272,874,096 'D' preference shares of £1 each

The shares were issued as consideration for the acquisition of the entire share capital of GGL. The fair value of the net assets of GGL on 3 August 2020 were considered to be £5,021,716,937. The difference between the fair value of the net assets acquired and the nominal value of the shares issued is accounted for as merger reserve in accordance with Section 612 of the Companies Act 2006.

5 Related party transactions

There were no transactions with related parties other than wholly-owned companies within the Group.

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 cash flows 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, Wheatsheaf 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.

Net zero carbon

Grosvenor Group has adopted the World Green Building Council's definition of net zero, which means that we have committed to own and manage buildings which have zero operational carbon in use.

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.

Glossary

Performance fees

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

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 4 to the Financial Statements.

Reversionary yield

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

Running yield

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

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.