Living cities

www.grosvenor.com

GROSVENOR

Grosvenor Annual Report and Accounts 2009

THE GROSVENOR STORY

The family and the land

The Grosvenor family history stretches back almost a thousand years, to the time of William the Conqueror. However, the origins of the property business lie in the land in London which came into the family in 1677 with the marriage of Mary Davies and Sir Thomas Grosvenor: 500 acres of swamp, pasture and orchards to the west of the City, of which 300 acres remain with the family today as Grosvenor's London estate.

1677

Above
Sir Thomas Grosvenor and Mary Davies

Right
Map of the land (black), the greater part of which came into the Grosvenor family in 1677, as subsequently developed (red)

Mayfair, London

'Mayfair', the northern part of this land, took its name from the fair held here in May until well into the 19th century. In 1720 the family began developing the land into a fashionable residential area, centred on Grosvenor Square. The area's character continued to evolve through subsequent redevelopment: in the 19th century, shops and, later, embassies and diplomatic residences moved in; during the 20th century it saw the westerly migration of office users from the war-damaged City of London. Today almost the whole of Mayfair, which now contains a cosmopolitan mix of commercial and residential property, is included in a statutory Conservation Area.

Above
Grosvenor Square, Mayfair, in 1753

1720s

1820s

Belgravia, London

'Belgravia', which lies south west of Mayfair, was originally part of the 'Five Fields': open land between Hyde Park and the Thames. The end of the Napoleonic Wars, and the conversion of nearby Buckingham House into a palace for George IV, prompted the Grosvenors to develop it. In the 1820s the family's surveyor, together with master builder Thomas Cubitt, oversaw the creation of an elegant estate in the classic Regency style of squares, streets and crescents overlooking private gardens. The vast majority of Cubitt's work survives and almost the whole of Belgravia is included in a statutory Conservation Area, now encompassing housing, commercial and institutional headquarters, retail and, on the periphery, modern offices.

Above
Belgrave Square, Belgravia, in 1827

Left
The opening of Grosvenor's first international development, at Annacis Island, Vancouver, 1955

International expansion

During the second half of the 20th century, Grosvenor began to apply its estate management skills of investment, development and asset management elsewhere in the UK. The business expanded, successively, into the Americas (from the 1950s), Australia (from the 1960s), Asia Pacific (from the early 1990s) and Continental Europe (later that decade). Many projects were undertaken in partnership with other companies, leading Grosvenor gradually into fund management.

1950s

2000

Corporate structure

In April 2000, Grosvenor adopted its present corporate structure of a Group with regional businesses and published its first full Annual Report & Accounts. Our international fund management business was formalised in 2005. Today we have 17 offices in 11 countries and assets in a total of 17 countries.

Further information on the Group is available at www.grosvenor.com.

Above
The Grosvenor office, 70 Grosvenor Street, Mayfair, London

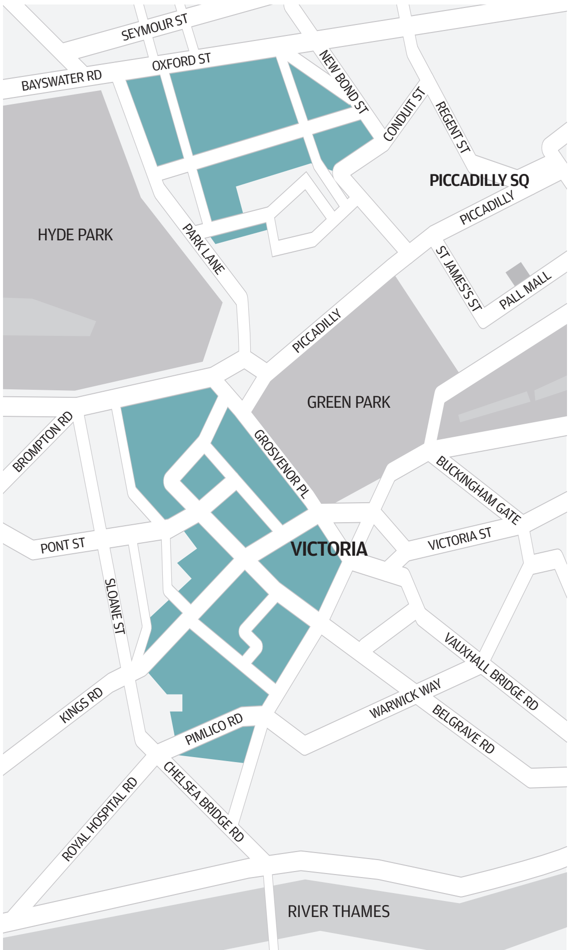
Ownership

Grosvenor remains privately owned. The Shareholders – the Trustees – represent the legal entities through which shares and assets are held 'in trust' for the benefit of current and future members of the Grosvenor family. The family is headed by the 6th Duke of Westminster, who is Chairman of the Trustees.

Further information on the Grosvenor family is available at www.grosvenorestate.com.

Above
Family portraits in the reception at The Grosvenor office, London

2010



Above
Outline of Grosvenor's London estate today

QUICK GLANCE

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Front cover The Westminster Terrace, Hong Kong
Back cover 400 George Street, Brisbane, Australia

Grosvenor is a privately owned property group active in some of the world's most dynamic cities.

We recognise that our future success is tied to sustainable growth of the cities in which we have a presence. We have a vested interest in the future shape of the urban landscape and aim to help create and manage attractive and vibrant cities in which people choose to live and work.

FINANCIAL HIGHLIGHTS

An overview of our key performance figures for this financial year. There is a glossary on the back cover flap.

£318.1m
Gross rents (including share of joint ventures)
2008 £277.3m (see Accounts Note 4)

£62.2m
Revenue profit
2008 (£76.7m) loss (see Accounts Note 4)

£(235.8)m
Loss before tax
2008 (£593.9m) loss

£5,222m
Property assets
2008 £6,173m (see Accounts Note 18)

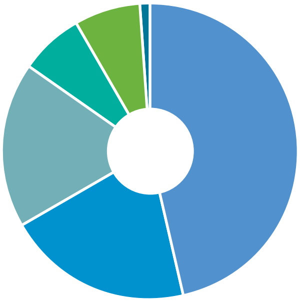
£2,543m
Net asset value
2008 £2,837m

£2,387m
Shareholders' funds
2008 £2,650m

–2.8%
Total return on property assets (including currency movements)
2008 –4.1%

£964m
Financial capacity
2008 £523m

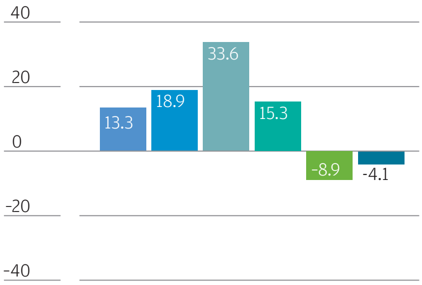
Shareholders' funds* by Operating Company



Britain & Ireland	£1,063.5m	46.5%
Americas	£466.8m	20.4%
Continental Europe	£405.4m	17.8%
Australia	£163.4m	7.2%
Asia Pacific	£159.5m	7.0%
Fund Management	£24.0m	1.1%

*Excludes the Holding Company.

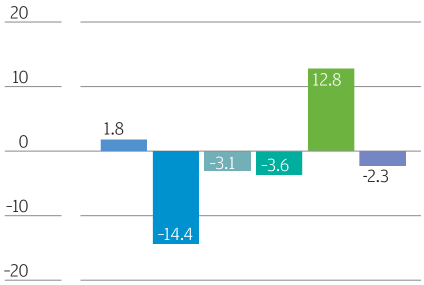
Revenue profit £m* by Operating Company



Britain & Ireland	£13.3m
Americas	£18.9m
Continental Europe	£33.6m
Australia	£15.3m
Asia Pacific	–£8.9m
Fund Management	–£4.1m

*Excludes the Holding Company.

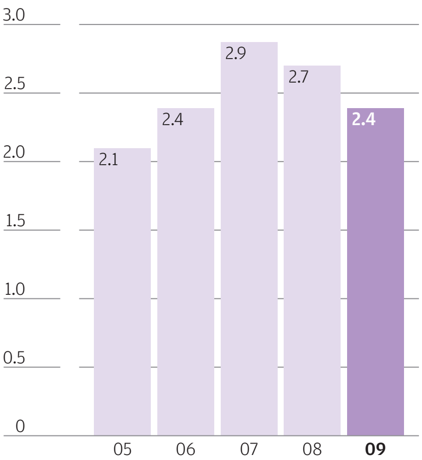
Total returns % (excluding currency movements) by Operating Company



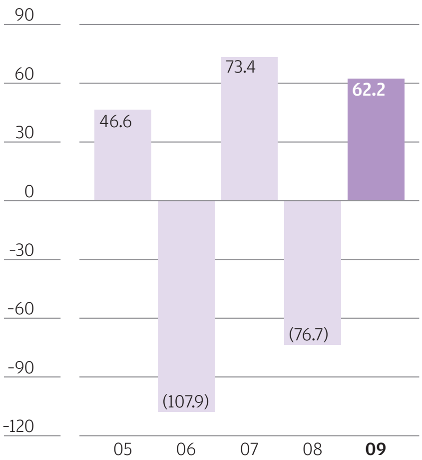
Britain & Ireland	1.8%
Americas	–14.4%
Continental Europe	–3.1%
Australia	–3.6%
Asia Pacific	12.8%
Group	–2.3%

Total return on property assets is not a relevant measure for Grosvenor Fund Management.

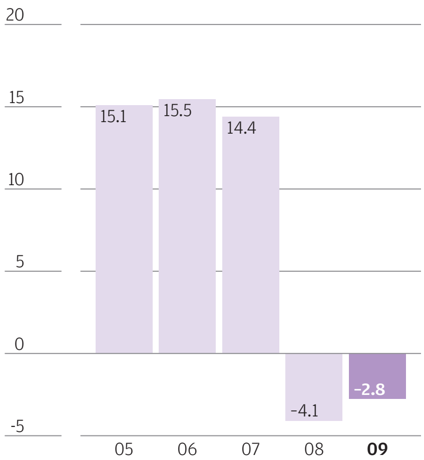
Shareholders' funds £bn



Revenue profit £m



Total returns %
(including currency movements)



OPERATIONAL HIGHLIGHTS

An overview of our key operational figures for this financial year. There is a glossary on the back cover flap.

£10.2bn
Assets under management
2008 £12.4bn

£9.1bn
Investment properties under management
2008 £10.7bn

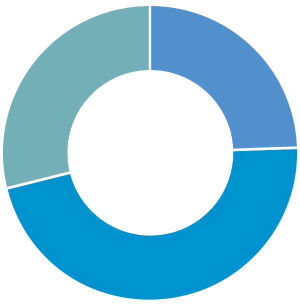
£1.1bn
Development projects under management
2008 £1.7bn

1,046
Number of properties under management
2008 1,087

562
Employees
2008 611 (see Accounts Note 10)

Assets under management

By sector



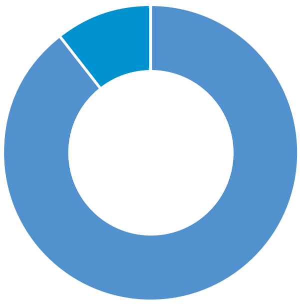
Commercial* £2,504m	24.5%
Retail £4,792m	46.8%
Residential £2,932m	28.7%

*Commercial includes office and industrial.

By Operating Company

Britain & Ireland £3,201m	31.3%
Americas £974m	9.5%
Continental Europe £1,650m	16.1%
Australia £370m	3.6%
Asia Pacific £444m	4.4%
Fund Management £3,589m	35.1%

By activity



Investment £9,152m	89.5%
Development £1,076m	10.5%

	Grosvenor				Third party			Future development commitment £m	Assets under management £m
	Investment £m	Development £m	Financial assets £m	Total £m	Investment £m	Development £m	Total £m		
Britain & Ireland	1,589	166	–	1,755	917	130	1,047	399	**3,201**
Americas	514	21	8	543	419	11	430	1	**974**
Continental Europe	1,505	117	–	1,622	–	–	–	28	**1,650**
Australia	251	4	–	255	111	4	115	–	**370**
Asia Pacific	202	35	5	242	167	35	202	–	**444**
Fund Management	661	125	19	805	2,784	–	2,784		**3,589**
Total	4,722	468	32	5,222	4,398	180	4,578	428	**10,228**
Commercial	1,130	72	7	1,209	1,291	4	1,295	–	**2,504**
Retail	2,633	220	12	2,865	1,867	31	1,898	29	**4,792**
Residential	959	176	13	1,148	1,240	145	1,385	399	**2,932**
Total	4,722	468	32	5,222	4,398	180	4,578	428	**10,228**

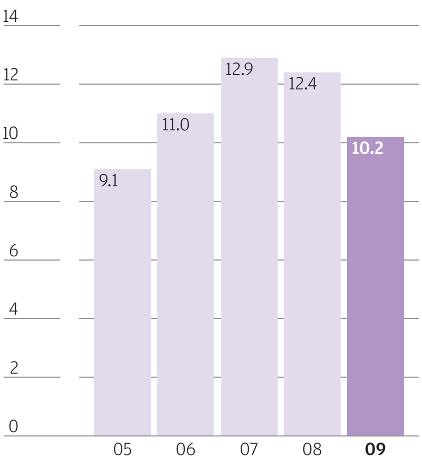
Grosvenor's share of investment properties, development properties and financial investments in property assets.

Future development commitment represents the expected costs to complete the committed development programme.

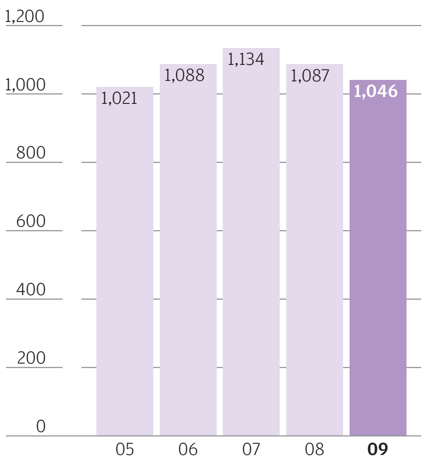
Third party shares of property assets managed by Grosvenor.

Assets under management represents the total investment in property assets managed by the Group (Grosvenor and third party investors), including the future costs of committed developments.

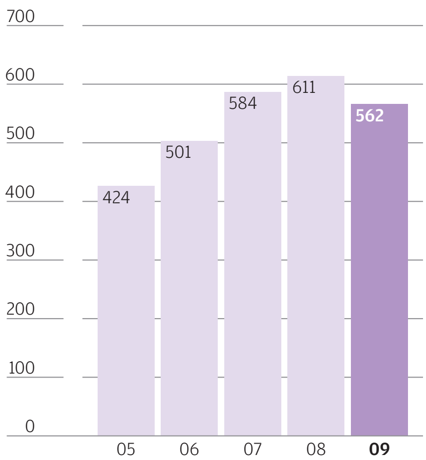
Assets under management £bn



Number of properties



Employees

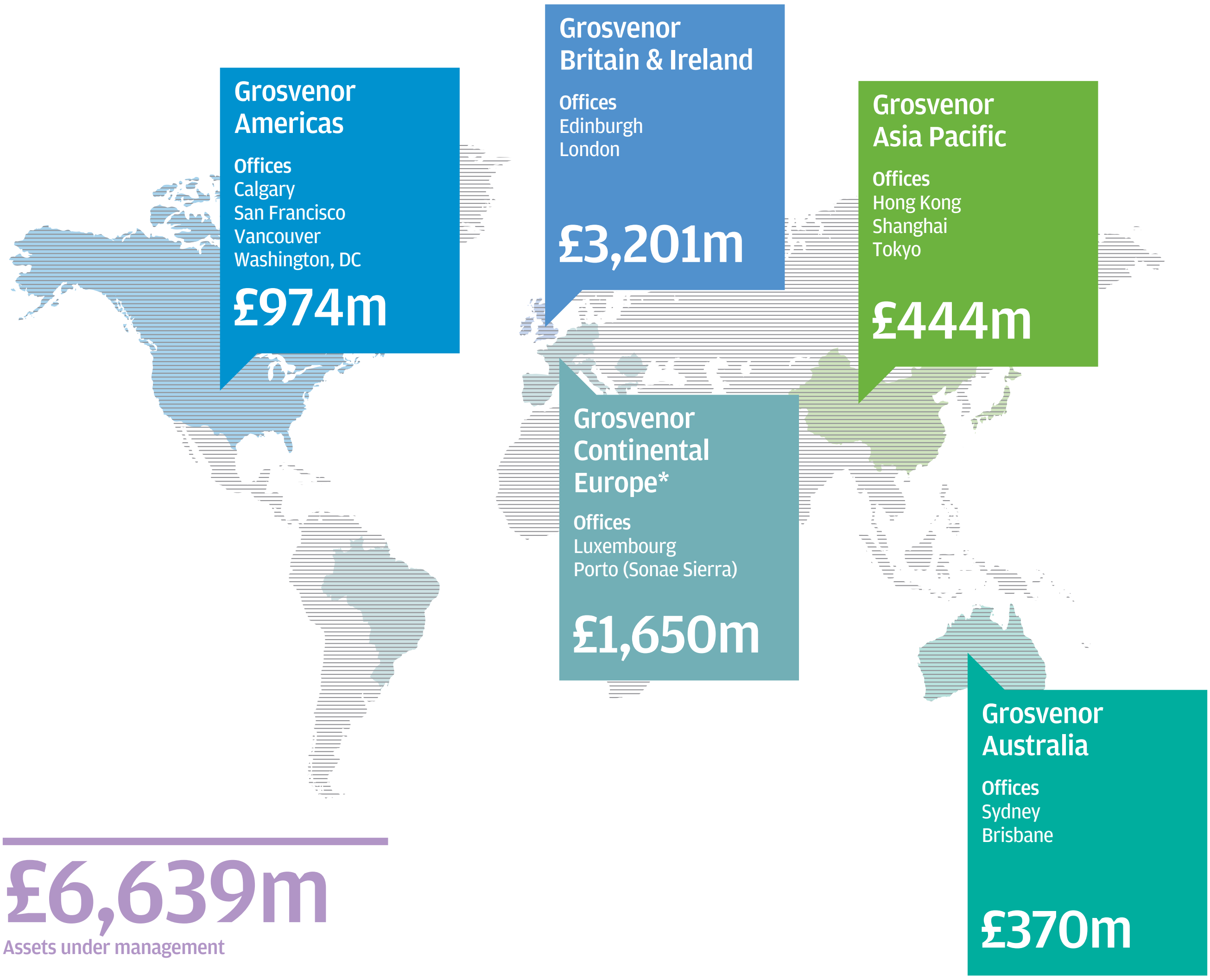


GROUP STRUCTURE

We have five regional investment and development businesses, primarily deploying proprietary capital, and a single international fund management business, managing primarily third-party capital. There is a history of Grosvenor on the front cover flap.

Investment and development

Grosvenor's five regional investment and development businesses have a presence in some of the world's most dynamic cities. Our activities span retail, commercial and residential property, as well as mixed-use and urban regeneration schemes. Sometimes we act as developer, working alone or as part of a joint venture from project inception to completion; sometimes we act as investor, acquiring existing buildings and focusing on strategic asset management. In all cases the insight which comes from being a global player, combined with years of experience on the ground, provides us with a deep understanding of the cities in which we operate.

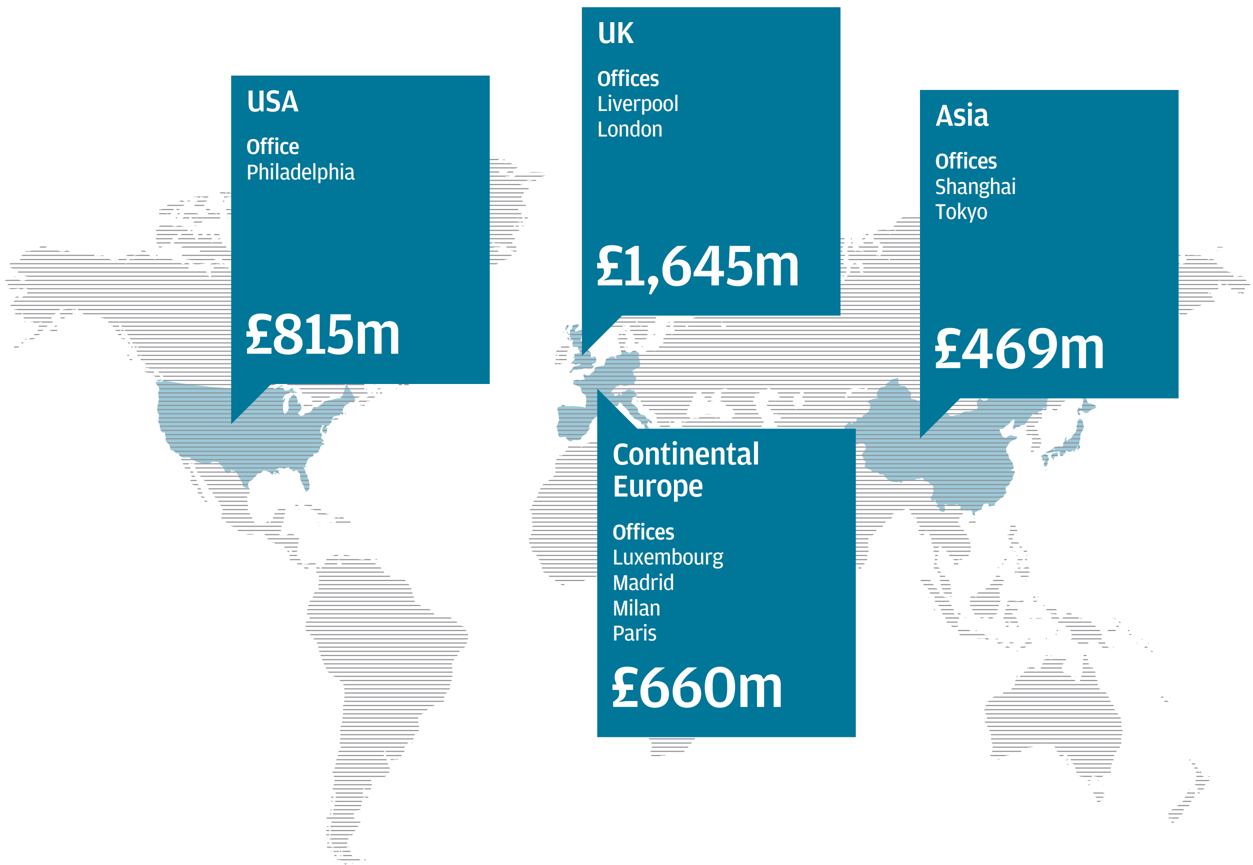


£6,639m
Assets under management

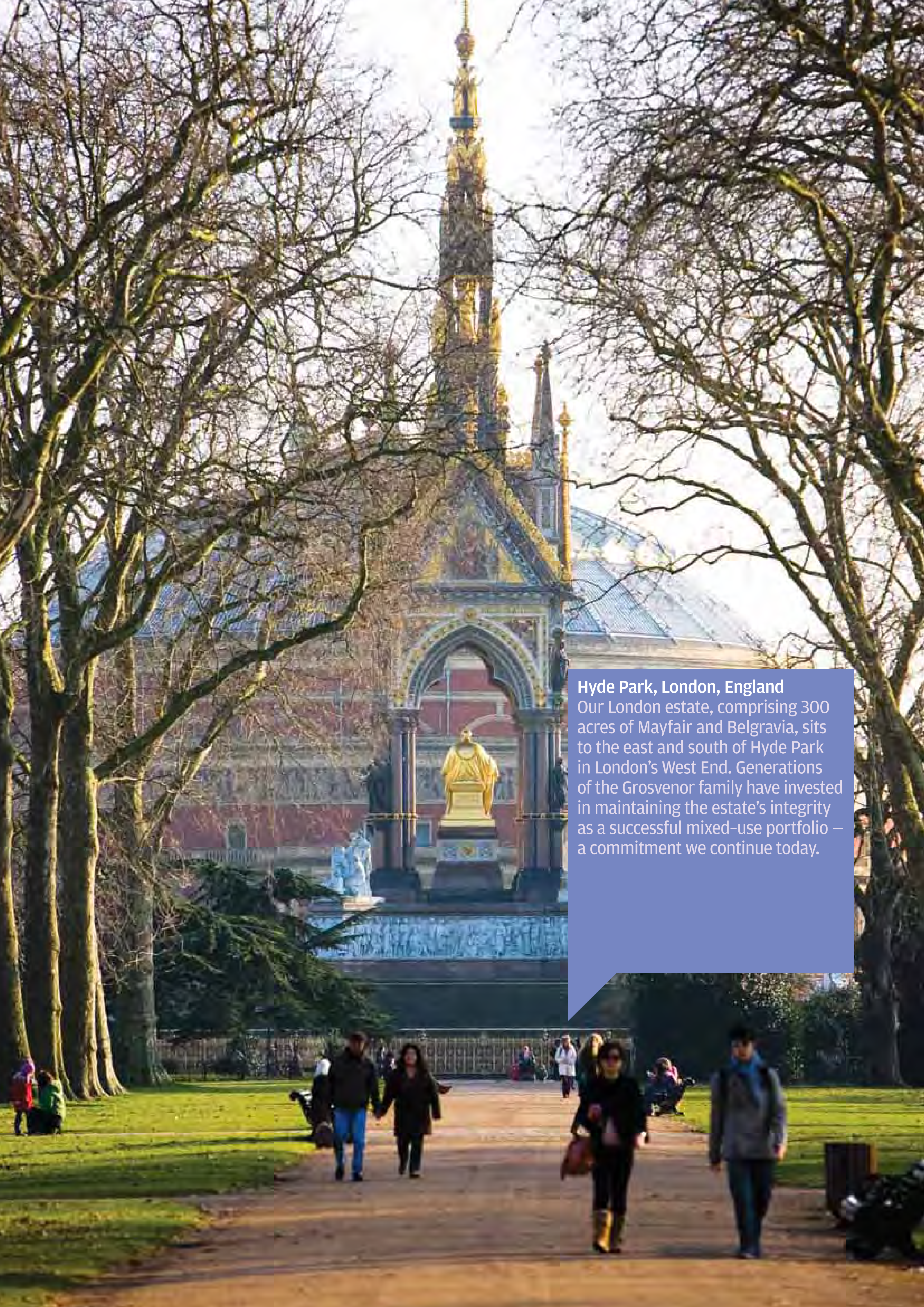
*Grosvenor's share of assets held by Sonae Sierra is included within Continental Europe regardless of the Brazilian component.

Fund management

Grosvenor Fund Management offers a range of sector and regional specialist property investment funds which aim to deliver attractive, risk-adjusted returns. Our activities cover each of Grosvenor's operating regions, where we employ professionals with local knowledge and skills to execute our investment decisions. Aligning our interests with our partners and building long-term relationships is of paramount importance to us.



£3,589m
Funds under management



Hyde Park, London, England
Our London estate, comprising 300 acres of Mayfair and Belgravia, sits to the east and south of Hyde Park in London's West End. Generations of the Grosvenor family have invested in maintaining the estate's integrity as a successful mixed-use portfolio – a commitment we continue today.

CHAIRMAN'S STATEMENT

Grosvenor – a private company – has weathered the downturn well, stabilised by having committed Shareholders, a long-term approach, an internationally diverse portfolio and a clear Group strategy.

2009 was another extraordinary year of financial crisis, with the worst property market conditions for decades. The uncertainty in global financial markets has eased but is still evident, particularly in countries with high levels of public and private debt and for businesses with capital intensive assets.

The strength of Grosvenor

Grosvenor – a private company – has weathered the downturn well, stabilised by having committed Shareholders, a long-term approach, an internationally diverse portfolio and a clear Group strategy.

Our balance sheet remains strong, which is a real achievement and positions us well for the future. Our financial stability reflects a caution developed over a long institutional memory of market cycles. Time and again students of history are rewarded by the application of its lessons. We strive to remember this and to use it to our advantage in an era of short-termism.

Global trends

Recent events have reinforced our confidence in our overall approach, which takes account of the shifting centre of gravity in the world economy from West to East. The advantage of our devolved structure is that it brings together the global and the local view: we are able to base decisions on an understanding of worldwide macro-economic trends, as well as on the intuition and analysis of property professionals on the ground.

Our internationally diversified portfolio has clearly moderated the volatility of our returns over many years. That our returns have been rather small negatives over the last two years (2008: -4.1%; 2009: -2.8%) illustrates the point. Accordingly, it is central to Group strategy to continue to diversify our property holdings, growing our presence in those of the world's major cities which we consider to have particularly attractive prospects.

We will continue to build our presence in the East, through our Asia Pacific and fund management operations. We believe the prospects remain good for our well-established Australian and Canadian businesses, with their strong economies. Although we are concerned about the time it will take for recovery to get underway in Europe and the USA, there too we are confident that there will be opportunities in the cities we have targeted, given that we are near the low point in the cycle.

The Board

In a year characterised by constant 'stress tests', we have benefitted from having an experienced executive and non-executive team at Board level. On behalf of the Group, I thank all our Non-Executive Directors, on both the Group and Operating Company Boards, for the insight and wisdom they bring.

The Earl of Home Group Chairman
18 March 2010


The Earl of Home

Shanghai, China
We aim to expand our activities in Asia, as an investment and development business and as a manager of property funds. Grosvenor Asia Pacific has great potential in the region; Grosvenor Fund Management already manages four Asian funds and is preparing to launch another Japanese fund.

CHIEF EXECUTIVE'S REVIEW

Geographic and sectoral diversification continues to offer us a very effective way to maximise returns over the long-term.

As expected, 2009 was a really challenging year for the property industry. We have been through unprecedented storms in the financial and property markets and cannot be sure that we have seen the last of them in all the regions and sectors in which Grosvenor operates.

In such a climate, while it is always disappointing to record a loss, our performance has been robust and over the last two years we have done relatively well.

Financial performance

The key numbers for Grosvenor are: total return of -2.8%, which has improved slightly (-4.1% in 2008); revenue profit of £62.2m, which is also better than last year (£76.7m loss in 2008); and assets under management of £10.2bn (£12.4bn in 2008), which, as expected, have dropped as a result of declining values and the implementation of our strategy of selective sales to add to our financial capacity.

Our Operating Companies report on these metrics in their reviews. Each business has a very specific aim and strategy, reflecting its history and its markets, against which it measures its progress. This geographic and sectoral diversification continues to offer us a very effective way to maximise returns over the long-term.

Strategy

The Group's business objective is to continue to develop and co-ordinate a diversified international property group, with a core holding in the UK. Given our long-term approach, our broad strategy for achieving this has evolved over many years and is unchanged by the recent storms. Progress in relation to the 'Big Six' elements of Group strategy, therefore remains the priority.

We will increase our exposure to Asia. Over the long-term, faster economic growth in Asia will translate into rising property values and we are committed to participating in this. The West would like to invest in the region, but does not yet have much experience of it. Grosvenor were early to enter the market, we have taken our time to get to know it, and we are now very well placed.

We continue to invest in our London estate. Its pre-eminence depends on delivering the right product mix, enhancing the public realm, improving community retail and looking after our occupiers well.

We want to expand our fund management operation. Our aim is to deliver attractive risk-adjusted returns to investors and to grow the business as a consequence. We are in a period of consolidation and change in the property fund management industry and our stability and long-term perspective put us in a strong position from which to grow. We are seeking opportunities to acquire skills and mandates complementary to those we already have.

We are focusing on generating high risk-adjusted returns and revenue profit from our capital in all parts of our proprietary business. In particular, we are seeking development opportunities at this point in the property cycle.

To achieve the above, we continue to work hard at developing relationships with other organisations whose objectives, strategies and expectations of results are compatible with our own, with a view to working profitably together.

Mark Preston

We are investing further in developing the skills and experience of our people, who are crucial to our long-term success and to achieving the other elements of our strategy. In 2009 we introduced a more systematic approach to identifying talent and to succession planning across all six businesses. We are also increasing the opportunities for key staff to spend time working in different parts of the Group.

We are making progress on environmental performance. We have agreed our environmental metrics and will shortly set our first environmental targets, starting with our carbon emissions. Next year we will start reporting on our performance against those targets. Meanwhile, we detail some of the initiatives from 2009 on pages 70 to 71.

Highlights of the year

Despite the difficult conditions, there have been many causes for celebration in the Group. Grosvenor Britain & Ireland made its first significant acquisition since the downturn – a much coveted site in London's Holland Park; it started construction of a residential development on the Thames; and it completed the final element of Liverpool One. Grosvenor Americas finished its first hotel project in 20 years in the USA; in Continental Europe, Sonae Sierra opened two new shopping centres; Grosvenor Australia completed the largest single office building in the Group's history in Brisbane; and Grosvenor Asia Pacific finished its third residential development in the region, in Hong Kong.

It was a difficult year for Grosvenor Fund Management, in common with other fund managers, because of the rapid fall in values. However, it successfully refinanced or repaid £1.2bn of loans, whilst focusing on the active management of its portfolio.

Management priorities

A top priority throughout the year was ensuring that we would be well positioned to start investing in our markets again when we wished to do so.

To achieve this we sold assets which did not fit our long-term strategies. While our timing was less good in some parts of the Group, we did notably well in Vancouver and the marketing of our new and refurbished projects in Hong Kong and Shanghai proved very timely. We also took some difficult decisions in relation to managing our costs, including a reduction in staff numbers.

> **A top priority throughout the year was ensuring that we would be well positioned to start investing in our markets again when we wished to do so.**

Securing new financings and refinancings was an important focus for the year and assisted in the achievement of this priority. As a result of these efforts, we have access to considerable liquid reserves.

Occupancy rates averaged 91% across the Group (2008: 91%), as a result of care taken at the leasing stage to get the right tenant mix on fair terms and assiduous management over the months and years thereafter – not only of the assets themselves but also of the relationships with the occupiers.

The outlook

Despite our strong financial position, we will be patient in using our firepower. Although history shows there are opportunities at or near the bottom of the market, we will only move when we are confident that the timing is right, avoiding the pressure of the herd instinct.In some of our markets there are threats to a sustained recovery, and we will ensure we remain insulated against the possible consequences. However, we think that there will be opportunities to re-enter some of our markets in 2010. Australia, in particular, shows signs of a sustainable recovery, upon which we intend to capitalise.

We aim to have a flexible development 'pipeline', ideally including options on sites amongst the firm commitments, with staggered start times, so we can go ahead only when conditions are right. We are doing well with this forward planning in all our markets and expect development activity to rise from a low point this year. Our development exposure ratio, at 13%, has decreased slightly against last year (2008: 15%).

Grosvenor Fund Management is preparing for the launch of new fund vehicles for the UK, the USA, Continental Europe and Japan, again to prepare for recoveries in each market.

Despite our strong financial position, we will be patient in using our firepower... In some of our markets there are threats to a sustained recovery, and we will ensure we remain insulated against the possible consequences.

Conclusion

This is the first time I have reported on a full calendar year as Group Chief Executive. It has been a demanding period, coinciding as it has with such a momentous 12 months in global markets. It has also been frustrating. This was not a year for bold initiatives in the implementation of our strategy; more one of cautious 'good housekeeping' which positions us well for the future.

I am very grateful to everyone at Grosvenor – particularly to the many unsung members of staff who have 'got the job done' in their various disciplines, showing great tenacity and good humour, despite the pressures that go with a period of such uncertainty. In the short-term, this means that we are able to be quietly optimistic overall, notwithstanding the varying outlook around our markets. Looking to the medium and longer term the opportunities will be exciting. I am confident that the dedication of all our people, coupled with our robust financial position and our strategy for growth, will bring continued success.

Mark Preston Group Chief Executive
18 March 2010

Granville Street, Vancouver
Group committed financial capacity rose 84%. This was achieved through careful selling of non-core assets, including those in Vancouver, Canada, and through negotiation of 11 Grosvenor wholly owned loans and facilities.

FINANCE DIRECTOR'S REPORT

The bedrock of Grosvenor's particular approach to financial robustness is the requirement that Grosvenor should be able to survive the full range of crises which might arise over the generations.

Grosvenor operates for the long-term, including planning for the market crashes which inevitably occur from time to time. This requires restraint when markets are at their peak, and the determination to reposition the organisation to thrive as markets recover. We started 2009 having achieved the first; in 2009 our primary focus was on the second.

2009 performance

Grosvenor's 2009 results reflect the wide range of performance by our six Operating Companies. The loss before tax was £235.8m (2008: loss of £593.9m). Total returns were -2.8% (2008: -4.1%), to which exchange movements contributed -0.5% (2008: 4.5%).

Earnings

Gross rents increased by 14.7%, principally due to exchange rate movements, but 6% due to a combination of new shopping centre openings by Sonae Sierra and deferred rent reviews in Grosvenor Britain & Ireland.

Revenue profit increased 38.5% to £62.2m (2008: £44.9m, excluding Liverpool One). Following completion, no profit was accrued nor provision required in 2009 in respect of Liverpool One. Grosvenor Continental Europe, principally representing Grosvenor's share in Sonae Sierra, delivered the highest revenue profit of £33.6m, due to increased profit in Sonae Sierra following development write-downs in 2008, while Grosvenor Asia Pacific experienced the largest revenue loss of £8.9m, largely arising from its Tokyo operations.

Total returns, before exchange rate movements, varied significantly between Operating Companies, reflecting the different timing and extent of market falls and recoveries in each region. Grosvenor Americas, as a result of valuation falls in the USA, experienced a total return of negative 14.4%, while Grosvenor Asia Pacific, buoyed by the dramatic rise in values in Shanghai, delivered a positive total return of 12.8%.

As a result, Shareholders' funds at 31 December 2009 were £2,387m, only some £31m less than at 31 December 2006. In other words, the aggregate decline in Shareholders' funds in 2008 and 2009 was about the same as the increase in 2007.

Property activity

Assets under management decreased 17.7% to £10.2bn. This reflects net sales of £0.9bn, purchases of £0.1bn, net negative revaluations of £0.8bn, a reduction in the development programme of £0.2bn and negative currency movements of £0.4bn.

Grosvenor's share of property assets decreased by 15.4% to £5.2bn, following net sales of £0.5bn, negative revaluations of £0.3bn and negative currency movements of £0.2bn.

Positioning for the future

In 2009, each of our Operating Companies tackled areas of excess capacity and costs, and continued to identify and implement efficiency improvements. Total staff costs and other overheads fell 7.8%, at constant exchange rates, with staff numbers decreasing to 562 (2008: 611).

Nicholas Scarles

Geographical distribution of Grosvenor's economic property interests 2009

	2008	2009
Britain & Ireland	44.2%	**47.2%**
Americas	17.6%	**12.2%**
Continental Europe	26.8%	**29.3%**
Australia	4.8%	**5.4%**
Asia Pacific	6.6%	**5.9%**
Britain & Ireland		
West End, London	31.4%	**34.6%**
Outside London	12.6%	**12.6%**
City, London	0.2%	**0.0%**
Americas		
USA	10.7%	**8.1%**
Canada	6.9%	**4.1%**
Continental Europe*		
Portugal	11.0%	**11.1%**
Spain	5.8%	**6.8%**
Germany	2.7%	**3.2%**
Brazil	1.4%	**2.6%**
Italy	2.5%	**2.3%**
France	2.2%	**1.9%**
Greece	0.7%	**0.8%**
Romania	0.5%	**0.6%**
Australia		
Queensland	2.5%	**4.0%**
New South Wales	2.3%	**1.4%**
Asia Pacific		
Japan	3.0%	**2.7%**
China	2.8%	**2.7%**
Hong Kong	0.8%	**0.5%**

*Grosvenor's share of assets held by Sonae Sierra is included within Continental Europe regardless of the Brazilian component.

Our regional Operating Companies stoked their capacity to acquire real estate for the future by selling £590m of non-strategic Grosvenor assets in 2009, where possible taking advantage of the different timing of market cycles in each region.

We also financed and refinanced 11 wholly owned debt facilities with a value of £202m, compared to the £163m which matured during the year.

As a result, at 31 December 2009, the Group's financial capacity – the extent to which Grosvenor has wholly owned unrestricted cash and undrawn general purpose committed facilities – was a record £964m (2008: £523m). Spare cash is sufficient to repay all Grosvenor's wholly owned debt maturing over the next 16 years, should we so choose.

Grosvenor's financial approach

The bedrock of Grosvenor's particular approach to financial robustness is the requirement that Grosvenor should be able to survive the full range of crises which might arise over the generations. To make this possible we set ourselves limits, principally in terms of gearing and financial capacity, sufficient to weather financial and property market downturns in every one of the markets in which we operate, all at the same time.

At the start of the financial crisis, Grosvenor's 'resilience' – the extent to which market values across each of our markets can fall before Group financial covenants are breached – was twice our internal minimum. The impact upon our resilience of value falls over the last two years has been balanced by asset sales, leaving greater resilience at 31 December 2009 than immediately before the crisis.

From the security of the wholly owned balance sheet, Grosvenor operates, with a multitude of partners, through joint ventures and Grosvenor funds. Each vehicle has its own independent financing, reflecting the shared objectives and risk appetites of its investors. Grosvenor's policy is that such entities should be stand-alone, with no explicit or implicit Grosvenor support beyond the commitments we may have as investor and/or developer.

Whilst there have been challenges with loan covenants in some joint ventures and funds, we have had fewer than our fair share. Our approach is one of constructive engagement with partners, lenders and other interested parties, as soon as we foresee that an issue might arise. Our experience is that, by all parties recognising the reality of their position and the need for commercially acceptable solutions for all those involved, resolutions can be found.

With the exception of Sonae Sierra, Grosvenor manages virtually all of its wholly owned, joint venture and fund debt arrangements, comprising some 135 loans and facilities, with a value of £3,851m, in eight currencies from 38 lenders. Grosvenor also manages £2,055m notional principal of derivative contracts (principally interest rate hedges). Our approach ensures that our finance directors and treasury team maintain significant, wide ranging treasury experience, through which we can build long-term relationships with lenders, all for the benefit of Grosvenor, our investors and partners.

During the year we arranged £1,419m of financings and refinancings, comprising 26 loans and facilities. In 2010, £760m of Grosvenor-managed debt matures, with £175m of financing already achieved at the date of this report.

When sufficient time has passed for historians to take a detached view of this financial crisis, one feature they are likely to highlight is how the skill of managing risk was lost in the period preceding it. For years, risks never seemed to materialise and to heed warnings meant foregoing easy profit and high bonuses.

Portfolio allocation

The chart on the opposite page shows Grosvenor's economic exposure to property by country at 31 December 2008 and 2009. The most significant shift – the reduction in the Americas – reflects not only the extent of sales in Canada in 2009, but also the impact of revaluations in the USA.

Our medium-term plan is to allocate further capital to Asia Pacific. The migration of equity will occur over a number of years as Asian opportunities arise and as confidence grows, through a track record of stable performance throughout the Asia Pacific region.

Risk management

When sufficient time has passed for historians to take a detached view of this financial crisis, one feature they are likely to highlight is how the skill of managing risk was lost in the period preceding it. For years, risks never seemed to materialise and to heed warnings meant foregoing easy profit and high bonuses. The influence of risk-conscious managers dwindled and risk teams reverted to generating compliance reports which few of their colleagues read or understood, giving companies the appearance of managing risk, but failing to influence institutional behaviour.

In the property market, overall market movements and higher debt cloaked otherwise underperforming developments and relegated quality asset management to the shadows. For many organisations, the feast of asset and debt aggregation swept aside good risk and asset management.

Grosvenor exercised restraint in terms of gearing, in some cases turning away potential deals or partners as a result, and maintained its passion for good asset management. However, while we had planned for the crisis, perhaps we could have done more in advance of the rapid deterioration of values. We have learned from recent experience the importance of careful assessment and management of operational and financial risks. We will undertake new developments only where we have a clear view of the full range of potential financial outcomes and a clear plan for managing them, utilising all the traditional tools and new ones such as property derivatives.

Shared services

Our devolved structure is very effective in ensuring local decisions are made in the right place – by individuals who know their market. However, we recognised in 2006 the inefficiencies which may arise in relation to cash and debt management, and introduced a co-ordinated approach to treasury, under which the balance sheet is owned by Operating Companies, but each benefits from the reallocation of spare cash around the Group. In 2009 we further recognised that, with greater standardisation of systems, the IT support function should be delivered by a single central team. IT is our only fully 'shared service' Group-wide, delivering infrastructure support and improvements for all our Operating Companies, under the guardianship of the Grosvenor Holding Company.

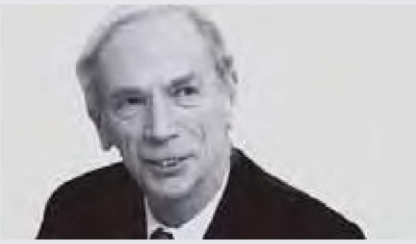
Conclusion

2009 has again demonstrated the benefits of a diverse portfolio, smoothing returns despite significant volatility in many of the markets in which Grosvenor operates. Our devolved structure has demonstrated that it can deliver a co-ordinated response to a range of crises and we have reaped the benefits of our relationship banking approach. Perhaps hardest of all, we have not wasted the crisis as an opportunity to prepare ourselves for future challenges, a process which continues.

Grosvenor enters 2010 able both to take advantage of market opportunities as they arise – particularly important where access to finance for those wishing to invest is limited – and to retain financial headroom sufficient to manage any double-dip that may materialise.

With a robust balance sheet and a private company approach, we will pace investment in opportunities carefully. We look forward to the new market cycle – whatever shape it may take – with calm excitement.

Nicholas Scarles Group Finance Director
18 March 2010


Earl of Home


Robin Broadhurst


Rod Kent


Alasdair Morrison


Jeremy Newsum


Domenico Siniscalco


Mark Preston


Nicholas Scarles


Stuart Beevor


Andrew Bibby


Rob Kerr


Nicholas Loup


Peter Vernon

GROUP BOARD OF DIRECTORS

Non-Executive Directors

The Earl of Home CVO CBE **(David Home) (Chairman)** is a Trustee of the Grosvenor Trusts, Chairman of Coutts & Co and is also an elected Member of the House of Lords. He was a Group Director of Morgan Grenfell & Company Ltd until 31 March 1999. He is President of the British Malaysian Society and joined the Board of the Dubai Financial Services Authority (DFSA) in February 2005.

Robin Broadhurst CVO CBE FRICS is a Trustee of the Grosvenor Trusts, Chairman of Grainger plc and Sableknight Ltd, and a Non-Executive Director of the British Library and Chelsfield Partners. He is also consultant to Sir Robert McAlpine.

Rod Kent is Chairman of BT Pension Scheme Trustees Limited and a Governor of Wellcome Trust. He was Senior Independent Director at Whitbread Plc from 2002 to 2008 and Chairman of Bradford & Bingley Plc from 2003 to 2008. He was Managing Director of Close Brothers Group Plc from 1975 to 2002, and then a Non-Executive Director and latterly Chairman until 2008.

Alasdair Morrison is a Senior Advisor to Citigroup Asia Pacific, the Non-Executive Chairman of Kang & Company and North Asia Investment Corporation, a Non-Executive Director of Hong Kong Mercantile Exchange and of Pacific Basin Shipping, and a member of the Bloomberg Asia Pacific Advisory Board. Until April 2007 he was a Managing Director of Morgan Stanley and a member of the firm's Management Committee. From 2000 to 2007 he was Chairman of Morgan Stanley Asia, based in Hong Kong. From 2002 to February 2006 he was concurrently Chairman and Chief Executive Officer of Morgan Stanley Asia. Prior to joining Morgan Stanley, he worked in Asia for 28 years for the Jardine Matheson Group, where he was the Group Managing Director from 1994 to 2000.

Jeremy Newsum FRICS is Executive Trustee of the Grosvenor Trusts. He was Group Chief Executive from 1989 to 2008. He is a member of the Council of Imperial College and Chairman of the Urban Land Institute.

Domenico Siniscalco PH.D is Vice Chairman of Morgan Stanley International and Country Head for Italy, and Chairman of Assogestioni (association of Italian asset managers). From 2001 to 2005 he served in the Italian government as Director General of the Treasury and then Minister of Finance. He has been a Professor of Economics at Torino University since 1990 and has a Ph.D. in Economics from Cambridge.

Executive Directors

Mark Preston MRICS **(Group Chief Executive)** joined Grosvenor in the UK in 1989. In 1995, he was seconded to Hong Kong, returning to lead our fund management operations from 1997 to 2002. After four years in San Francisco he returned to the UK as Chief Executive of Grosvenor Britain & Ireland in June 2006, becoming Group Chief Executive in July 2008. He is on the Board of the Association of Foreign Investors in Real Estate and a member of the North West Business Leaders' Team. He is a Non-Executive Director of Sonae Sierra SGPS.

Nicholas Scarles FCA CPA ATTORNEY AT LAW **(Group Finance Director)** joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse, and Coopers and Lybrand. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company, Chairman of the IPF's Property Derivative Interest Group and a Non-Executive Director of Sonae Sierra SGPS.

Stuart Beevor FRICS is Managing Director of Grosvenor Fund Management. Stuart joined Grosvenor in 2002 having been at Norwich Union, then Legal and General Property as Managing Director. He is a Non-Executive Director of the UNITE Group plc and a Trustee of the Investment Property Forum Educational Trust.

Andrew Bibby is Chief Executive of Grosvenor Americas. He joined Grosvenor in 1984. He is a past Director of the Real Property Association of Canada and a member of the Faculty Advisory Board of the Sauder School of Business at the University of British Columbia.

Rob Kerr FRICS FAPI is Chief Executive of Grosvenor Australia. He joined Grosvenor in 1994. He is a member of the Property Council of Australia Capital Markets Roundtable, Director of the Grosvenor ISPT International Property Trust and a member of the Australian Institute of Company Directors.

Nicholas Loup is Chief Executive of Grosvenor Asia Pacific. He is a Director of Asia Standard, a listed company in Hong Kong; a General Committee member of the British Chamber of Commerce and a Director of the Spinal Cord Injury Fund. He is also Chairman of the Asian Association for Investors in Non-listed Real Estate Vehicles Limited (ANREV), of which he is a founder member, and a member of the Asia Pacific acquisitions committee of the Tate.

Peter Vernon MRICS is Chief Executive of Grosvenor Britain & Ireland. He joined Grosvenor in 2005 to take responsibility for Grosvenor's direct and indirect property investments in the UK and Ireland, including Grosvenor's London estate and, from 2006, the London development business. He is a member of the Royal & Sun Alliance London Regional Board and the Board of London First. Previously he was a Partner at IBM Business Consulting Services and PwC Consulting.

Eaton Square, Belgravia, London, England
Eaton Square, considered by many the 'jewel in the crown' of Grosvenor's London estate, was designed by Thomas Cubitt and built in 1826–1855. Through careful redevelopment, we create contemporary lateral apartments that are rarely found in classical Grade II* listed properties. We own and let 350 such flats.

BRITAIN & IRELAND

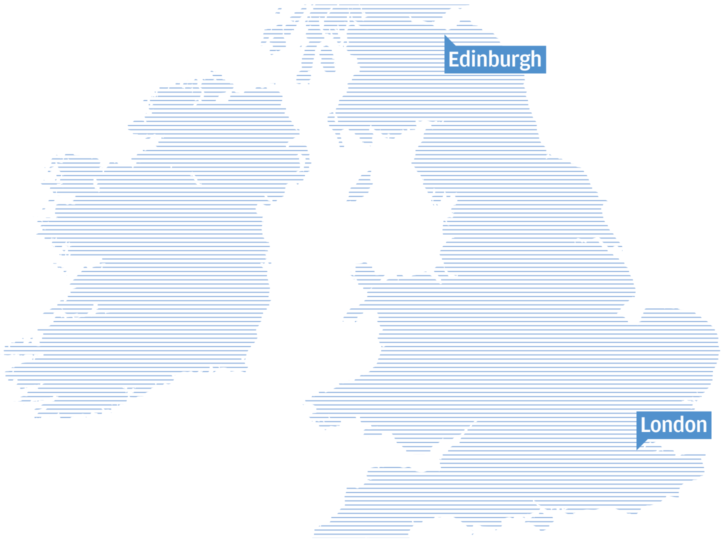
The 300 acres of land in Mayfair and Belgravia that we call our London estate came to the Grosvenor family in 1677. We have had an office in the capital since 1836.

For the last 40 years we have also developed and managed assets in other parts of London and across the UK, leading us to open an Edinburgh office in 1987. Our Chief Executive, Peter Vernon, who joined Grosvenor in 2005, leads a team of 280 people.

Our aim is to grow recurring income by improving the neighbourhoods that make up our London estate and to complement this elsewhere through value creation involving residential, retail, leisure and office uses. The end user – whether a resident, a business or a visitor – is always at the forefront of our minds.

Peter Vernon
Chief Executive

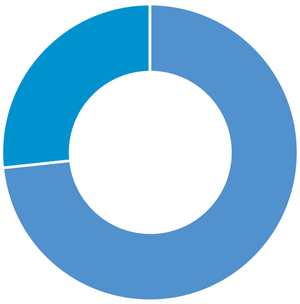
Office locations
Britain & Ireland



By sector £m

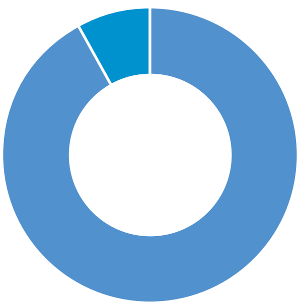
Office	£661.2m	29.7%
Retail	£726.1m	32.7%
Residential	£836.7m	37.6%

By region £m



London, West End	£1,631.8m	73.4%
Outside London	£592.2m	26.6%

By activity £m



Investment	£2,057.9m	92.5%
Development	£166.1m	7.5%

Despite the difficult market, Grosvenor Britain & Ireland had an active and successful year in 2009. This reflected the resilience of our London estate, our focus on core rental income and costs, and our limited exposure to development.

Key performance indicators

Revenue profit was £13.3m compared with a loss of £93.3m in 2008. Our total return was 1.8%, of which income was 1.9% and revaluation losses -0.1%, contrasting favourably with the previous year's -14.6%. The value of assets under management (excluding our investment in Grosvenor funds) was slightly down at £3.2bn, compared to £3.3bn at the previous year end. The sale of non-strategic assets delivered profits on disposal of £10.2m and improved our financial capacity. Trading losses were much reduced from 2008 despite the difficult market. Shareholders' funds reduced by a modest £56.5m.

The market in 2009

2009 saw the worst recession in the UK economy since the 1930s. However, the occupier market for our portfolio held up remarkably well. The shortage of prime investment stock in London, combined with strong overseas demand, resulted in a strong recovery in values in the second half.

Our London estate was affected by the economic climate but, as in the last recession, residential lettings and income remained robust. The luxury retail sector performed well. The office sector suffered more, as occupiers felt the effects of financial pressure: average rental values were down 10.5% on the previous year.

Outside the London estate, we completed the final elements of the Liverpool One development and took lettings to over 96% by rental value (see Grosvenor Fund Management, page 61). The Irish market suffered further deterioration, reducing the value of our holding in the Liffey Valley shopping centre by £36m.

Strategy

Our approach to property has a simple idea at its core: that we use our expertise in place-making, design and city-living to create and manage successful places for our customers and deliver value for Grosvenor and our investor partners.

The London estate is our core investment, which we actively manage for long-term income and capital appreciation. Off the estate we focus on value creation through development to enhance total return.

London estate

Our strategy for the heart of our business remains to invest in the existing portfolio, to improve the urban environment and thus to increase occupier demand and income return. Progressive and sensitive redevelopment of the estate has always been an important part of our strategy.

Our job is to ensure that we develop and maintain the right product, whether residential or office; offer a distinctive retail and leisure mix; collaborate successfully with stakeholders to create an inspiring public realm; and provide a service to our occupiers that is responsive and personal.

Off-estate development

In 2009 we shifted the emphasis of the development activity which we undertake outside the London estate. It now focuses on medium-sized projects, with a strong emphasis on prime residential, retail and mixed-use schemes.

Investment in funds

We co-invest in Grosvenor-managed funds in the UK to gain exposure to diversified portfolios of large office and shopping centre assets with attractive risk-adjusted returns. We continue to provide development expertise to Grosvenor Fund Management in the UK.

Mount Street, Mayfair

City:	London
Country:	England
Sector:	Retail
Type:	Investment
Area:	72,500m^2
Ownership:	Grosvenor and the Grosvenor Trusts

Mount Street has continued to cement its position as one of the most fashionable streets in London, with a string of new luxury retail signings in 2009. The public realm improvement work shown in this computer-generated image and now underway will continue its transformation, enhancing the street environment for all those who live, work and visit here.

NEO Bankside, Embankment

City:	London
Country:	England
Sector	Residential
Type:	Development
Area:	38,000m^2
Ownership:	Held in joint venture

NEO Bankside is both benefiting from and contributing to a dramatic change in this part of London, as Bankside reinforces its reputation as one of the most exciting cultural quarters in the city. This is a computer-generated image.

Property highlights

London estate

We have made good progress in implementing our long-term strategy for the London estate.

We were delighted to start the first two public realm projects under our partnership with Westminster City Council — Mount Street and Elizabeth Street. These projects begin the execution of our strategy for public realm improvement across Mayfair and Belgravia. At the heart of this strategy is our desire to create a better environment for pedestrians in key locations across the estate.

We have also continued to improve our residential product and saw this reflected in rents and values. During 2009 we completed the remodelling of more than 109 houses and apartments across the estate. 61J Eaton Square (see pages 20 and opposite) is a good example of this.

In retail, the continuing transformation of Mount Street in Mayfair (see page 23) has brought new life to this part of the estate through a major shift in tenant mix. Increased demand from retailers has raised rental values from £970 to £3,010 per square metre in two years, although we continue to protect key community retailers. We also completed the redevelopment of 16 Grosvenor Crescent, Belgravia (see opposite), from office to residential use, creating five luxury apartments for rental.

We also received planning permission for a 5,100m^2 residential-led mixed-use development at 55–73 Duke Street in Mayfair (see opposite), adding to our growing development 'pipeline'.

Customer service remains a top priority. In 2009 our service centre handled 28,000 enquiries from customers across the estate. The propensity of customers to recommend Grosvenor unprompted improved from 62% to 68%.

Developments elsewhere

During 2009, we started implementing our new development strategy, putting increasing focus on medium-sized, shorter-term or phased projects with an emphasis on high-end residential.

In January, work started on site at NEO Bankside, the only large project in our 'pipeline' which is currently under construction (see p 23). This is the first phase of a Rogers Stirk Harbour & Partners residential scheme next to the river Thames in central London, which we are undertaking with our partner Native Land. At year end, we had pre-sold 45% of the flats available in this phase.

In Holland Park, a prime residential district of London, we contracted to purchase a two-acre site at Campden Hill from the Royal Borough of Kensington & Chelsea Council. The site has planning permission for 80 luxury apartments overlooking the park. It will be released when the borough has constructed a new school on the adjoining land, expected in 2013. This allows us to time design and construction to suit the market. This project, too, is in partnership with Native Land.

Outside London we achieved planning permission for the development of 1,200 homes and a country park on a 154-acre site at Trumpington Meadows (see page 26), just south of Cambridge. We have just signed Barratt Homes, with architects Allies and Morrison, to build the first phase. Also in Cambridge, we acquired an option on a residential development overlooking Parker's Piece, a park in the city centre.

We were selected as preferred developer by Southampton City Council on an imaginative arts-led development in the city's cultural quarter. The new Southampton Arts Complex will provide a theatre, art gallery, retail units, restaurants and apartments. This project will play to our strengths in creating interesting localities through mixed-use schemes incorporating important public spaces.

In Liverpool we completed the construction and sale of the Hilton Hotel (see page 26), which opened in November.

61J Eaton Square, Belgravia

City:	London
Country:	England
Sector:	Residential
Type:	Investment
Area:	200m^2
Ownership:	Grosvenor and the Grosvenor Trusts

This three bedroom penthouse provides contemporary accommodation in an exclusive location with views over Eaton Square and the rest of Belgravia.

16 Grosvenor Crescent, Belgravia

City:	London
Country:	England
Sector:	Residential
Type:	Development
Area:	1,000m^2
Ownership:	Wholly owned

16 Grosvenor Crescent is a Grade II Listed Building just off Belgrave Square, which we have converted into five luxury two- and three-bedroom apartments. Each apartment has been sensitively redesigned to make the most of its grand proportions.

55-73 Duke Street, Mayfair

City:	London
Country:	England
Sector:	Mixed-use
Type:	Development
Area:	5,100m^2
Ownership:	Grosvenor and the Grosvenor Trusts

This scheme will rejuvenate a Grade II Listed Building by William Caroe, converting it from primarily commercial to retail and residential use. It shows how imagination can still unlock new potential in the London estate and help us build a diverse development 'pipeline'. The image shown here is computer generated.

Trumpington Meadows

City:	Cambridge
Country:	England
Sector:	Mixed-use
Type:	Development
Area:	1,540,000m^2 (whole site area)
Ownership:	Held in joint venture

Residents of the Trumpington Meadows development, south of Cambridge, will have direct access to a new 60 hectare country park, managed by the Wildlife Trust. Grosvenor and joint venture partner USS have helped fund the restoration of the River Cam, which runs through it. The built area of the site to the north of the meadows will be split into four 'quarters' – 'village', 'gateway', 'urban' and 'riverside'. These will be distinguished by the height, design and density of the buildings, the balance of flats and houses, and the extent of the car parking.

Hilton Hotel, Liverpool One

City:	Liverpool
Country:	England
Sector:	Commercial/residential
Type:	Development
Area:	17,300m^2
Ownership:	Sold in 2009

The four-star Hilton Hotel, completed in August 2009, is the last major element in the Liverpool One scheme. The hotel, which has views over Chavasse Park and the city's historic waterfront, is one of Hilton's flagship sites in the UK.

In October, following receipt of planning permission for the scheme, we announced our withdrawal from the Tithebarn city-centre regeneration project in Preston, in line with the changing emphasis of our development activity. We are transferring our stake to our joint venture partner, Lend Lease, which continues to progress the scheme.

Portfolio

Occupancy across the portfolio stood at 93.5% by the year end (2008: 89.7%). The portfolio split by value was 38% residential, 30% office and 32% retail.

We negotiated asset sales across our business to fund further investment in the London estate and new development activity – the highest profile deal being Grand Arcade, Cambridge, in which we sold our 20% stake to our partner, the Universities Superannuation Scheme.

Overall these sales contributed £335m to our financial capacity, putting us in an excellent position to respond to future opportunities.

Operational highlights

Graham Pimlott took over from Rod Kent as our Non-Executive Chairman in July. Rod was an excellent Chairman of Grosvenor Britain & Ireland for nine years and we are very grateful for his contribution. We were pleased to attract Heather Rabbatts in November to our Board as an additional Non-Executive Director.

John Irvine will retire later this year after more than 20 years with Grosvenor, during which time he has made a great contribution as head of the Scottish business and more recently as Executive Director (Development).

The outlook for 2010

The UK economy moved from deep recession into a period of weak growth at the end of 2009, with real estate and equity investment markets improving strongly in anticipation of recovery and reflecting the search for yield. However, the state of the public finances and likely pressure on consumers will restrain short-term growth.

Against this backdrop, our focus for 2010 will be in two principal areas: continuing to add to our development 'pipeline', to be exploited when the timing is right, and improving the operational management of the core portfolio, to drive net income.

To support our long-term strategy for the London estate, in 2010 we are undertaking a major programme to improve operational effectiveness across that part of the business and our support functions. The primary aim is to increase recurring net revenue from the portfolio, with improved customer satisfaction. We are also stepping up the recycling of capital into developing our assets on the London estate and have already established a significant 'pipeline' of new projects.

BRITAIN & IRELAND BOARD OF DIRECTORS

Non-Executive Directors

1 Graham Pimlott (Chairman) was a Partner in the law firm Lovells before switching to a career in investment banking, taking senior roles within BZW and Barclays PLC. He holds and has held a number of non-executive roles including current positions with Tesco Personal Finance PLC and Inchcape plc.

2 Michael Gradon is a Senior Independent Director of Modern Water plc, a Non-Executive Director of Genesis Lease Limited and Exclusive Hotels and on The Committee of Management of the All England Lawn Tennis Club Wimbledon Championships. He spent 20 years with P&O, including eight years as a Main Board Director.

3 Heather Rabbatts is a Non-Executive Director of Cross London Rail Links Ltd (Crossrail), Chairman of the television production group Shed Media PLC and Non-Executive Director and Strategic Adviser to Millwall Holdings PLC. Heather has 13 years' experience in local government and has held Chief Executive positions at the London Boroughs of Lambeth, Merton, and Hammersmith and Fulham. She is on the board of several non-profit organisations including The Royal Opera House and the UK Film Council. She was previously a Trustee at the British Council, Non-Executive Director of the Bank of England, and Governor at the British Broadcasting Corporation and the London School of Economics.

4 Mark Preston MRICS (Group Chief Executive) joined Grosvenor in the UK in 1989. In 1995, he was seconded to Hong Kong, returning to lead our fund management operations from 1997 to 2002. After four years in San Francisco he returned to the UK as Chief Executive of Grosvenor Britain & Ireland in June 2006, becoming Group Chief Executive in July 2008. He is on the Board of the Association of Foreign Investors in Real Estate and a member of the North West Business Leaders' Team. He is a Non-Executive Director of Sonae Sierra SGPS.

5 Nicholas Scarles FCA CPA ATTORNEY AT LAW (Group Finance Director) joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse, and Coopers and Lybrand. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company, Chairman of the IPF's Property Derivative Interest Group and a Non-Executive Director of Sonae Sierra SGPS.

Executive Directors

6 Peter Vernon MRICS **(Chief Executive)** joined Grosvenor in 2005 to take responsibility for Grosvenor's direct and indirect property investments in the UK and Ireland, including Grosvenor's London estate and, from 2006, the London development business. He is a member of the Royal & Sun Alliance London Regional Board and the Board of London First. Previously he was a Partner at IBM Business Consulting Services and PwC Consulting.

7 Roger Blundell ACA **(Finance Director)** joined Grosvenor in December 2007. He was previously Group Finance Director at Kensington Group Plc, Finance Director at BSkyB Interactive, and Director of Group Finance, Tax and Treasury at Kingfisher.

8 Giles Clarke MRICS **(Executive Director, Investment)** joined Grosvenor in 2007. He is responsible for our investment portfolio in London and indirect property investments via funds in the UK and Ireland. He was previously at The Crown Estate where he was Director of Investment & Asset Management.

9 John Irvine FRICS **(Executive Director, Development)** joined Grosvenor in 1989 and is responsible for development in Britain and Ireland (outside London). He is a member of the Advisory Board of Architecture and Design Scotland.

BRITAIN & IRELAND PROPERTY PORTFOLIO

Investment properties

	Gross yields				Values			
	Passing rent £m	ERV £m	Running yield %	Reversionary yield %	Number of properties	Grosvenor share £m	Third party £m	Assets under management £m
Office	32.2	35.2	4.9	5.3	246	661.2	486.3	1,147.5
Retail	50.4	55.4	7.3	8.0	104	691.4	1,030.6	1,722.0
Residential*	14.4	14.9	2.1	2.1	381	705.3	577.1	1,282.4
	97.0	105.5	4.7	5.1	731	2,057.9	2,094.0	4,151.9
Managed by Grosvenor Britain & Ireland					709	1,589.3	917.3	2,506.6
Managed by Grosvenor Fund Management					22	468.6	1,176.7	1,645.3
					731	2,057.9	2,094.0	4,151.9

*The majority of the residential portfolio is ground rented and because of this it has a low average yield. The average yield on the rack-rented portfolio is 4.4%.

Development and trading properties

	Values				
	Number of properties	Grosvenor share £m	Third party £m	Future development commitment £m	Assets under management £m
Retail	1	34.7	19.3	–	54.0
Residential	4	131.4	110.5	399.0	640.9
Managed by Grosvenor Britain & Ireland	5	166.1	129.8	399.0	694.9

Geographic analysis

	Grosvenor share		
	Investment £m	Development £m	Total £m
London	1,570.3	61.5	1,631.8
Outside London	487.6	104.6	592.2
	2,057.9	166.1	2,224.0

BRITAIN & IRELAND PROPERTY PORTFOLIO CONTINUED

Grosvenor Britain & Ireland has interests in and manages a portfolio of assets across 300 acres of Mayfair and Belgravia, some parts of which are owned by the Grosvenor Trusts. More than 800 retail, residential and commercial properties make up the portfolio. Set out below are the clusters of assets that represent some of the strategic locations on the London estate; the table opposite shows some of the assets held outside London, and large individual properties in the London portfolio.

Grosvenor Street

Location	Mayfair, London	
Sector	Office	76 offices
	Retail	16 units
	Residential	12 units
Area	70,700m^2	

Located within the heart of Mayfair, Grosvenor Street is one of London's premier office locations. Behind many of the period façades sit state-of-the-art modern offices.

Grosvenor Square

Location	Mayfair, London	
Sector	Office	16 offices
	Residential	51 units
	Hotels	Two units
Area	71,500m^2	

A large garden square in the heart of Mayfair. The central garden, which is surrounded by residential apartments, hotels and offices (including the US Embassy), is now a public space managed by the Royal Parks.

Duke Street

Location	Mayfair, London	
Sector	Office	20 units
	Retail	25 units
	Residential	27 units
Area	8,500m^2	

A fashionable, quiet street in the heart of Mayfair which provides the main pedestrian route from busy Oxford Street to Grosvenor Square.

Mount Street

Location	Mayfair, London	
Sector	Office	16 offices
	Retail	53 units
	Residential	86 units
Area	72,500m^2	

A vibrant mixed-use street and surrounding area populated with a growing number of luxury retailers. Renowned restaurants and fine period residential apartments characterise this fashionable area of Mayfair.

Motcomb Street

Location	Belgravia, London	
Sector	Office	Four offices
	Retail	36 units
	Residential	25 units
Area	11,600m^2	

A quiet enclave close to Sloane Street and Knightsbridge which is home to high-end, specialist retailers in fashion, accessories, art and antiques, Michelin star restaurants and other amenities which serve the local community.

Eaton Square

Location	Belgravia, London
Sector	Residential units on six floors in historic Grade 2* Listed Buildings
Area	63,000m^2

Lying at the heart of Belgravia and bordered by Chelsea, Knightsbridge, Pimlico and Hyde Park, Eaton Square is recognised as one of the finest residential addresses in the world. Arranged around six private gardens, the square is a series of imposing classical, stucco-fronted terraces.

Property	Description	Location	Area m^2
Investment properties – directly owned			
Office			
52/54 Brook Street	Flexible office space	West End, London	1,100
25 Berkeley Square	10-floor refurbished and partly rebuilt office building	West End, London	4,800
St. Anselm House, 65 Davies Street	Eight-floor 1930's office building	West End, London	7,800
Retail			
Liffey Valley Shopping Centre	Regional shopping centre with 94 retail units and cinema	Dublin, Republic of Ireland	36,300
Residential			
Erskine House	11 residential apartments	West End, London	1,000
25 Gilbert Street	Residential apartment block	West End, London	1,600
97/99 Park Street	Residential apartment block	West End, London	1,500
Mixed-use			
Grosvenor Hill Court	Two-floor office building with 30 residential units and car park	West End, London	7,300
Investment properties – held in joint ventures			
Office			
Viewpoint – Mayfair	Nine-floor open-plan refurbished office building with three retail units in Oxford Street	West End, London	4,600

Property	Description	Location	Area m^2	Completion date
Development and trading properties – directly owned				
Residential				
One Park West	Residential apartment block	Liverpool, Merseyside	19,050	2009
Development and trading properties – held in joint ventures				
Residential				
Bankside	Residential apartment block	Central London	38,000	2010-2012
Springside	Mixed-use city-centre scheme	Edinburgh, Scotland	83,200	2015
Trumpington Meadows	Development land	Cambridge, Cambridgeshire	240,000	2016

Courtyard by Marriott Chevy Chase hotel, 5520 Wisconsin Avenue, Chevy Chase, Maryland, USA
A defensive portfolio underlies a strong performance in Grosvenor Americas. Mixed-use projects are important here – hence our re-entry into the hotel market after an absence of twenty years, with the opening of our LEED® Gold hotel in Maryland.

AMERICAS

Grosvenor has been active in North America for over 50 years and has well-established relationships in several key property markets.

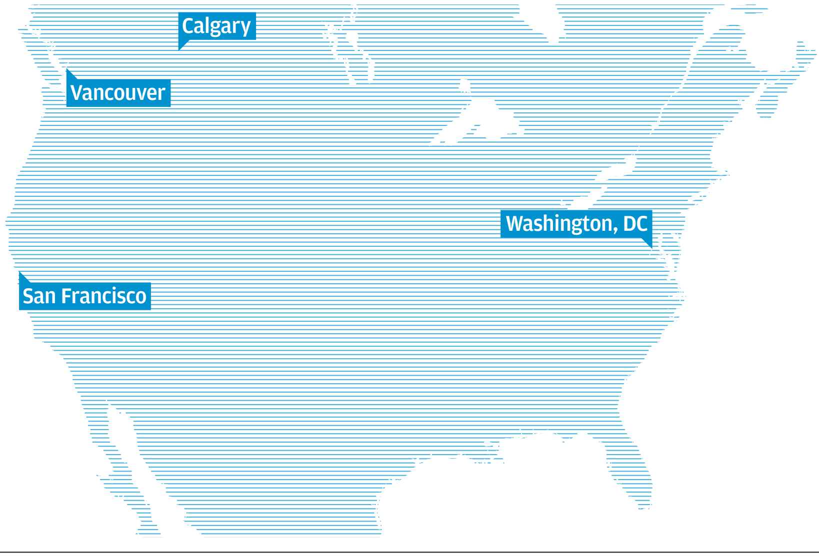
We have had an office in Vancouver since 1953, in San Francisco since 1977, in Washington since 1988 and in Calgary – with one small gap – since 1997.

Our aim in the Americas is to achieve critical mass and a leading position in a few well chosen geographic and sectoral markets. Although there are few economies of scale in the property business, critical mass adds to the knowledge base and helps ensure brand recognition. These in turn facilitate the flow of attractive deals upon which investment and development activity depends.

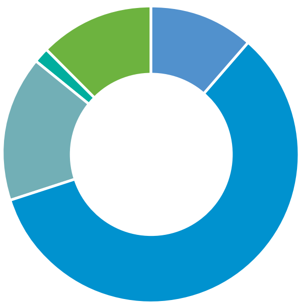
Andrew Bibby, Chief Executive, leads our Americas team of 58 people. He has been with Grosvenor for over 25 years.

Andrew Bibby
Chief Executive

Office locations
Americas

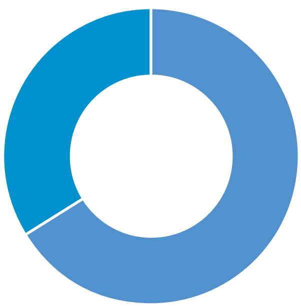


By sector C$m



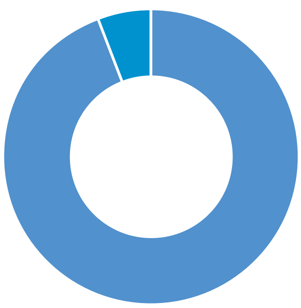
Office	C$110.5m	11.5%
Retail	C$560.8m	58.6%
Residential	C$153.3m	16.0%
Hotel	C$15.2m	1.6%
Industrial	C$117.3m	12.3%

By region C$m



USA	C$634.9m	66.3%
Canada	C$322.2m	33.7%

By activity C$m



Investment	C$902.4m	94.3%
Development	C$54.7m	5.7%

2009 saw Grosvenor Americas, with a carefully balanced portfolio, achieving strong results given the market conditions.

Key performance indicators

Revenue profit was C$33.5m against C$42m in 2008, despite the severity of the downturn. Our total return was -14.4%, down from the 2.4% achieved the previous year because of the general decline in asset values. Assets under management (excluding our investment in Grosvenor funds) decreased to C$1.6bn (from C$2.7bn in 2008) as a result not only of declining values but also of judicious sales as we replenished our cash resources in readiness for future opportunities.

The market in 2009

Grosvenor Americas straddles two distinct national economies which behaved very differently in 2009. Canada saw only a modest and late decline in property fundamentals such as rents and occupancy rates, buoyed by the combination of an economy driven by rich resources and a stable banking sector willing to provide debt finance for high-quality property assets: declining values were largely attributed to rising yields. By contrast, the USA saw high unemployment leading swiftly to deteriorating property fundamentals as well as increasing yields. Only because of our high occupancy levels did we avoid suffering in line with these nationwide trends.

Strategy

We now restrict ourselves deliberately to seven cities, four of which are primary markets where we maintain offices – Calgary, San Francisco, Vancouver and Washington, DC; and three of which are secondary markets where we have established working relationships and a number of assets – Chicago, Los Angeles and Seattle. All these cities are vibrant, well served by public transportation, and have strong population growth, an educated workforce, and a high-income service sector.

Although we now have assets in five sectors – retail, residential, office, hotel and industrial – our greatest concentration in both investment and development is in retail and residential property. Our retail exposure is chiefly in luxury high street retail and consumer necessities.

By ceasing buying in 2007, we have cut our present development inventory to a very safe 5% of our capital. In the current environment we prefer to acquire options for the purchase of property – where we are able to use our property skills to create value in the optioned property. This allows property owners to capture full value for their property when planning consent is obtained and manages our risk by withholding a full capital commitment until greater certainty has been achieved.

We seek to maximise the power of our capital by working in partnership with other sources of funding, which often leads to the property equivalent of 'repeat business'. We co-invest in Grosvenor-managed funds where the fund strategy is consistent with our own.

Property highlights

2009 saw the opening of the Courtyard by Marriott Chevy Chase hotel in Maryland (see page 32 and opposite), redeveloped and asset managed by Grosvenor Americas using a third-party hotel manager. This was our first hotel for twenty years. Our ability to include hotels in future mixed-use projects, when a necessary element, is important. Mixed-use development involves maximising the available density wisely and effectively; our ability to meld different property types sets us apart from our competitors.

The year also saw progress at High Street, Surrey, British Columbia (see opposite): we completed both the mixed-use buildings and delivered approximately half of the residential condominiums to their new owners. Further leasings at 185 Post Street, San Francisco (see page 37) confirmed its status as one of the premier mixed-use buildings in the Union Square shopping district.

Grosvenor already had a very strong track record in mixed-use projects in the UK and an outstanding recent example in the Americas in the shape of The RISE, Cambie Street, Vancouver, which won several important design awards in 2009 (see page 37).

Courtyard by Marriott Chevy Chase hotel

City:	Chevy Chase, Maryland
Country:	USA
Sector:	Hotel
Type:	Investment
Area:	10,500m^2
Ownership:	Held in joint venture

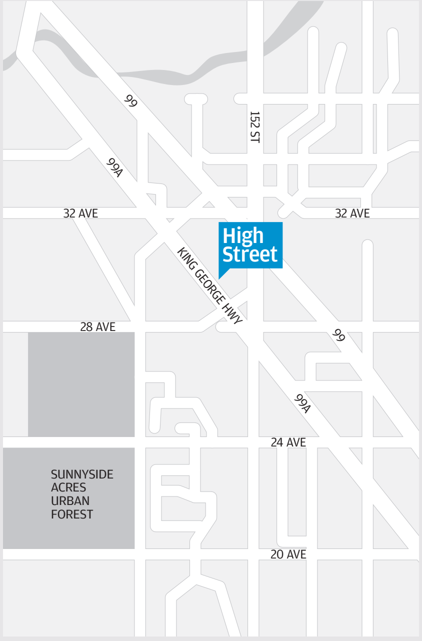
The newly redeveloped hotel is conveniently located just outside Washington, DC in the prestigious Chevy Chase neighbourhood, three blocks from the metro and surrounded by upmarket retailers such as Saks Jandel, Saks Fifth Avenue, Brooks Brothers and Bloomingdale's. The hotel's environmental features include an on-site hybrid car and a bike-to-work programme for employees.

High Street

City:	Surrey, British Columbia
Country:	Canada
Sector:	Mixed-use (retail and residential)
Type:	Development
Area:	9,000m^2: 88 for-sale condominiums 1,000m^2 of retail
Ownership:	Held in joint venture

High Street provides a street-front connection between King George Highway and the South Point Exchange shopping centre, which is anchored by Canadian Tire, Save-On-Foods, and Staples.

The mixed-use development shown in this computer image will offer residents and visitors a combination of lushly landscaped walkways surrounded by a variety of shops, cafés and restaurants.



Portfolio

The strength of our portfolio was demonstrated by the quality of the sales we achieved in the year, notably in Vancouver where we sold several assets close to the peak, including The Grosvenor Building on West Georgia Street for C$83.2m. Canadian pension funds still favour real estate for its provision of income, the promise of long-term appreciation and as a hedge against inflation.

The quality of our assets was also shown in the occupancy rates we achieved in a very difficult year for the market generally: through a combination of sought-after locations, the right sector or sub-sector, high-quality properties and effective asset management, we averaged a very solid 95% (2008: 96%).

Operational highlights

Andrew Bibby succeeded Bill Abelmann as Chief Executive upon Bill's retirement on 1 January 2009. As a result, Ryan Beechinor became Chief Development Officer and Michael Beattie became Chief Portfolio Officer — and, notwithstanding the well-deserved reputations of their predecessors, both changes were well received internally and by the market.

In 2007 we replaced our geographic management structure with a functional structure; in 2009 we extended this successful model to our finance staff, taking advantage of the way in which the latest IT allows geographically remote people to work effectively as fully integrated teams. Finance is now divided into reporting, operations and business planning, with each discipline operating in both Canada and the USA.

In December, we said a grateful goodbye to Ralph Severson, who has served as Chairman of our Board since 2007. Ralph guided the Board through a very important period of transition that included bringing on a new generation of leadership throughout Grosvenor Americas. His successor is Brandt Louie.

The outlook for 2010

We do not expect the basic characteristics of the Canadian and US economies to change in the short-term. We believe that the former will continue to recover, albeit slowly, and that while the latter will also continue to recover, the unemployment picture in the USA is bleak and will continue to undermine property fundamentals. Although a continuing decline in US property fundamentals might affect our existing assets, it would give us the opportunity to acquire desirable assets at better prices.

The RISE

City:	Vancouver
Country:	Canada
Sector:	Mixed-use (retail and residential)
Type:	Investment
Area:	26,400m^2: 92 live-work rental lofts; 18,600m^2 of retail; 700 car spaces
Ownership:	Held in joint venture

The RISE, completed in 2008, was one of only five projects chosen by the Urban Land Institute for a 2009 Global Award for Excellence. In 2009 it received four other prestigious real estate awards, from the ULI, the NAIOP and the ICSC.

185 Post Street

City:	San Francisco
Country:	USA
Sector:	Mixed-use (retail and office)
Type:	Investment
Area:	1,900m^2
Ownership:	Held in joint venture

At year end 2009, 185 Post Street was fully occupied due to a combination of the property's award-winning architecture, its premier location in San Francisco's Union Square shopping district, and its strong mix of international and national retailers and office tenants – now including 'Priscilla of Boston'.

AMERICAS BOARD OF DIRECTORS

Non-Executive Directors

1 Brandt C. Louie OBC LLD FCA **(Chairman)** is Chairman and CEO of H.Y. Louie Co. Limited and Chairman of the Board for London Drugs Ltd. He serves as Chancellor of Simon Fraser University and as a board member, officer, or trustee of numerous organisations, including Royal Bank of Canada, IGA Canada, World Economic Forum, Duke University Medical Center, Duke Heart Center, Vancouver Community College, Vancouver Board of Trade, Fraser Institute, and Harvard University's John F. Kennedy School of Government.

2 Lizanne Galbreath is Managing Director of Galbreath & Company, a US real estate business. She has served on the LaSalle Partners Board of Directors. She currently serves on the Boards of Starwood Hotels & Resorts, Stew Leonard's, the Urban Land Institute and the Fairfield County Community Foundation. She is on the President's Leadership Council at Dartmouth College.

3 Martha Piper OC OBC PH.D. retired as President and Vice Chancellor of the University of British Columbia in 2006. She is a Director of the Bank of Montreal, TransAlta Corp and Shoppers Drug Mart, and is a member of the Trilateral Commission. Since receiving her Ph.D. in Epidemiology and Biostatistics from McGill University, she has received honorary degrees from 17 international universities. She is an Officer of the Order of Canada and a recipient of the Order of British Columbia.

4 Mark Preston MRICS (Group Chief Executive) joined Grosvenor in the UK in 1989. In 1995, he was seconded to Hong Kong, returning to lead our fund management operations from 1997 to 2002. After four years in San Francisco he returned to the UK as Chief Executive of Grosvenor Britain & Ireland in June 2006, becoming Group Chief Executive in July 2008. He is on the Board of the Association of Foreign Investors in Real Estate and a member of the North West Business Leaders' Team. He is a Non-Executive Director of Sonae Sierra SGPS.

5 Nicholas Scarles FCA CPA ATTORNEY AT LAW (Group Finance Director) joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse, and Coopers and Lybrand. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company, Chairman of the IPF's Property Derivative Interest Group and a Non-Executive Director of Sonae Sierra SGPS.

Executive Directors

6 Andrew Bibby (Chief Executive) joined Grosvenor in 1984. He is a past Director of the Real Property Association of Canada and a member of the Faculty Advisory Board of the Sauder School of Business at the University of British Columbia.

7 Rekha Patel CPA **(Finance Director)** joined Grosvenor in 2003 following 12 years with the real estate investment arm of GIC Real Estate, a sovereign wealth fund. She is a member of Commercial Real Estate Women.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AMERICAS PROPERTY PORTFOLIO

Investment properties

	Gross yields				Values			
	Passing rent C$m	ERV C$m	Running yield %	Reversionary yield %	Number of properties	Grosvenor share C$m	Third party C$m	Assets under management C$m
Office	9.6	10.4	8.7	9.4	3	110.5	233.4	343.9
Retail	34.7	44.0	6.2	7.9	36	541.1	540.6	1,081.7
Residential	12.7	13.5	10.7	11.4	7	118.3	17.8	136.1
Hotel	–	–	–	–	1	15.2	45.6	60.8
Industrial	7.0	7.8	6.0	6.6	1	117.3	–	117.3
	64.0	75.7	7.1	8.4	48	902.4	837.4	1,739.8
Managed by Grosvenor Americas					46	870.5	709.8	1,580.3
Managed by Grosvenor Fund Management					2	31.9	127.6	159.5
					48	902.4	837.4	1,739.8

Development and trading properties

	Values				
	Number of properties No.	Grosvenor share C$m	Third party C$m	Future development commitment C$m	Total C$m
Retail	2	19.7	17.9	1.2	38.8
Residential	3	16.2	–	–	16.2
Managed by Grosvenor Americas	5	35.9	17.9	1.2	55.0

Geographic analysis

	Grosvenor share			
	Investment C$m	Development C$m	Financial assets C$m	Total C$m
USA	630.6	–	4.3	634.9
Canada	271.8	35.9	14.5	322.2
	902.4	35.9	18.8	957.1

AMERICAS PROPERTY PORTFOLIO CONTINUED

Property	Description	Location	Area m²
Investment properties – directly owned			
Retail			
DVC Plaza	Community shopping centre	Pleasant Hill, CA, USA	18,100
Hamilton Marketplace	Grocery-anchored, community shopping centre	Novato, CA, USA	8,400
La Colonnade	Three-storey mixed-use building with retail and office space	Beverly Hills, CA, USA	2,300
Los Gatos Village Square	Two-storey grocery-anchored community shopping centre with retail and shopping space	Los Gatos, CA, USA	4,300
Venator Building	Urban retail building	Calgary, AB, Canada	2,300
Westgate West	Community shopping centre	San Jose, CA, USA	21,900
Residential			
737/739 15th Avenue	26 apartment units in two three-storey apartment buildings	Calgary, AB, Canada	2,000
BluWater	152-unit apartment community	Silver Lake, WA, USA	13,000
Chelsea at Juanita Village	196-unit apartment community	Kirkland, WA, USA	16,700
Peloton	150-unit apartment community	Redmond, WA, USA	11,800
Viscount and Viceroy	26-unit high-rise apartment building	Calgary, AB, Canada	1,600
Industrial			
Annacis Business Park	Warehouse and distribution park	Vancouver, BC, Canada	83,100
Investment properties – held in joint ventures			
Hotel			
Courtyard by Marriott Chevy Chase	226-room hotel with ground floor retail	Chevy Chase, MD, USA	10,500
Office			
Carlyle Gateway I & II	Two six-storey office buildings with ground floor retail and parking	Alexandria, VA, USA	23,200
1500 K Street	11-storey historic office building with parking	Washington, DC, USA	22,900
1701 Pennsylvania Avenue, N.W.	12-storey office building with ground floor retail and parking	Washington, DC, USA	17,800
Retail			
Broadmead Village Shopping Center	Community shopping centre	Saanich, BC, Canada	11,800
Church Street Plaza	Community lifestyle centre	Evanston, IL, USA	16,500
Coventry Hills Shopping Center	Community shopping centre	Calgary, AB, Canada	12,200
Dupont Circle properties	Six-building urban retail portfolio	Washington, DC, USA	9,000
Friendship Heights properties	Three-building urban retail portfolio	Washington, DC/ Chevy Chase, MD, USA	14,400
Frontier Drive Metro Center	Community shopping centre	Springfield, VA, USA	9,800
308-310 North Rodeo Drive	Urban retail building	Beverly Hills, CA, USA	1,400
701 North Michigan Avenue	Ground floor retail located outside the historic Allerton Hotel in Chicago	Chicago, IL, USA	2,100
830 North Michigan Avenue	Six-storey urban retail building	Chicago, IL, USA	11,600
Old Town Alexandria properties	Three-building urban retail portfolio	Washington, DC, USA	4,100
Rice Lake Square	Nine-building community shopping centre	Wheaton, IL, USA	23,400
South Point Exchange	Community shopping centre	Surrey, BC, Canada	24,900
Union Street/Wales Alley	Three-building urban retail portfolio	Alexandria, VA, USA	1,200
WesTech Village Corner	Community shopping centre	Silver Spring, MD, USA	3,900
Woodley Park properties	Three-building urban retail portfolio	Washington, DC, USA	5,100

Property	Description	Location	Area m²
Investment properties – held in joint ventures (continued)			
Residential			
Ascent	90-unit apartment community	Kirkland, WA, USA	7,000
Sancerre	140-unit apartment community	Kirkland, WA, USA	10,500
West Ridge Apartment Homes	239-unit apartment community	Seattle, WA, USA	21,900
Mixed-use			
180 Post Street	Three-storey mixed-use building with retail and office space	San Francisco, CA, USA	2,700
185 Post Street	Six-storey mixed-use redevelopment with retail and office space	San Francisco, CA, USA	1,900
251 Post Street	Six-storey mixed-use building with retail and office space	San Francisco, CA, USA	3,100
The RISE (2300 Cambie Street)	Mixed-use shopping centre development with 92 live-work rental lofts	Vancouver, BC, Canada	26,400

Property	Description	Location	Area m²	Completion date
Principal development and trading properties – held in joint ventures				
Mixed-use				
High Street	88-unit mixed-use development with 1,000m² of retail	Surrey, BC, Canada	9,000	2010

LOOP5, Weiterstadt, Germany
Sonae Sierra focuses on the development and management of shopping centres – not only its own centres, but also centres owned by other companies. LOOP5 in Weiterstadt is the latest in its own portfolio and its third centre in Germany.

CONTINENTAL EUROPE

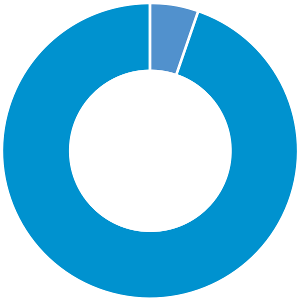
Grosvenor has been active in Continental Europe since 1996.

We aim to gain indirect exposure to attractive markets in Continental Europe via our significant investment in Sonae Sierra – a shopping centre owner, developer and manager headquartered in Porto – and via our co-investment in Grosvenor-managed funds.

Responsibility for our proprietary capital across the region sits with the Grosvenor Group and its Advisory Committee.

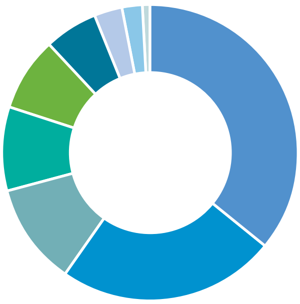
Office locations
Continental Europe

By sector €m



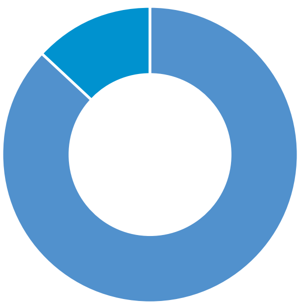
Office €116.2m	5.5%
Retail €1,983.9m	94.5%

By region €m



Portugal €759.9m	36.2%
Spain €503.9m	24.0%
Germany €238.3m	11.3%
Brazil €189.8m	9.0%
Italy €175.1m	8.3%
France €123.5m	5.9%
Greece €60.7m	3.0%
Romania €48.0m	2.3%
Belgium €0.9m	–

By activity €m



Investment €1,827.2m	87.0%
Development €272.9m	13.0%

Returns from Sonae Sierra dominate our portfolio in Continental Europe. 2009 saw values fall significantly in all Sonae Sierra's markets with the exception of Brazil, the only non-European market in which it has assets.

Key performance indicators

Our return on property assets was -3.1%, no change from the -3.1% achieved in 2008. Revenue profit was €37.5m, compared with €6.5m the previous year. Assets under management (excluding our investment in Grosvenor funds) decreased 30% to €1,857m, as a result of a fall in values consistent with the market and the outsourcing of proprietary assets to Grosvenor Fund Management.

The market in 2009

Continental European markets have held up reasonably well in terms of occupational demand and were slow to adjust in terms of capital value during 2008, catching up during 2009.

Strategy

Grosvenor's strategy for the region focuses on our investment in Sonae Sierra, owned 50% by a Grosvenor-controlled company and 50% by Portuguese conglomerate Sonae SGPS.

Sonae Sierra is a specialist European and Brazilian shopping centre developer, investor and manager. It is active in 43 cities in Brazil, Germany, Greece, Italy, Portugal, Romania and Spain. It operates 51 of its own shopping centres, with 2,059m m^2 of gross lettable area under management governed by 8,924 lease contracts. On behalf of other companies it manages further shopping centres in seven countries.

Sonae Sierra considerably reduced development activity in 2009, given the economic and financial challenges affecting its markets: at year end it had only two new developments and 10 projects in pre-development phases.

During the year it adopted a strategy of growing its shopping centre management and development services significantly, in order to generate additional revenues from other companies at a time of reduced proprietary development activity.

Grosvenor also have complementary exposure to the major Continental European economies via stakes in several Grosvenor-managed funds and retain a small number of proprietary investments, whose asset management we outsource to Grosvenor Fund Management.

Property highlights

In 2009 Sonae Sierra opened two new shopping centres: LOOP5 in Weiterstadt, Germany (see page 42 and opposite), which received 1.7m visits in its first 100 days, and Manauara, Brazil (see opposite), which received 3.6m visits. It also completed the refurbishment of Albufeira Shopping and the expansion of Guimarães Shopping (see opposite), both in Portugal.

Sonae Sierra continues to receive plaudits for its commitment to the environment: the European Commission recognised its work at the Sustainable Energy Europe Awards; it was the first European company to receive OHSAS 18001 Safety & Health certification for construction management; and its training programmes received a European Risk Management Award.

Portfolio

Occupancy rates across the Sonae Sierra portfolio were very high, at 94.5%, which compares favourably with the 94.3% achieved the previous year. The overall decrease in income, adjusted on a like-for-like basis, was only -0.8%.

Operational highlights

The reorganisation of our Continental European business was completed according to plan in February 2009. The Grosvenor Group now has direct responsibility for proprietary capital across the region, managing the investment in Sonae Sierra through the presence of three Grosvenor-appointed Non-Executive Directors on its Board. Alongside Grosvenor in this investment are two third-party minority shareholders, whom we represent.

Álvaro Portela retires from his role as Chief Executive of Sonae Sierra on 1 April 2010. He will be succeeded by Fernando Oliveira.

The outlook for 2010

We believe France will grow marginally in 2010 while Spain will stay in recession. Retail will pick up slowly, although the stronger cities may see some rental growth. There is unlikely to be a meaningful improvement in Euro zone property fundamentals this year, but there will be opportunities to acquire property selectively.

Manauara

City:	Manaus
Country:	Brazil
Sector:	Retail
Type:	Development
Area:	47,000m^2
Ownership:	Sonae Sierra in joint venture

Manauara, Sonae Sierra's tenth shopping centre in Brazil, introduces over 50 brands to the city and includes a theatre for up to 550 people. The concept for the centre is inspired by the flora and fauna of the Amazon and dozens of Moriche Palms and two Sweet Chestnuts were preserved as part of the landscaping.

LOOP5

City:	Weiterstadt
Country:	Germany
Sector:	Retail
Type:	Development
Area:	56,500m^2
Ownership:	Sonae Sierra in joint venture

One of Germany's largest shopping centres, LOOP5 was opened in October 2009. It focuses on lifestyle and fashion, with 175 carefully chosen international, national and regional brands as tenants. The centre has an aviation theme: a MIG-21 aircraft hovers over the food court and architectural and design features allude to the history of flying.

Guimarães Shopping

City:	Guimarãe
Country:	Portugal
Sector:	Retail
Type:	Investment
Area:	31,500m^2
Ownership:	Sonae Sierra in joint venture

An additional 4,000m^2 has been added at Guimarães – an extra 14 shops and six restaurants – 14 years after the centre first opened. The refurbishment includes a new food court – an indoor square – and changes to the city's access roads to alleviate traffic and facilitate ambulance access to the city's hospital.

CONTINENTAL EUROPE ADVISORY COMMITTEE

1 Mark Preston MRICS **(Chairman)** (Group Chief Executive) joined Grosvenor in the UK in 1989. In 1995, he was seconded to Hong Kong, returning to lead our fund management operations from 1997 to 2002. After four years in San Francisco he returned to the UK as Chief Executive of Grosvenor Britain & Ireland in June 2006, becoming Group Chief Executive in July 2008. He is on the Board of the Association of Foreign Investors in Real Estate and a member of the North West Business Leaders' Team. He is a Non-Executive Director of Sonae Sierra SGPS.

2 Neil Jones MRICS is a Non-Executive Director of Sonae Sierra SGPS. He was Chief Executive of Grosvenor Continental Europe from 1997 to 2009 and an Executive Director of Grosvenor's Group Board. Previously, he was a partner of Healey & Baker (now Cushman & Wakefield) from 1988 to 1997. He has been based in Paris since 1998 and has also lived and worked in London, Brussels and Hong Kong.

3 Bernado Sanchez Incera is Deputy Chief Executive Officer of Société Générale. Previously he had been Managing Director at Vivarte France, Chairman Europe at LVMH Fashion Group, International Managing Director of Inditex, with the Crédit Lyonnais Group as Managing Director of the Chase-Banque of Commerce, and Managing Director of the Banca Jover. He was a Non-Executive Director of Grosvenor Continental Europe from 2008 to 2009.

4 Richard Barkham PH.D. MRICS is Group Research Director, having been Research Director for Grosvenor Britain & Ireland from 2000 to 2005. Previously he was with CBRE in their investment research team and before that spent 14 years as an academic at the University of Reading. He has written numerous papers on real estate economics and a book on regional economic development.

5 Nicholas Scarles FCA CPA ATTORNEY AT LAW (Group Finance Director) joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse, and Coopers and Lybrand. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company, Chairman of the IPF's Property Derivative Interest Group and a Non-Executive Director of Sonae Sierra SGPS.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CONTINENTAL EUROPE PROPERTY PORTFOLIO

Investment properties

	Gross yields				Values			
	Passing rent €m	ERV €m	Running yield %	Reversionary yield %	Number of properties	Grosvenor share €m	Third party €m	Assets under management €m
Office	2.7	3.3	6.8	8.3	3	39.2	86.4	125.6
Retail	111.5	122.8	6.2	6.9	127	1,788.0	311.4	2,099.4
	114.2	126.1	6.2	6.9	130	1,827.2	397.8	2,225.0
Managed by Grosvenor Continental Europe					51	1,693.3	–	1,693.3
Managed by Grosvenor Fund Management					74	133.9	397.8	531.7
					125	1,827.2	397.8	2,225.0

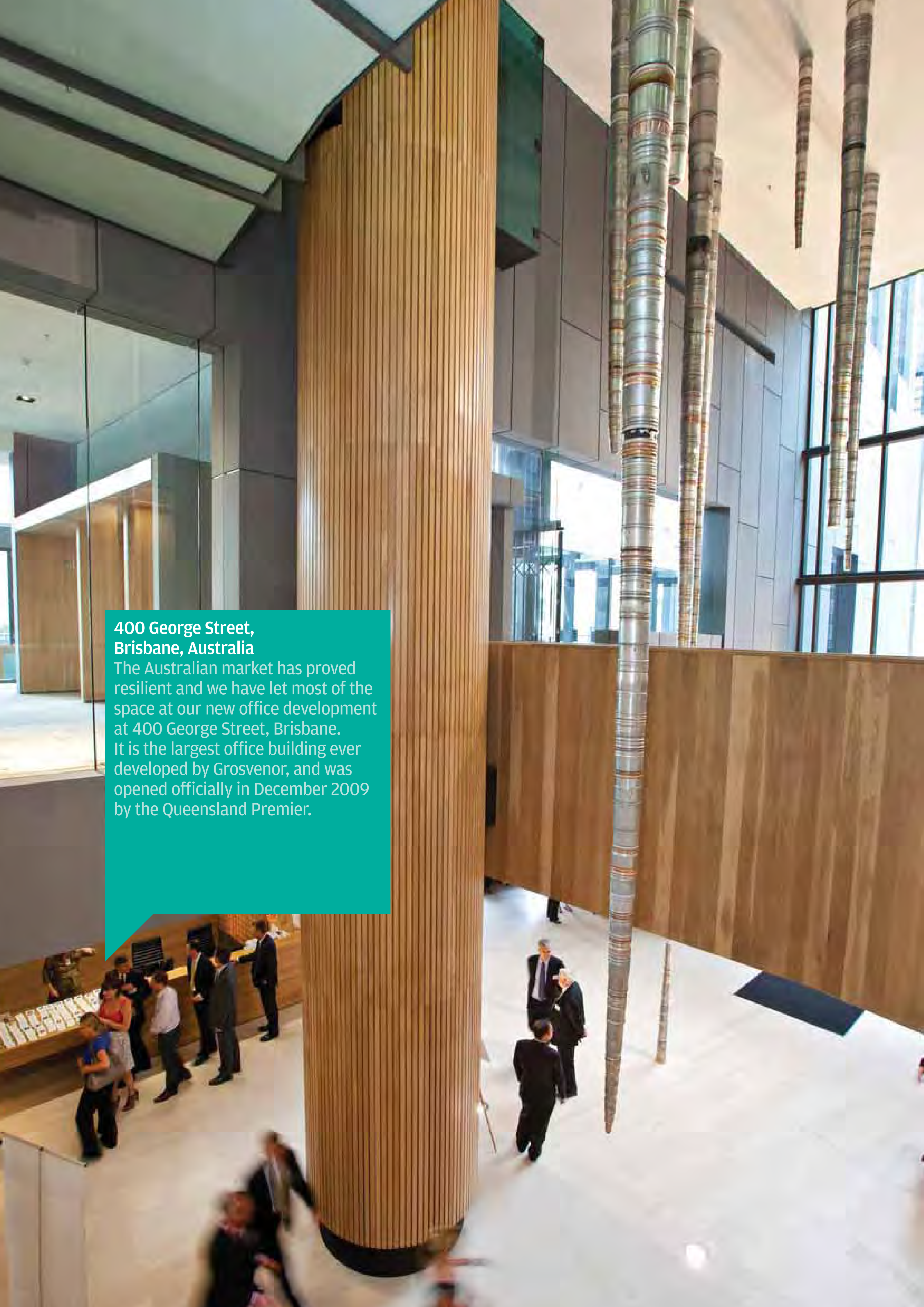
Development and trading properties

	Values				
	Number of properties	Grosvenor share €m	Third party €m	Future development commitment €m	Assets under management €m
Office	1	77.0	–	–	77.0
Retail	13	195.9	–	31.9	227.8
	14	272.9	–	31.9	304.8
Managed by Grosvenor Continental Europe	12	131.3	–	31.9	163.2
Managed by Grosvenor Fund Management	2	141.6	–	–	141.6
	14	272.9	–	31.9	304.8

Geographic analysis

	Grosvenor share		
	Investment €m	Development €m	Total €m
Portugal	728.4	31.5	759.9
Spain	351.3	152.6	503.9
Germany	234.4	3.9	238.3
Brazil	182.4	7.4	189.8
Italy	155.7	19.4	175.1
France	123.5	–	123.5
Greece	35.6	25.1	60.7
Romania	15.0	33.0	48.0
Belgium	0.9	–	0.9
	1,827.2	272.9	2,100.1

Grosvenor Continental Europe controls a 50% interest in Sonae Sierra SGPS. All other investments, including the co-investments in Grosvenor-managed funds, are managed by Grosvenor Fund Management.



400 George Street, Brisbane, Australia
The Australian market has proved resilient and we have let most of the space at our new office development at 400 George Street, Brisbane. It is the largest office building ever developed by Grosvenor, and was opened officially in December 2009 by the Queensland Premier.

AUSTRALIA

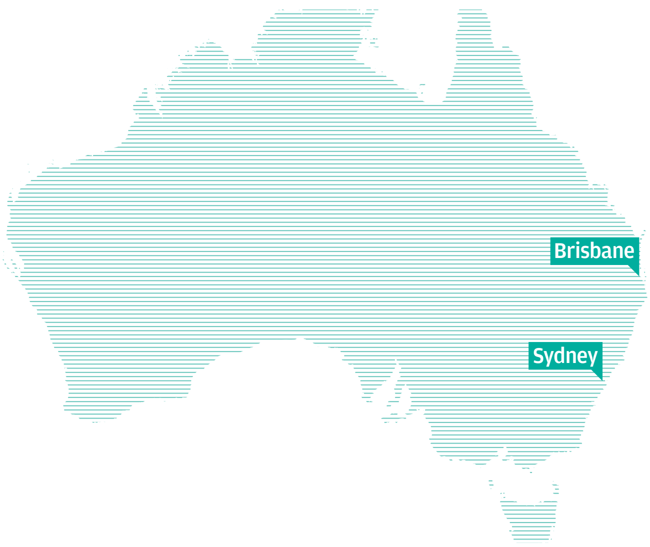
Grosvenor has been active in the Australian property market for 42 years. We have had an office in Sydney since 1968 and an office in Brisbane since 1992.

Grosvenor Australia aims to be a major developer and investor in the office and residential sectors in state capital cities, with a reputation for delivering the highest quality of buildings with best practice environmental ratings.

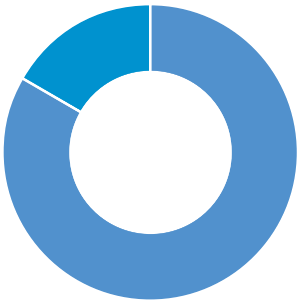
Rob Kerr, our Chief Executive, has led our Australian business for nine years. He is supported by a team of 19 people.

Rob Kerr
Chief Executive

Office locations
Australia

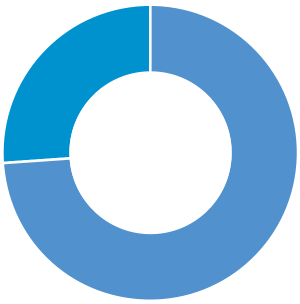


By sector A$m



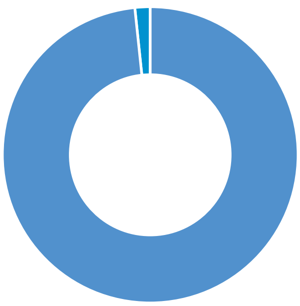
Office A$381.9m	83.4%
Industrial A$75.9m	16.6%

By region A$m



Queensland A$339.1m	74.1%
New South wales A$118.7m	25.9%

By activity A$m



Investment A$451.3m	98.6%
Development A$6.5m	1.4%

Grosvenor Australia was a strong performer overall in 2009.

Key performance indicators

Our revenue profit at A$30.4m was a substantial improvement on 2008's A$12.2m, reflecting higher trading activity. Assets under management decreased 20% to A$663m, due to the sale of non-core assets. Our total return on property was -3.6%, reflecting modest falls in valuations, but was ahead of the local market benchmark.

The market in 2009

Buoyed by solid export demand and trade links to China, Australia's economy avoided technical recession. Successful capital raisings for listed property companies reduced the need for forced-selling and therefore the Australian property market experienced a relatively modest decline in values.

Strategy

Our strategy is to focus on office buildings, where our skill base is deepest, through a portfolio of investment assets and new office developments. We continue to develop 'green' buildings, as the Government, corporate occupiers and investors place a high value on sustainability.

Over the next five years we plan to move into residential development, where the Grosvenor brand is well-known internationally, in time to take advantage of the market cycle.

All new business will be with strategic partners.

Property highlights

The highlight of 2009 was the opening of our speculative office development at 400 George Street, Brisbane (see page 48 and opposite). It achieved practical completion in October, six weeks ahead of schedule, with construction costs 2.5% under budget, and with most of the space let to diverse tenants including high profile corporates, and State and Federal Government departments. We have now moved 400 George Street into our investment portfolio.

Portfolio

To release capital for future value-creating development activity, we sold 20 Hunter Street, Sydney, in November, at A$77m.

In line with our strategy, we also sold industrial buildings at 23-34 Rosebery Avenue, Sydney, and 76 Depot Street, Brisbane, and the Cinema Centre Car Park, 521 Kent Street, Sydney, raising a further A$133.6m.

The majority of our portfolio at year end was in the office sector.

We achieved average occupancy rates of 93% in 2009 (2008: 97%). Space in the Bank of Queensland Centre, Brisbane (see opposite), continues to be in demand.

Operational highlights

We relocated our Sydney and Brisbane offices and are aiming for a Five Star Green Star Office Interior Rating for our new office at 20 Hunter Street, Sydney.

John Coates retires as a Non-Executive Director of our Board as at 31 March 2010. We would like to thank John for his dedication and his contribution to our business over the last six years.

The outlook for 2010

Whilst still affected by the global crisis, Australia's economy is expected to lead the recovery in the OECD countries. This will provide good opportunities in property over the short-term. High interest rates are a potential concern in the medium to long-term. However, given predicted economic growth, property prospects remain favourable. We look forward to solid growth in our business over the next few years.

Bank of Queensland Centre

City:	Brisbane
Country:	Australia
Sector:	Office
Type:	Investment
Area:	24,700m^2 net lettable area
Ownership:	Wholly owned

This A Grade building, with 16 levels of office accommodation and two levels of basement car parking, has a prominent location at the heart of Brisbane's central business district.

400 George Street

City:	Brisbane
Country:	Australia
Sector:	Office
Type:	Investment
Area:	44,000m^2 net lettable area
Ownership:	Held in joint venture

400 George Street, located in the central business district was awarded a Five Star Green Star Office Design Rating and is targeting an equivalent 'As Built' rating in 2010. Tenants enjoy our sustainability initiatives: the 280 bike racks have proven popular.

AUSTRALIA BOARD OF DIRECTORS

Non-Executive Directors

1 Charles Goode (Chairman) is Chairman of Australian United Investment Company Ltd. and Diversified United Investment Ltd. He has been Chairman of the Australia and New Zealand Banking Group Ltd and Woodside Petroleum Ltd, and a Director of Singapore Airlines Ltd. He has a wide range of community interests which include serving as Chairman of The Ian Potter Foundation (founded by the late Australian financier, Sir Ian Potter, and now Australia's largest private philanthropic foundation).

2 John Coates AC is Deputy Chairman of department store chain David Jones, Chairman of thoroughbred auctioneers William Inglis & Sons Ltd and a member of the Advisory Board of Australian investment bank Grant Samuel. He is president of the Australian Olympic Committee and a member of the Executive Board of the International Olympic Committee and its Juridical, TV rights, New Media and London 2012 Olympic Games Co-ordination Commissions.

3 Stephen Lonie is a former Managing Partner of KPMG Queensland. He practices as an independent management consultant and is also currently the Chairman of CS Energy Ltd, Australian Agricultural Company Ltd and Jellinbah Resources Pty Ltd. He is also a Trustee of the Brisbane Grammar School Board of Trustees and an Adjunct Professor of the University of Queensland Business School.

4 Mark Preston MRICS (Group Chief Executive) joined Grosvenor in the UK in 1989. In 1995, he was seconded to Hong Kong, returning to lead our fund management operations from 1997 to 2002. After four years in San Francisco he returned to the UK as Chief Executive of Grosvenor Britain & Ireland in June 2006, becoming Group Chief Executive in July 2008. He is on the Board of the Association of Foreign Investors in Real Estate and a member of the North West Business Leaders' Team. He is a Non-Executive Director of Sonae Sierra SGPS.

5 Nicholas Scarles FCA CPA ATTORNEY AT LAW (Group Finance Director) joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse, and Coopers and Lybrand. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company, Chairman of the IPF's Property Derivative Interest Group and a Non-Executive Director of Sonae Sierra SGPS.

Executive Directors

6 Rob Kerr FRICS FAPI **(Chief Executive)** joined Grosvenor in 1994. He is a member of the Property Council of Australia Capital Markets Roundtable, Director of the Grosvenor ISPT International Property Trust and a member of the Australian Institute of Company Directors.

7 Ian Clark FCA FCIS **(Finance Director)** joined Grosvenor 24 years ago after 10 years' experience in the accounting profession, including five years with Price Waterhouse.

8 Graham Livingstone MRICS **(Director, Development)** joined Grosvenor in 1996 and has been Development Director since 2007. Prior to that he was the Queensland Director. He previously worked in senior roles, as a consultant in Sydney, Australia, and Edinburgh, Scotland.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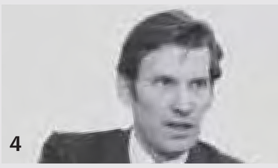
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AUSTRALIA
PROPERTY PORTFOLIO

Investment properties

	Gross yields				Values			
	Passing rent A$m	ERV A$m	Running yield %	Reversionary yield %	Number of properties No.	Grosvenor share A$m	Third party A$m	Total A$m
Office	28.7	36.3	7.6	9.7	3	375.4	161.0	536.4
Industrial	6.6	6.8	8.7	9.0	5	75.9	37.8	113.7
Managed by Grosvenor Australia	35.3	43.1	7.8	9.6	8	451.3	198.8	650.1

Development properties

	Values				
	Number of properties No.	Grosvenor share A$m	Third party A$m	Future development commitment A$m	Assets under management A$m
Office – Managed by Grosvenor Australia	1	6.5	6.5	–	13.0

Geographic analysis

	Grosvenor share		
	Investment A$m	Development A$m	Total A$m
Queensland	339.1	–	339.1
New South Wales	112.2	6.5	118.7
	451.3	6.5	457.8

Property	Description	Location	Area m^2
Investment properties – directly owned			
Office			
25 Smith Street	'A' grade office building	Parramatta, Australia	11,100
Bank of Queensland Centre	'A' grade office building	Brisbane, Australia	24,700
Industrial and car park			
151 & 153 Glendenning Road	Two industrial distribution buildings	Sydney, Australia	12,100
2828-2840 Ipswich Road	Industrial distribution building	Brisbane, Australia	13,900
61 Plumpton Road	Industrial distribution building	Sydney, Australia	10,000
Investment properties – held in joint ventures			
Office			
400 George Street	'A' grade office building	Brisbane, Australia	44,000
Industrial			
Sir Joseph Banks Corporate Park	High technology business park	Sydney, Australia	31,600

Property	Description	Location	Area m^2	Completion date
Development and trading properties – held in joint ventures				
Office				
60 Station Street	Office development with development approval for 20-storey 'A' grade building	Parramatta, Australia	25,700	Not determined

Australia

The Westminster Terrace, Hong Kong
There is growing awareness in Asia of Grosvenor as a luxury brand. The names of our residential projects reference our heritage, and specifications and marketing are pitched carefully. Sales are strong at The Westminster Terrace, launched in October at a spectacular event for over 400 guests.

ASIA PACIFIC

Grosvenor has three offices in Asia Pacific: we opened in Hong Kong in 1994, in Tokyo in 2001 and in Shanghai in 2004.

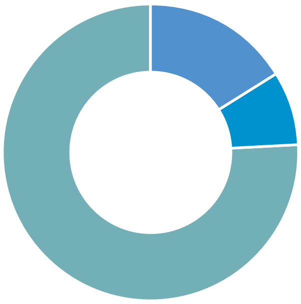
Our aim in Asia Pacific is to build a luxury residential brand under the Grosvenor banner, differentiated by the quality, imagination and internationalism of its design, and to grow a diversified portfolio of core investments.

In the region we have a team of 39 people. They are led by Nick Loup, Chief Executive, who started the business in 1994.

Nick Loup
Chief Executive

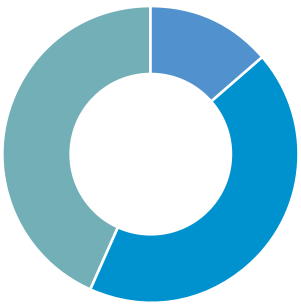
Office locations
Asia Pacific

By sector HK$m



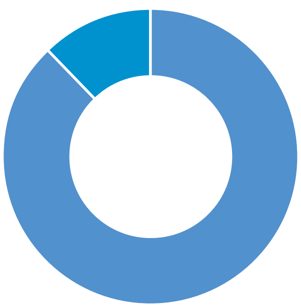
Office	HK$590.9m	16.2%
Retail	HK$294.4m	8.1%
Residential	HK$2,765.3m	75.7%

By region HK$m



Hong Kong	HK$499.1m	13.7%
China	HK$1,575.5m	43.1%
Japan	HK$1,576.0m	43.2%

By activity HK$m



Investment	HK$3,213.9m	88.0%
Development	HK$436.7m	12.0%

2009 was a good year for Grosvenor's Asia Pacific business, due to the strong performance of our assets in China.

Key performance indicators

Our return on property assets was 12.8%, a marked improvement on the -12.1% for 2008. Revenue loss increased slightly in 2009 to HK$107.6m, compared with HK$92.0m in 2008, but after taking account of profits from the asset sales in Shanghai we achieved a profit of HK$175.4m. Assets under management (excluding investment in Grosvenor funds) decreased 9% to HK$5.6bn reflecting those sales (2009: HK$6.1bn).

The market in 2009

China achieved an impressive 8.7% GDP growth in 2009, due to the Government's effective stimulus package. The increasing focus on healthcare, social security and education should boost consumption over the medium-term.

Japan suffered because of the export-led nature of its economy. However the last quarter of 2009, with GDP growth at 4%, suggested the beginning of a moderate recovery.

Strategy

We have ambitious plans to grow our business in Asia over the next five years and the Group intends to increase the weighting to the region. Grosvenor Asia Pacific will 'stretch' this capital further through strategic partnerships.

In addition to our focus on high-end residential development and refurbishment, we will look selectively at investment opportunities in retail in Shanghai, offices in Hong Kong, and retail, office and residential in Tokyo.

We continue to have co-investments in four Grosvenor-managed funds.

Property highlights

The key event of 2009 was the opening of The Westminster Terrace, our second residential development in Hong Kong (see page 54 and opposite). This received wide acclaim in the property market for the imaginative use of location, international designers and finishes. We ended the year on target with 16 of the 59 flats sold, with prices averaging 26% over December 2008's valuation.

Portfolio

As residential yields fell in Shanghai we sold all but three of the 28 units in Grosvenor Place, Lakeville Regency, in Shanghai.

For similar reasons we embarked on the sale of all 120 units in Belgravia Place at Hua Shan, Shanghai (see opposite). They release significant funds for reinvestment in higher yielding opportunities in the Shanghai market.

However, we are retaining Chester Court at Gubei, Shanghai, which we comprehensively refurbished in 2008 and which is now 93% let at a high yield.

We continued with the planned disposal of all the flats in The Westminster Terrace, Hong Kong.

At Grosvenor Place, Kamizono-cho, Tokyo, launched in 2008, we achieved 92% occupancy by year end at premium rents despite the difficult Japanese market.

Operational highlights

We strengthened our asset management capabilities with the appointment of Lachlan Gyde as Director of Asset Management, China.

The outlook for 2010

The outlook in Grosvenor Asia Pacific's markets is positive, with the prospect of steady strong growth in the Chinese economy and a gradual recovery in Japan. In the short-term we are still cautious but in the medium-term we are firmly optimistic.

Belgravia Place

City:	Shanghai
Country:	China
Sector:	Residential
Type:	Investment
Area:	36,100m²
Ownership:	Held in joint venture

All three of our Shanghai assets are in good locations. We have upgraded and renamed them all, in the case of Belgravia Place redesigning and refurbishing to meet international standards and reinforce the Grosvenor brand in China's luxury residential market.

The Westminster Terrace

City:	Hong Kong
Country:	China
Sector:	Residential
Type:	Development
Area:	16,300m²
Ownership:	Held in joint venture

Three internationally known designers have worked on The Westminster Terrace: British architect Paul Davis; Japanese interior designer Koichiro Ikebuchi; and British interior designer Tara Bernard for the penthouse and one of the two show flats. The building offers stunning views of the Tin Kau and Tsing Ma bridges and is only 15 minutes from Central and 20 minutes from the airport.

ASIA PACIFIC BOARD OF DIRECTORS

Non-Executive Directors

1 **Tim Freshwater (Chairman)** is Vice Chairman of Goldman Sachs Asia. From 2001 to 2004, he was Chairman of Investment Banking in Asia. Prior to that, he was Chairman of Jardine Fleming. Previously, he spent 29 years with Slaughter and May. Tim is a director of several listed companies, including Swire Pacific, and a Council Member of the Hong Kong Trade Development Council.

2 **Kensuke Hotta** is Chairman of Greenhill & Co. Japan Ltd. He served as Chairman of Morgan Stanley Japan from 2001 to 2007. Prior to that he was Deputy President of Sumitomo Bank and also worked for Japan's Ministry of Finance for two years. He has served as director or adviser for various institutions, universities and foundations.

3 **Michael Lee** is Managing Director of MAP Capital Ltd. He is an independent Non-Executive Director of Tai Ping Carpets International Ltd, Chen Hsong Holdings Ltd, Hong Kong Exchanges and Clearing Ltd and Trinity Ltd. He was Managing Director of Hysan Development Company Ltd from 2003 to 2007 and was appointed to the Board of Hysan as a Non-Executive Director in January 2010.

4 **Norman Lyle** OBE is a Non Executive Director of Standard Chartered Bank (HK) Ltd and Doha Land Company. He was Group Finance Director of Jardine Matheson Holdings Ltd until his retirement in 2005 and prior to this worked for Zeneca Group Plc and ICI Plc where he was Group Treasurer and worked in the UK, Kenya and Malaysia.

5 **Mark Preston** MRICS (Group Chief Executive) joined Grosvenor in the UK in 1989. In 1995, he was seconded to Hong Kong, returning to lead our fund management operations from 1997 to 2002. After four years in San Francisco he returned to the UK as Chief Executive of Grosvenor Britain & Ireland in June 2006, becoming Group Chief Executive in July 2008. He is on the Board of the Association of Foreign Investors in Real Estate and a member of the North West Business Leaders' Team. He is a Non-Executive Director of Sonae Sierra SGPS.

6 **Nicholas Scarles** FCA CPA ATTORNEY AT LAW (Group Finance Director) joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse, and Coopers and Lybrand. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company, Chairman of the IPF's Property Derivative Interest Group and a Non-Executive Director of Sonae Sierra SGPS.

Executive Directors

7 **Nicholas Loup (Chief Executive)** established the operation in Asia Pacific in 1994. He is a Director of Asia Standard, a listed company in Hong Kong; a General Committee member of the British Chamber of Commerce and a Director of the Spinal Cord Injury Fund. He is also Chairman of the Asian Association for Investors in Non-listed Real Estate Vehicles Limited (ANREV), of which he is a founder member, and a member of the Asia Pacific acquisitions committee of the Tate.

8 **William Lo** FCCA CFA **(Finance Director)** joined Grosvenor in 2002, following six years with Coopers and Lybrand and 11 years with AIA Capital Corporation, both in Hong Kong.

9 **Mark Hahn (Director, Development, China)** joined Grosvenor in 2007. Since 2002 he had worked at Sino Land, a major developer in Hong Kong, as Associate Director; prior to that, at DTZ Debenham Tie Leung as Head of Investments.

10 **John So** CFA **(Director, Investment, China)** joined Grosvenor in 2000 from Jardine Fleming Securities (HK), where he was a Director and led the Regional Real Estate Research team. He is a Steering Committee Member of the Asian Real Estate Association.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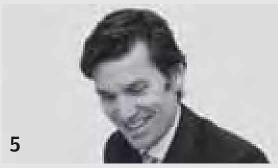
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ASIA PACIFIC PROPERTY PORTFOLIO

Investment properties

	Gross yields				Values			
	Passing rent HK$m	ERV HK$m	Running yield %	Reversionary yield %	Number of properties	Grosvenor share HK$m	Third party HK$m	Total HK$m
Office	35.1	38.0	6.3%	6.8%	14	559.7	1,834.9	2,394.6
Retail	10.1	15.3	3.4%	5.2%	1	294.4	294.4	588.8
Residential	80.1	90.3	3.5%	3.9%	43	2,297.4	5,218.8	7,516.2
	125.3	143.6	4.0%	4.6%	58	3,151.5	7,348.1	10,499.6
Managed by Grosvenor Asia					7	2,530.8	2,097.5	4,628.3
Managed by Grosvenor Fund Management					51	620.7	5,250.6	5,871.3
					58	3,151.5	7,348.1	10,499.6

Development properties

	Values				
	Number of properties	Grosvenor share HK$m	Third party HK$m	Future development commitment HK$m	Assets under management HK$m
Residential – managed by Grosvenor Asia	1	436.7	436.7	–	873.4

Geographic analysis

	Grosvenor share			
	Investment HK$m	Development HK$m	Financial assets HK$m	Total HK$m
Hong Kong	–	436.7	62.4	499.1
China	1,575.5	–	–	1,575.5
Japan	1,576.0	–	–	1,576.0
	3,151.5	436.7	62.4	3,650.6

Property	Description	Location	Area m²
Investment properties – directly owned			
Office			
Yoshiyasu-Kanda	Office building in Chiyoda-ku	Tokyo, Japan	5,000
Shinsen Building	Office building in Shibuya-ku	Tokyo, Japan	2,800
Residential			
Chester Court at Gubei	High-end serviced apartment building	Shanghai, China	15,100
Grosvenor Place at Lakeville Regency	Luxury residential	Shanghai, China	8,900
Investment properties – held in joint ventures			
Retail			
Nakaza Kuidaore	Retail property in Chuo-ku	Osaka, Japan	8,700
Residential			
Belgravia Place at Huashan Park	Residential	Shanghai, China	36,100
Grosvenor Place, Kamizono-cho	Residential property in Shibuya-ku	Tokyo, Japan	17,700

Property	Description	Location	Area m²	Completion date
Development and trading properties – held in joint ventures				
Residential				
The Westminster Terrace, 103 Castle Peak Road	Residential development	Castle Peak, Hong Kong	16,300	2009

Liverpool One, England
2009, Liverpool One's first full calendar year, was one of the most challenging periods for retailers in recent history. Despite this, it hosted 24m visitors, became over 96% let and has now won over 30 industry awards including the 'Supreme Gold' from the British Council of Shopping Centres.

FUND MANAGEMENT

Grosvenor has been investing in real estate in partnership with investors since the 1950s. We launched our first fund in 1976 in the USA and formally set up Grosvenor Fund Management in 2005. We now have 70 investor partners in 24 property funds and separate account mandates. Funds under management are £3.6bn.

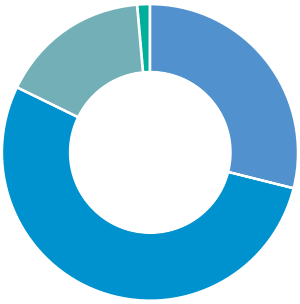
We offer our investors a unified approach to property fund management around the world, focusing on delivering attractive risk-adjusted returns coupled with excellent client service. Aligning our interests with our partners and building long-term relationships is of paramount importance to us.

Our 135 staff, operating from offices in China, France, Italy, Japan, Luxembourg, Spain, the UK and the USA, have strong local property expertise coupled with fund management skills. They are led by Managing Director Stuart Beevor, who has been with us for eight years.

Stuart Beevor
Managing Director

Office locations
Fund Management

By sector £m

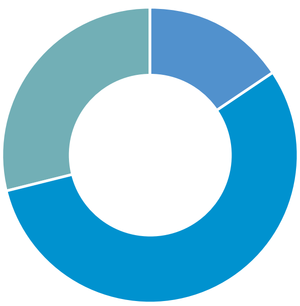


Office	£1,044.8m	29.1%
Retail	£1,909.2m	53.2%
Residential	£587.9m	16.4%
Industrial	£47.0m	1.3%

By region £m

UK	£1,645.3m	45.8%
USA	£814.8m	22.7%
Continental Europe	£659.9m	18.4%
Asia	£468.9m	13.1%

Equity invested £m



Grosvenor	£222.2m	15.8%
Pension funds	£777.2m	55.4%
Other	£403.4m	28.8%

If 2008 was turbulent, 2009 was a momentous and extremely challenging year due to the radical impact of the world financial crisis.

The market in 2009

In the real estate fund management industry, falling asset values resulted in negative returns creating uncertainty for investors and a reluctance to commit capital to new funds; at the same time, attention began to focus once again on the attractions of strong income flows.

Grosvenor Fund Management managed this challenging environment successfully. We completed 14 debt refinancings with our lenders and our investors, whilst continuing to focus on the active asset management of our portfolio.

Key performance indicators

Where our funds have relative property benchmarks, our funds generally outperformed. For those with absolute targets, and particularly those with leverage, falling values had a negative effect on performance. In the fourth quarter this position started to reverse strongly in the UK.

The combination of our asset sales and value falls around the world reduced funds under management by £0.6bn to £3.6bn.

Strategy

Grosvenor consider it to be of fundamental importance to align our interests, as both fund manager and co-investing partner, with those of our investors. Grosvenor Fund Management listens carefully to investors and, in response to shifting investor appetite, we have recently focused on more bespoke styles of investing, including separate accounts and club-style funds and reduced use of debt. At the heart of our approach is a deep understanding and experience of real estate and our continuing emphasis on providing investors with access to highly skilled staff with expertise in their local real estate markets.

The recent market turbulence is leading to change and consolidation in the fund management industry. We expect this will create some interesting opportunities for us to add skills and experience complementary to our own, helping to build our existing business in our chosen markets.

The majority of our investors are European pension funds, although we also work with family offices, other institutions and endowments from many parts of the world. Today we partner with 70 investors and it is significant that 30% of them invest in more than one vehicle with us.

Fund highlights

We always seek to optimise portfolio income and blend real estate's long-term attributes with active execution in the short-term to optimise fund performance. Occupancy rates were strong in all our funds: Liverpool One (see page 60 and opposite) owned by the Grosvenor Liverpool Fund was a particularly good example, being 96% let, as was Grosvenor Retail European Property, being 99% let.

The Grosvenor Office Retail Fund in Japan and the Grosvenor London Office Fund in the UK completed refurbishments on two assets (see Yamaman Third Building and Almack House, both on page 64).

Transactional activity was minimal. In Continental Europe, despite examining over 40 possible acquisitions for Grosvenor French Retail Investments, we only made one investment, in Troyes, France (see Rue Emile Zola, page 64). In China, we analysed 28 possible acquisitions for the Grosvenor Vega-China Retail Fund but did not make any investments. In the main we were not comfortable with the quality or pricing of the assets in these markets, but we continue to seek out and analyse opportunities.

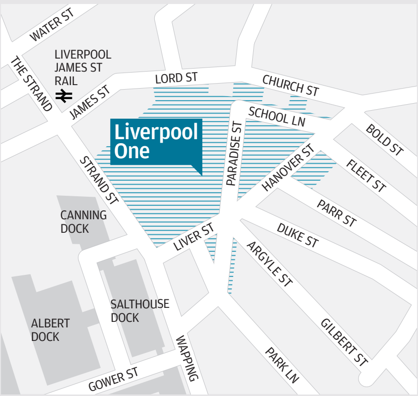
Our US debt fund, Grosvenor Residential Investment Partners, made three investments in 2009 and in December secured a US$6.5m mezzanine loan on a residential project in Denver (see Oakwood Homes opposite). We have agreed with our partners to extend the investment period of the Fund until June 2011 to allow us to take advantage of the unique market conditions.

An important achievement for our investors, as well as for Grosvenor Fund Management, was that together we refinanced or repaid £1.2bn of bank loans to our Funds with 11 banks. We continue to monitor loan-to-value ratios and other covenants in our Funds, and where necessary work closely with our lenders and investors to manage these positions.

Liverpool One

City:	Liverpool
Country:	England
Sector:	Diversified
Area:	149,000m^2
Ownership:	Grosvenor Liverpool Fund

A team of over 100 people is responsible for the fund, asset and property management of Liverpool One, which has risen from 16th place (2007) to 4th place in the UK's retail rankings (according to the February 2010 report from Javelin, a leading UK retail researcher). Retail sales in Q4 2009 were up 22% like-for-like, year on year; the John Lewis anchor store is ranked fifth in its UK stores; Top Shop has opened its largest store in Europe outside London; and Jaeger, after strong sales within its John Lewis concession, is among the new retailers now trading successfully through its own shop in Liverpool One.



Oakwood Homes

City:	Denver
Country:	USA
Sector:	Residential
Area:	10,400m^2
Ownership:	Grosvenor Residential Investment Partners

Grosvenor Residential Investment Partners provided a US$6.5m mezzanine loan to Oakwood Homes, a leading local developer, to recapitalise a portfolio of 41 model homes in six communities in the greater Denver area. The homes will come to the market priced between US$225,000 and US$400,000.

Rue Emile Zola

City:	Troyes
Country:	France
Sector:	Retail
Area:	3,800m^2
Ownership:	Grosvenor French Retail Investments

This is a portfolio of six recently refurbished high street retail units in the historic town centre of Troyes, situated in the Champagne region, 150km south-east of Paris. The units benefit from prime locations on the town's main retail street, Rue Emile Zola.

Yamaman Third Building

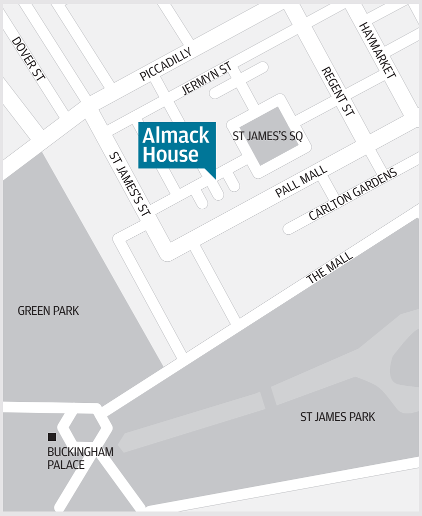
City:	Tokyo
Country:	Japan
Sector:	Office
Area:	2,700m^2
Ownership:	Grosvenor Office Retail Fund

Yamaman Third Building is located in one of Tokyo's most prestigious office districts, near the Bank of Japan and Tokyo Stock Exchange. It was acquired by the Grosvenor Office Retail Fund with a strategy of adding value through structural enhancement, better earthquake resistance, and improvement of common-areas and the façade.

Almack House

City:	London
Country:	England
Sector:	Office
Area:	9,300m^2
Ownership:	Grosvenor London Office Fund

Almack House is a prime office building located in the exclusive St James's district of central London. The Fund has recently completed an extensive refurbishment to provide top quality modern offices, having first pre-let approximately 50% of the building.



Fund portfolio

2009 was not the year for new fund launches. However, we see opportunities in all the geographic regions in which Grosvenor has an interest. We have ambitions to launch, in the UK, a second London office fund; in the USA, a development fund for the Washington office market; in Asia, a fourth Japanese fund; and in Continental Europe, a third retail fund.

Operational highlights

The reorganisation of the Group's Continental European operations was completed in 2009 and our 36 staff in the region are seeking further attractive investment opportunities for investors.

In January 2010 Dominic Field joined us as Director of Business Development, responsible for investor relations and capital raising, joining our Board in March. Building strong investor relationships and understanding and meeting investor needs is fundamental to the long-term success of our business.

With Grosvenor Britain & Ireland we won the IPD UK Property Investment House of the Year Award, given by Estates Gazette. This is won by the investment house, with three or more funds and £500m under management, that had the highest direct property returns for the 12 months to December 2008 recorded by IPD.

The outlook for 2010

History has repeatedly shown that investments made at this point in the cycle can deliver very good returns in certain markets – for example London offices, on which we intend to capitalise by launching the Grosvenor London Office Fund II. Investor confidence has been returning and the financial markets are in a stronger position than they were 12 months ago. However, there are still a number of short-term risks, particularly weak occupational markets and uncertainty in bank lending.

We counsel our investors to be patient and disciplined, remembering the long-term qualities of real estate. The current market conditions will reward those who focus on careful stock-picking, active asset management and income optimisation.

FUND MANAGEMENT
BOARD OF DIRECTORS AND SENIOR STAFF

Non-Executive Directors

1 Mark Preston MRICS (Chairman) (Group Chief Executive) joined Grosvenor in the UK in 1989. In 1995, he was seconded to Hong Kong, returning to lead our fund management operations from 1997 to 2002. After four years in San Francisco he returned to the UK as Chief Executive of Grosvenor Britain & Ireland in June 2006, becoming Group Chief Executive in July 2008. He is on the Board of the Association of Foreign Investors in Real Estate and a member of the North West Business Leaders' Team. He is a Non-Executive Director of Sonae Sierra SGPS.

2 Nicholas Scarles FCA CPA ATTORNEY AT LAW (Group Finance Director) joined Grosvenor in 2004. He was previously at Centrica, Price Waterhouse, and Coopers and Lybrand. He is a Governor of the Haberdashers' Elstree Schools, Member of the Court of Assistants of the Haberdashers Livery Company, Chairman of the IPF's Property Derivative Interest Group and a Non-Executive Director of Sonae Sierra SGPS.

Executive Directors

3 Stuart Beevor FRICS (Managing Director) joined Grosvenor in 2002 having been at Norwich Union, then Legal and General Property as Managing Director. He is a Non-Executive Director of the UNITE Group plc and a Trustee of the Investment Property Forum Educational Trust.

4 Robert Davis (Finance Director) joined Grosvenor in 2006 from General Motors, where he undertook a number of roles within the group's finance function and was most recently Chief Operating Officer, European Operations, for GMAC Commercial Finance Plc.

5 Douglas Callantine (Director, USA) joined Grosvenor in 2006 following Grosvenor's acquisition of Legg Mason Real Estate Services, where he had been President since 1987. He is a member of a number of industry bodies.

6 Dominic Field (Director, Business Development) joined Grosvenor in 2010 from Credit Suisse where he was Director of the Real Estate Private Fund Group. Previously he was National Director of European Client Services at LaSalle Investment Management.

7 Mervyn Howard (Director, UK) joined Grosvenor in 2001 following roles as Managing Director of GE Capital's real estate business in the UK and Scandinavia and Head of Business Development for TrizecHahn Europe.

8 James Raynor (Director, Continental Europe) joined Grosvenor in 2004 from Royal Bank of Scotland in Paris, where he was Senior Director of European Real Estate.

9 Koshiro Hiroi (Chief Representative in Japan) joined Grosvenor in 2001. Previously, he worked for American private fund Lone Star Group and Tokyo Tatemono in Japan.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FUND MANAGEMENT PORTFOLIO

Funds under management

	Number of funds	Gross asset value Office £m	Retail £m	Residential £m	Industrial £m	Total £m
UK	5	343.5	1.262.0	39.8	–	1,645.3
USA	10*	362.8	167.2	237.8	47.0	814.8
Continental Europe	4*	179.9	480.0	–	–	659.9
Asia	4	158.6	–	310.3	–	468.9
International	1	included above				
	24	1,044.8	1,909.2	587.9	47.0	3,588.9
Total		29.1%	53.2%	16.4%	1.3%	

*Includes separate account clients.

UK

Name:	GROSVENOR SHOPPING CENTRE FUND	Risk profile:	Core
Launch date:	1998	Gross asset value:	£433m*
Sector:	Retail	Number of assets:	4
		Number of investors:	20
Representative assets:			
Dolphin Centre	Covered two-level shopping centre with 125 retail units	Poole, Dorset	46,100m^2
Eastgate Centre	Covered two-level shopping centre with 65 retail units	Inverness, Scotland	38,100m^2

*Includes interest in Grosvenor Festival Place Fund.

Name:	GROSVENOR LONDON OFFICE FUND	Risk profile:	Core
Launch date:	1999	Gross asset value:	£344m
Sector:	Office	Number of assets:	4
		Number of investors:	5
Representative assets:			
Almack House	Eight-floor open-plan office building	West End, London	9,300m^2
40 Grosvenor Place	Seven-floor open-plan office building	West End, London	21,300m^2

Name:	GROSVENOR FESTIVAL PLACE FUND	Risk profile:	Core
Launch date:	1999	Gross asset value:	£325m
Sector:	Retail	Number of assets:	1
		Number of investors:	3
Sole asset:			
Festival Place, Basingstoke	Covered two-level shopping centre with 195 retail units	Basingstoke, Hampshire	96,700m^2

Name:	GROSVENOR RESIDENTIAL INVESTMENT FUND	Risk profile:	Core
Launch date:	2005	Gross asset value:	£40m
Sector:	Residential	Number of assets:	12
		Number of investors:	3
Representative assets:			
The Levels	10 one-bedroom; 18 two-bedroom flats	Cambridge, Cambridgeshire	2,100m^2
17-19 Nevern Place	18-unit residential building	Earls Court, London	1,000m^2

FUND MANAGEMENT PORTFOLIO CONTINUED

UK (continued)

Name:	GROSVENOR LIVERPOOL FUND	Risk profile:	Core plus
Launch date:	2004 (2004-2008, Development Phase, 2009 onwards Investment Phase)	Number of assets:	1
		Number of investors:	6
Sector:	Mixed-use		
Sole asset:			
Liverpool One	Shopping centre with 160 retailers, 176 apartments	Liverpool, Merseyside	149,000m^2

USA

Name:	SHMAEL US REAL ESTATE FUND	Risk profile:	Core plus
Launch date:	2005	Gross asset value:	US$85m (£52m)
Sector:	Office	Number of assets:	6
		Number of investors:	15
Representative assets:			
Brookhollow Park	Four-storey office building	San Antonio, Texas	9,600m^2
1450 Infinite Drive	Office/R&D building	Louisville, Colorado	14,400m^2

Name:	GROSVENOR RESIDENTIAL INVESTMENT PARTNERS	Risk profile:	Debt
Launch date:	2007	Gross asset value:	US$23m (£14m)
Sector:	Residential	Number of assets:	5
		Number of investors:	5
Representative assets:			
Bella Vista	Senior loan on 26-lot sub-division on 73 acres	Harrison Township, New Jersey	295,400m^2
Oakwood Model Home Portfolio	Mezzanine loan on portfolio of 41 model homes	Denver, Colorado	10,400m^2

Name:	SEPARATE ACCOUNT CLIENTS	Risk profile:	Various
Launch:	1956	Gross asset value:	US$1,209m (£748m)
Sector:	Diversified	Number of assets:	35
		Number of investors:	8*
Representative assets:			
Vantage at San Marcos	240-unit garden-style multi-family community	San Marcos, Texas	19,600m^2
Voorhees Town Center	Mixed-use town centre development	Voorhees, New Jersey	44,100m^2

*Number of separate accounts.

Continental Europe

Name:	GROSVENOR RETAIL EUROPEAN PROPERTIES	Risk profile:	Core/Value-add
Launch date:	2004	Gross asset value:	€263m (£234m)
Sector:	Retail	Number of assets:	38
		Number of investors:	8
Representative assets:			
102 Rue de Rivoli	High street retail unit	Paris, France	1,100m^2
Oviesse Portfolio	Six retail warehouse units	Milan, Italy	6,800m^2

Name:	GROSVENOR FRENCH RETAIL INVESTMENTS	Risk profile:	Core
Launch date:	2006	Gross asset value:	€96m (£85m)
Sector:	Retail	Number of assets:	33
		Number of investors:	9
Representative assets:			
Rue Emile Zola	Six high street retail units	Troyes, France	3,800m^2
18/20 Boulevard Montmartre	One high street retail property comprising nine units	Paris, France	2,400m^2

Name:	GROSVENOR HEXAGONE PARTNERSHIP	Risk profile:	Core Plus
Launch date:	2006	Gross asset value:	€125m (£112.5m)
Sector:	Office	Number of assets:	2
		Number of investors:	2
Representative assets:			
Colisée	Office building	Paris, France	23,100m^2
Lonthenes	Office building	Paris, France	3,700m^2

Continental Europe (continued)

Name:	SEPARATE ACCOUNT	Risk profile:	Various
Launch date:	2009	Gross asset value:	€189m (£168.6m)
Sector:	Diversified	Number of assets:	3
		Number of investors:	1*
Representative assets:			
Paris Antiques Market	Two galleries with 450 small retail units	Paris, France	8,300m^2
Omega II	Office development	Madrid, Spain	32,700m^2

*Number of separate accounts

Asia

Name:	GROSVENOR DIAMOND CAPITAL – STABLE RESIDENTIAL FUND	Risk profile:	Core
		Gross asset value:	JP¥27bn (£177m)
Launch date:	2005	Number of assets:	21
Sector:	Residential	Number of investors:	6
Representative assets:			
Chester Court, Nihonbashi	104-unit residential building	Tokyo, Japan	4,900m^2
Vert Varie Kitasando	144-unit residential building	Tokyo, Japan	5,000m^2

Name:	GROSVENOR CAPITAL ADVISERS PARTNERSHIP	Risk profile:	Value-add/Opportunistic
Launch date:	2004	Gross asset value:	JP¥20bn (£134m)
Sector:	Residential	Number of assets:	18
		Number of investors:	6
Representative assets:			
Chester Court, Kasuga	68-unit residential building	Tokyo, Japan	3,600m^2
Chester Court, Ochanomizu	118-unit residential building	Tokyo, Japan	3,800m^2

Name:	GROSVENOR OFFICE RETAIL FUND	Risk profile:	Core/Value-add
Launch date:	2007	Gross asset value:	JP¥24bn (£159m)
Sector:	Office	Number of assets:	12
		Number of investors:	8
Representative assets:			
Joule A Building	11-floor office building	Tokyo, Japan	5,000m^2
Kichijoji Mays One	Four-floor retail building	Tokyo, Japan	1,400m^2

Name:	GROSVENOR VEGA – CHINA RETAIL FUND	Risk profile:	Value-add
Launch date:	2008	Gross asset value:	US$0m (£0m)
Sector:	Retail	Number of assets:	No acquisitions in 2009
		Number of investors:	7
Representative assets:			
No acquisitions in 2009			

International

Name:	ISPT GROSVENOR INTERNATIONAL PROPERTY TRUST	Risk profile:	Core/Core plus
Launch date:	2004	Gross asset value:	A$408m* (£227m)
Sector:	Diversified	Number of assets:	7
		Number of investors:	7
Representative assets:			
L'Anec Blau	Covered shopping centre over three levels	Barcelona, Spain	27,800m^2
Research Tri Center	Ten building industrial portfolio	Durham, North Carolina, USA	142,500m^2

*Includes interest in Grosvenor Shopping Centre Fund.

THE ENVIRONMENT

Buildings account for just under half of all global emissions; as a property company Grosvenor have a particular obligation to do what we can to mitigate this impact.

Overview

We have a long history of stewardship of the built environment, having managed our London estate for over 300 years. Historically, we have demonstrated our commitment to environmental responsibility through a variety of initiatives in respect of both the way we manage our own business and our impact through our property development, investment and fund management portfolio. Since the appointment of a Group Director of Environment & Design on 1 January 2008, we have analysed the totality of our experience in this area and have begun planning from a Group-wide perspective.

In 2008 the Group agreed a vision statement, a five-year strategy for reducing our environmental impact and a governance structure establishing accountability for our performance in this area.

In 2009 the Group moved significantly nearer to measuring that performance systematically – establishing a framework for progressive data collection and reporting – and to setting common targets across the Group.

We also agreed minimum environmental criteria for all new property developments in each region (referencing levels of accreditation under external rating systems). In addition, we reviewed our environment management systems, beginning a pilot scheme to establish what we would need to do to achieve the international ISO14001 certification standard Group-wide and the benefits of doing so.

Impact areas and targets

Our reporting framework identifies 18 environmental impact areas relevant to the Group and its businesses. Of these we agreed that 'Energy & carbon' was the most pressing area to tackle: measuring carbon emissions is the most internationally recognised method of quantifying environmental impact. We completed an exercise to measure our Group-wide carbon footprint comprehensively for the first time; and we agreed provisional Group targets for reducing such emissions, both direct and indirect, against a 2007 baseline.

During 2010 we will finalise those targets and will concentrate our efforts on the six impact areas most material to our business as a property company (see opposite). We will move on to the other metrics progressively over time.

Progress across the Group in 2009

All parts of the Group have been working hard to achieve the carbon footprint reductions to which we aspire.

We have made progress with our direct emissions. For instance, we achieved a 9% reduction in energy consumption in our largest office, 70 Grosvenor Street in London, and we introduced 'smart meters' on our London estate to monitor 75% of energy consumption in the landlord areas within those buildings we own and manage (see opposite).

We have also made headway on tackling indirect emissions – which account for a far larger proportion of the impact of our activities on the environment.

An example, in relation to the fabric of the buildings owned, managed or developed by Grosvenor ('upstream emissions'), is the design of our new office development at 400 George Street in Brisbane, which has achieved a 5 Star Green Star – Office Design v2 rating from the Green Building Council of Australia (see opposite).

Indirect emissions from tenant activity in those buildings ('downstream emissions') are harder for us to influence: an innovative example of how we encouraged a reduction in such environmental impacts is the bio-diesel processor we have introduced at Liverpool One (see opposite).

Future reporting

Later this year we will announce our Group targets for carbon emissions reduction. In 2011 we will produce our first stand-alone environment report. This will report on our carbon footprint performance in 2010 and our management of key environmental impact areas.

Further information on our environmental management activities is available on our website: www.grosvenor.com.

Key environmental impact areas

Energy & Carbon
Our aim: to minimise energy consumption in our assets and the buildings we manage, and help reduce climate change by understanding and reducing our carbon footprint.

Water
Our aim: to minimise water consumption in our assets and the buildings we manage, protect water sources and prevent pollution.

Waste & Recycling
Our aim: to minimise waste and maximise reuse and recycling in our assets and the buildings we manage.

Building Rating Standards
Our aim: to use building rating standards to measure the environmental performance of our buildings – during design, construction and operation – against external benchmarks.

Ecology
Our aim: to minimise our ecological impact by protecting and enhancing local habitats and species.

Materials & Suppliers
Our aim: to consider our environmental objectives when selecting suppliers and materials, and minimise the environmental impact of construction projects by increasing our use of sustainable materials.

The London estate

City:	London
Country:	England
Sector:	Mixed-use
Type:	Investment
Area:	1.3m m^2
Ownership:	Grosvenor and the Grosvenor Trusts

We are addressing the impact of existing buildings on our London estate. 75% of energy consumption within our directly managed properties is now smart metered.

400 George Street

City:	Brisbane
Country:	Australia
Sector:	Office
Type:	Investment
Area:	44,000m^2 net lettable area
Ownership:	Held in joint venture

400 George Street, which achieved a 5 Star Green Star Office Design Rating from the Green Building Council of Australia, is forecast to save over 100,000kg of CO_2 annually.

Liverpool One

City:	Liverpool
Country:	England
Sector:	Diversified
Area:	149,000m^2
Ownership:	Grosvenor Liverpool Fund

An innovative bio-diesel processor at Liverpool One converts used cooking oil from the restaurants into fuel to run all on-site vehicles. It can create 1,700 litres of fuel a year, saving over 53,000kg CO_2.

ACCOUNTS

CORPORATE GOVERNANCE

THE COMBINED CODE

Grosvenor's business approach is based on openness and high levels of accountability, elements that are essential not only for the conduct of our own business but particularly for the operation of our third-party arrangements, whether in fund management, joint ventures or other partnerships. As a consequence, Grosvenor's approach to corporate governance follows best practice recommended by the Financial Reporting Council under the heading of the 'Combined Code', even though that code applies only to publicly quoted companies. The Board has reviewed all the provisions of the Combined Code issued by the UK Financial Reporting Council in June 2008 and has determined which of those provisions are appropriate in the context of Grosvenor's ownership structure.

BOARD OF DIRECTORS

The Board comprises seven full-time Executive Directors and six Non-Executive Directors, among whom three are also Trustees of the Grosvenor Trusts. The composition of the Board is designed to ensure effective management and control of the Group, provide complete and timely information to the Shareholders as well as proper representation of the Shareholders' interests.

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

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

The Board held five meetings during the year, with the following attendance by Directors:

	January	March	June	September	November
Number of Directors attending	11/14	14/14	14/14	13/13	11/13

The biographies of the members of the Board on page 19 demonstrate a range of experience and professional background to bring independent judgement on issues of strategy, performance, resources (including key appointments) and standards of conduct. A Statement of the Directors' responsibilities in respect of the accounts is set out on page 80.

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.

The Board undertakes a regular evaluation of its own performance, which was last carried out in 2008.

The Board encourages the appointment of Executive Directors to appropriate external posts as this increases their breadth of knowledge and experience. Earnings from all such appointments are returned to the Group.

AUDIT COMMITTEE

The Board has a well established Audit Committee, which provides independent scrutiny of the Group's affairs. The Audit Committee is chaired by Lesley Knox, Trustee of the Grosvenor Trusts, and also includes the Earl of Home (Chairman) and Domenico Siniscalco (Non-Executive Director). The members bring a wide range of relevant international experience.

The Audit Committee meets at least three times a year with the 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 the year, with full attendance at each meeting. It 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 control and the actions and procedures involved in the management of risk throughout the Group.

The Audit Committee reviews annually the independence of the auditors. Auditor objectivity is ensured through a variety of procedures including rotation of audit partners. Any non-audit fees received by the auditors in excess of 50% of the audit fee are pre-approved by the Audit Committee.

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

NOMINATIONS COMMITTEE

The Nominations Committee comprises all of 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, giving consideration to 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.

RELATIONS WITH SHAREHOLDERS AND LENDERS

Given the private ownership of the Group, the requirements of the Combined Code to communicate with institutional shareholders are not relevant. All the principal Shareholders are represented on the Board and all Shareholders receive a monthly report. The Annual Report and Accounts is widely distributed and the Group's policy is to maintain close contact during each financial year with bondholders and other lenders at Group and Operating Company levels.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control 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 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 Report and Accounts. This process is regularly reviewed by the Audit Committee and the Board and is consistent with the internal control guidance for Directors in the Combined Code.

A key part of the system of internal control is the delegation of management responsibility for all the Group's property investment, development and fund management activities, together with supporting financial functions, to Operating Company management teams. The Britain & Ireland, Americas, Australia and Asia Pacific Operating Companies have local boards, with independent Non-Executive Chairmen and at least two other independent Non-Executive Directors, which oversee the regions' operations. These boards form an integral part of the overall internal control process. The Grosvenor Fund Management Board works closely with the Holding Company team to ensure appropriate internal controls are maintained. The relationship between Operating Company boards and the Group Board is clearly defined and is set out in formally approved financial delegation procedures.

In addition to local boards, each Operating Company, together with the Holding Company, is represented on the Group Finance Board, which meets at least twice each year 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.

During 2009 the Group established a 'co-sourced' approach to internal audit, working jointly with PricewaterhouseCoopers. Each Operating Company audit committee has approved an internal audit plan for 2010, which will be executed by PricewaterhouseCoopers, but supplemented by Grosvenor employees on occasion and where appropriate. 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.

The Board carried out its annual assessment of internal control for the year 2009 at its meeting in March 2010 by considering reports from management and the Audit Committee and taking account of events since 31 December 2009.

Risk management is a regular agenda item for all parts of the business with the emphasis on continuous improvement. Specific financial and other controls can be summarised under the following headings:

Operating and Holding Company controls

Key controls over major business risks include reviews against performance indicators and exception reporting. Each team makes regular assessments of its exposure to major financial, operational and strategy risks and the extent to which these are controlled.

Treasury policies are set out in Note 33 of the Accounts.

Financial information

The Group and each Operating Company have comprehensive systems for reporting financial results. Financial results are reviewed on a quarterly basis (consistent with the pattern of income receipts in the majority of the Group's operations) with comparisons against budget and prior periods together with a forecast for the full financial year and the potential variances to that forecast. Each year a detailed operational budget and a five-year financial plan is prepared. Treasury reporting is reviewed on a monthly basis.

FINANCIAL SERVICES ACTIVITIES

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

Grosvenor Australia Nominees Pty Limited, a wholly owned subsidiary, is authorised to provide financial services and products to wholesale clients under its Australian Financial Services Licence No. 302153 issued by the Australian Securities and Investments Commission.

Grosvenor Investment Management US Inc., a wholly owned subsidiary, is a registered investment adviser in the USA pursuant to the Investment Advisers Act of 1940, for the purposes of providing real estate related investment advice.

The Japan Branch of Grosvenor Fund Management Japan Limited, a wholly owned subsidiary, is authorised to provide financial services and products under its Kanto Local Finance Bureau (Kinsyo) License No. 1956 issued by The Financial Services Agency, the Japanese Government.

REMUNERATION REPORT

REPORT ON EMPLOYMENT AND REMUNERATION MATTERS SPECIFICALLY RELATING TO EXECUTIVE DIRECTORS AND SENIOR STAFF
Consistent with the delegation of management responsibility to regional management teams, the Britain & Ireland, Americas, Australia and Asia Pacific regions and the Grosvenor Fund Management business have their own remuneration committees with appropriate responsibility for remuneration matters within those Operating Companies. The Group Remuneration Committee takes an independent overview of the various Operating Companies' remuneration and HR policies and practice, providing group-wide guidelines and frameworks to emulate plc-style best practice.

The Group's employment policies recognise the value of staff to its long-term success. The promotion of loyalty is important for Grosvenor and good relationships between employer and employee are nurtured. Grosvenor is an equal opportunities employer and staff are kept informed on matters affecting them, and on the financial and economic factors affecting the Group's performance. Grosvenor is committed to improving performance through regular performance review. Grosvenor actively sponsors continuing career development for all its staff; with differential investment in those who demonstrate ability and commensurate ambition to develop into future leaders. The Group Remuneration Committee and Group Chief Executive undertake an annual talent and succession planning review and report to the Group Board.

The Group Remuneration Committee comprises three Non-Executive Directors. It meets at least twice a year. The Group Chief Executive and Group Human Resources Director may be invited to attend, unless their own remuneration is being discussed. The Remuneration Committee met three times during the year, with full attendance at each meeting. The Committee is responsible for overseeing remuneration and employment policies across the whole Group and also for administering directly the remuneration and contracts of Directors and staff in the Holding Company. The Committee has access to external independent professional advisers as necessary and receives advice on market pay levels and best practice in incentive scheme design.

The Group's remuneration policies recognise the importance of attracting, retaining and motivating executives of the appropriate calibre and experience to enhance the performance and reputation of the Group. The size, complexity and international perspective, as well as the long-term nature of the business, are all important factors. The policy is to provide competitive potential levels of compensation, benefits and incentive opportunities within appropriate local markets. Compensation includes performance-linked elements designed to reward superior company, team and individual performance, in line with market practice.

The remuneration of Executive Directors and Senior Staff includes a blend of short-term and long-term rewards and has been designed to provide an alignment of interests of both employees and Shareholders. The elements are:

– Basic salary and benefits are competitive within the property industry in the locations in which the Group operates. Salaries are reviewed annually, or on promotion. Taxable benefits are provided at levels similar to those for comparable positions and include, as appropriate, health insurance and car allowance.

– Bonus and incentive schemes operate for Executive Directors and Senior Staff and are designed to link rewards to both individual and Company performance. Awards relating to Company performance are determined by the achievement of total return compared with the relevant weighted average cost of capital, revenue profit targets and other business improvement targets. The incentive arrangements are designed to reward outstanding performance and are linked to the achievement of performance targets at both team and individual levels. A proportion of incentive awards each year are long term and vest over periods of up to five years. The Remuneration Committee has discretion to award individual bonuses in recognition of special performance.

– Pensions and life assurance for Executive Directors and Senior Staff in the UK are provided through membership of the Grosvenor Pension Plan (GPP) and, if applicable, supplementary pension arrangements. GPP is non-contributory and provides, for those who were members before 2004, a maximum pension of up to two-thirds of pensionable salary on retirement. The GPP also provides for dependants' pensions of two-thirds of the member's pension and an insured lump-sum payment of four times basic salary in the event of death in service. For all staff who joined the Group after 1 January 2004, GPP provides a defined benefit pension up to an upper earnings limit, and above this limit the Group will contribute between 25% and 30% of salary into employees' stakeholder accounts.

– Outside the UK, pensions are provided from a number of schemes, including separate defined benefit schemes in Australia, Canada (now closed to new participants) and the USA (frozen). Further details of the Group's pension schemes are given in Note 11 of the Accounts.

A schedule of Directors' remuneration, including all amounts required to be disclosed by the Directors' Remuneration Report Regulations 2002, is approved by the Shareholders and details of Directors' remuneration in accordance with the Companies Act 2006 are set out in Note 12 of the Accounts.

The notice period for the termination of the employment of an Executive Director is six months.

Non-Executive Directors representing the Shareholders, with the exception of the Chairman, receive no fee from the Company. The fees for other Non-Executive Directors are reviewed every two years by the Chairman. Non-Executive Directors do not have service contracts and do not participate in bonus arrangements.

Transactions between the Group and Grosvenor Trusts are disclosed in Note 42 of the Accounts. Certain Company Directors are Trustees of Grosvenor Trusts and are also Directors of other companies with which the Group may from time to time enter into transactions on normal commercial terms. In the opinion of the Board, none of these relationships are such as to impair the independence of the Non-Executive Directors.

Robin Broadhurst
Chairman of the Remuneration Committee
18 March 2010

DIRECTORS' REPORT

The Directors present their Annual Report and the Group's audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
The Group's principal activities are property investment, development and fund management in Britain and Ireland, North America, Continental Europe, Australia and Asia Pacific.

The review of the business in accordance with the requirements of Section 417 of the Companies Act 2006 (the 'Business Review') can be found in the review section on pages 1 to 71, which is incorporated into this report by reference.

The other information that fulfils the requirements of the Business Review is set out below.

RISKS AND UNCERTAINTIES
The Group aims to generate returns over the long term (5-10+ years) at or above its cost of capital. 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 activities of property investment, development and fund management are common to each region, the nature of business risks encountered in each region is broadly similar. Set out below is a summary and explanation of the principal risks faced by the business.

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

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

Short-term market risk is more relevant in development activity, where market conditions may affect leasing terms and capitalisation rates. 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.

The Group is able to make use of property derivatives as a further mechanism for managing exposure to market risk.

Asset allocation
The Group's primary financial objective is to maximise returns at acceptable levels of risk. Fundamental to this is the optimal allocation of equity between each of the Operating Companies and the devolution of property decision-making authority to local boards.

The allocation of equity to Operating Companies is a continuous process on an annual cycle. The process includes detailed research of long-term (5+ years) macro-economic projections, a review of regional economic and Operating Company historic and projected performance, consideration of wider issues such as climate change, and the use of portfolio theory simulations. From this, the Holding Company determines a range of the desired relative weighting of capital to each Operating Company over the long term. Medium-term (2-5 year) target weightings are set by reference to long-term ranges, adjusted for medium-term factors. Actual annual allocations are made consistent with medium-term targets and long-term ranges, but also in response to short-term (0-2 year) tactical and opportunistic considerations. The Group retains the financial capacity for unplanned opportunities that may arise.

Long-term ranges for equity (adjusted for deferred tax) allocated to Operating Companies agreed in January 2009, and actual equity allocations at 31 December 2009, were as follows:

	Percentage of Group equity	
	Long-term range %	At 31 December 2009 %
Operating Company		
Britain & Ireland	40.0-65.0	49.4
Americas	12.5-27.5	18.5
Continental Europe	10.0-22.5	18.0
Australia	2.5-10.0	6.5
Asia Pacific	2.5-20.0	6.8
Fund Management	0-10.0	0.8

At the Operating Company level, each board reviews its strategy annually. This review takes account of the geographic allocation in the region as well as the allocation between sectors and the split between investment and development.

The current distribution of the Group's total assets under management is shown on page 5.

Property risks

Investment properties

The principal risk in property investment is the loss of income. The Group ensures 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 cycle, including obtaining appropriate planning consents and controlling the construction process. 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 fund management investors provides access to capital, beyond its own resources, for specific investment and development opportunities. Recognising the importance of this source of capital, Grosvenor Fund Management was established five years ago. Working with like-minded investors in property is now a core part of the Group's business.

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 annual asset allocation review within each Operating Company. Estimated price levels are supported by detailed financial appraisals, which are conducted for all property transactions. Where deals occur within joint ventures or funds, they require the approval of an investment committee that is independent from the asset management team. Every property transaction is subject to a due diligence review, including corporate due diligence where properties are acquired within corporate vehicles.

Financial and tax risks

The principal financial risks faced by the Group are liquidity, credit, interest rate and foreign currency risk. Each of these risks is explained in more detail and analysed in Note 33 of 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 future changes in tax legislation. These risks are managed by an in-house team which works alongside external tax advisers.

Health and safety

The Group is committed to achieving high standards of health and safety throughout the business and aspires to best practice.

Overall responsibility for health and safety is taken by the Group Finance Director. Each Operating Company board is responsible for health and safety in its business with the support of the internal Health and Safety Director and external consultants with local expertise to help them achieve compliance.

The Group's objective is to ensure that employees throughout the Group are well informed and consulted on matters regarding health and safety, which is treated as a key part of the wider risk management process.

Each Operating Company reviews and reports formally its compliance each year and progress is monitored on a regular basis.

The Group continues to review its reporting of performance information and continues to improve its health and safety information technology system to assist the business. All accidents and cases of ill health are treated seriously. In 2009 each business made good progress in completing its health and safety action plan.

Grosvenor received no enforcement notices from statutory health and safety authorities in 2009. The three enforcement notices received in 2008 have been complied with and appropriate action has been taken.

Health and safety targets continue to be developed by the Group and each Operating Company. These include achieving a full understanding of the risk burden that each business needs to manage and receiving assurances that Grosvenor has management systems in place to cope with workplace and other risks.

Environment
This year the Annual Report includes a section on 'The Environment' (see pages 70 to 71), reviewing our environmental management activities, as a precursor to the introduction of stand-alone environmental reporting from 2011.

Reputation and brand
The professional reputation of the individuals and businesses within the Group is an important intangible asset, as is the Grosvenor brand. The Group seeks to manage these assets by investing appropriately in them, and by identifying potential reputational or brand risks and acting swiftly to mitigate those risks. All staff are briefed on the definition of the Group's brand and are advised on how to align communications and behaviour with it, and detailed brand management guidelines are provided for relevant in-house and consultancy teams.

People
The Group takes considerable care in recruiting, retaining and growing Grosvenor people. Graduate qualifying programmes and a range of development opportunities exist. Succession planning is overseen by remuneration committees. Compensation is regularly benchmarked against the market and the Group rewards loyalty, excellence and effort.

Information technology
The Group's operations are dependent on the effectiveness of IT systems, including an international communications network, property databases, accounting and treasury systems. Procedures are in place to protect the security and integrity of data, and the Group has detailed business continuity plans which are tested on a regular basis. The Business Process Group, which was established in 2006, continues to ensure that the Group benefits from the efficient delivery of Group-wide process and system changes. In 2009 the IT support function was centralised in a single shared service team (see page 17).

KEY PERFORMANCE INDICATORS AND MEASURES OF RETURN
Grosvenor takes a long-term view so is less interested in year-on-year comparisons and is more concerned with the overall trend in performance.

The Group monitors total return on property assets and growth in revenue profit. Total return is calculated on a proportional basis, including the appropriate share of joint ventures and associates. It is defined in the glossary. Revenue profit/(loss) is shown in Note 4.

Achievement against these indicators is set out in the Finance Director's report on pages 14 to 17. Appropriate key performance indicators are employed throughout the Group to help achieve ambitious goals and a philosophy of continuous improvement.

RESULTS AND DIVIDENDS
The results for the year are set out in the consolidated income statement on page 82. Loss for the year was £208.8m (2008: £476.0m). Dividends paid during the year amounted to £15.4m (2008: £13.0m). Subsequent to the year end a dividend of £11.6m (2008: £9.6m) was proposed, but in accordance with International Financial Reporting Standards (IFRS) has not been provided in these financial statements. In November 2009 221.7m new 'B' preference shares were issued as a result of a stock dividend. Further details are given on page 121.

GOING CONCERN
The Group's business activities, together with the factors likely to affect its future development, performance and financial position, are set out in the review section on pages 1 to 71 and the principal risks and uncertainties faced by the Group are described in the Directors' report. In addition Note 33 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 the exposure to interest rates, credit and liquidity risk.

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

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

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

DIRECTORS
Details of the Directors of the Company and their biographies are given on pages 18 and 19. All Directors served throughout the year with the exception of those set out below.

Andrew Bibby (appointed 1 January 2009)

Neil Jones (resigned 11 June 2009)

DIRECTORS' INTERESTS IN SECURITIES

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

	Ordinary shares		Non-voting ordinary shares		12% non-cumulative irredeemable preference shares		Non-voting zero coupon redeemable preference shares	
	At 1 January 2009	**At 31 December 2009**	At 1 January 2009	**At 31 December 2009**	At 1 January 2009	**At 31 December 2009**	At 1 January 2009	**At 31 December 2009**
Non-beneficial								
The Earl of Home	1,515,529	**1,515,529**	12,124,233	**12,124,233**	1,515,529	**1,515,529**	–	**59,105,631**
Jeremy H M Newsum	4,290,433	**4,290,433**	34,323,463	**34,323,463**	4,290,433	**4,290,433**	–	**167,326,887**
Robin S Broadhurst	4,052,363	**4,052,363**	32,418,904	**32,418,904**	4,052,363	**4,052,363**	–	**158,042,157**

The non-beneficial interests above represent the shares owned by the respective Directors in their capacity as Trustees of the Grosvenor Trusts. There have been no changes in beneficial or non-beneficial interests since 31 December 2009.

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.

CHARITABLE AND POLITICAL DONATIONS

Charitable contributions during the year amounted to £1.8m (2008: £1.7m). £1.4m was donated to the Westminster Foundation (2008: £1.6m), which supports a wide range of charitable causes. No political contributions were made during the year (2008: £nil).

POLICY ON PAYMENT OF SUPPLIERS

Payment terms are agreed with suppliers on an individual basis. It is the policy of both the Company and the Group to abide by the agreed terms, provided that the suppliers also comply with all relevant terms and conditions. In respect of the Group's activities in the UK, trade creditors at 31 December 2009 represented four days' purchases (2008: seven days). The Company has no trade creditors.

EMPLOYEES

The Group gives full and fair consideration to applications by disabled persons for employment. Disabled employees and those who become disabled are afforded the same training, career development and promotion opportunities as other staff. The Directors recognise the importance of good communications and relations with the Group's employees. Each part of the Group maintains employee relationships appropriate to its own particular needs and environment.

AUDITORS

Deloitte LLP have been appointed as auditors under the provisions of section 487 of the Companies Act 2006.

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

a) in so far as the Directors are aware, there is no relevant audit information of which the auditors are unaware; and

b) the Directors have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant information and to establish that the Company's auditors are aware of that information.

This information is given in accordance with s.418 of the Companies Act 2006.

Judith Ball
Company Secretary
18 March 2010

UK Company registration number 3219943
Registered Office
70 Grosvenor Street
London W1K 3JP

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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- 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; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper 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 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.

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, 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 management report, which is incorporated into the Directors' report, includes 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 2010 and is signed on its behalf by:

The Earl of Home

CORPORATE ADVISERS AND BANKERS

Auditors:	Deloitte LLP
Tax advisers:	KPMG LLP
Principal valuers:	DTZ Debenham Tie Leung, Cushman & Wakefield
Solicitors:	Boodle Hatfield, Slaughter & May
Lead bankers:	The Royal Bank of Scotland Group plc
Actuaries:	Lane Clark & Peacock LLP

INDEPENDENT AUDITORS' REPORT

to the members of Grosvenor Group Limited

We have audited the financial statements of Grosvenor Group Limited for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated and parent company statement of changes in equity, the consolidated and parent company statement of comprehensive income, the consolidated and parent company statement of cash flows, and the related Notes 1 to 42. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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 auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS
As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS
In our opinion:

– the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;

– the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

– the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Mark Goodey (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
18 March 2010

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009

	Note	2009 £m	2008 £m
Total revenue	5	**288.1**	273.1
Gross rental income	6	**133.2**	120.6
Property outgoings	7	**(45.8)**	(52.3)
Net rental income		**87.4**	68.3
Other income	8	**35.1**	37.0
Administrative expenses	9	**(84.5)**	(82.7)
Net loss on trading and development properties	13	**(1.4)**	(106.6)
Net losses on other investments	14	**(12.8)**	(12.0)
Net losses on revaluation and sale of investment property	15	**(87.6)**	(267.7)
Share of loss from joint ventures and associates	23	**(134.4)**	(209.7)
Loss from operations including share of joint ventures and associates		**(198.2)**	(573.4)
Dividend income	16	**0.4**	2.2
Financial income	16	**9.0**	16.1
Financial expenses	16	**(44.6)**	(40.5)
Fair value adjustments	16	**(2.4)**	1.7
Net financing costs	16	**(37.6)**	(20.5)
Loss before tax		**(235.8)**	(593.9)
Current tax (expense)/credit	17	**(51.5)**	0.3
Deferred tax credit	17	**78.5**	117.6
Loss for the year	40	**(208.8)**	(476.0)
Attributable to:			
Equity holders of the parent	40	**(190.6)**	(456.9)
Minority interests	40	**(18.2)**	(19.1)
Loss for the year	40	**(208.8)**	(476.0)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	2009 £m	2008 £m
Loss for the year	**(208.8)**	(476.0)
Revaluation of investment property under development	–	(34.4)
Revaluation of property plant and equipment	**(1.2)**	(21.2)
Available for sale financial assets:		
Losses arising during the period	**(9.8)**	(6.9)
Fair value adjustments on swaps		
Losses arising during the period	**(1.9)**	(23.6)
less: amounts transferred to profit	–	(1.2)
	(1.9)	(24.8)
Exchange differences on translation of foreign operations	**(40.8)**	346.2
Actuarial losses on defined benefit pension schemes	**(12.0)**	(20.8)
Tax relating to other comprehensive income	**2.9**	30.9
Other comprehensive income	**(62.8)**	269.0
Total comprehensive income for the period	**(271.6)**	(207.0)
Attributable to:		
Equity holders of the parent	**(244.5)**	(225.1)
Minority interests	**(27.1)**	18.1
	(271.6)	(207.0)

The Company's equity increased during the year as a result of dividends received from subsidiaries for the year of £20.2m (2008: £202.4m) and reduced as a result of dividends paid to Shareholders of £15.4m (2008: £13.0m).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

	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**	Minority interest £m	**Total equity £m**
Balance at 1 January 2008	56.8	173.1	56.4	114.7	2.6	140.3	2,344.5	**2,888.4**	175.1	**3,063.5**
Changes in equity for 2008										
Loss for the year							(456.9)	**(456.9)**	(19.1)	**(476.0)**
Other comprehensive income	–	–	306.1	(16.5)	(8.1)	(38.4)	(11.3)	**231.8**	37.2	**269.0**
Dividends	–	–	–	–	–	–	(13.0)	**(13.0)**	(8.9)	**(21.9)**
Minority shares issued by subsidiaries	–	–	–	–	–	–	–	–	1.9	**1.9**
Balance at 31 December 2008	56.8	173.1	362.5	98.2	(5.5)	101.9	1,863.3	**2,650.3**	186.2	**2,836.5**
Changes in equity for 2009										
Loss for the year	–	–	–	–	–	–	(190.6)	**(190.6)**	(18.2)	**(208.8)**
Other comprehensive income	–	–	(33.0)	(1.6)	(9.0)	(1.0)	(9.3)	**(53.9)**	(8.9)	**(62.8)**
Dividends	–	–	–	–	–	–	(15.4)	**(15.4)**	(6.2)	**(21.6)**
Transfers	221.7	(144.8)	(13.5)	(108.7)	(0.9)	(93.9)	136.5	**(3.6)**	3.6	**–**
Balance at 31 December 2009	278.5	28.3	316.0	(12.1)	(15.4)	7.0	1,784.5	**2,386.8**	156.5	**2,543.3**

BALANCE SHEETS
as at 31 December 2009

	Note	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
ASSETS					
Non-current assets					
Investment property	19	**2,279.1**	2,751.1	**–**	–
Investment property under development	20	**–**	34.7	**–**	–
Other property, plant and equipment	21	**33.1**	32.8	**–**	–
Investments in subsidiaries	22	**–**	–	**1,358.4**	1,358.4
Investments in joint ventures and associates	23	**859.6**	1,093.3	**–**	–
Other financial assets	26	**38.7**	46.6	**–**	–
Intangible assets	27	**5.0**	6.1	**–**	–
Deferred tax assets	28	**95.3**	94.9	**–**	–
Total non-current assets		**3,310.8**	4,059.5	**1,358.4**	1,358.4
Current assets					
Trading properties	29	**142.3**	164.2	**–**	–
Trade and other receivables	30	**165.5**	198.2	**304.4**	299.6
Other financial assets	26	**5.2**	11.9	**–**	–
Income tax receivable		**5.4**	14.6	**–**	–
Cash and cash equivalents	31	**505.2**	91.5	**–**	–
Total current assets		**823.6**	480.4	**304.4**	299.6
TOTAL ASSETS		**4,134.4**	4,539.9	**1,662.8**	1,658.0
LIABILITIES					
Non-current liabilities					
Interest-bearing loans and borrowings	32	**(723.8)**	(706.5)	**–**	–
Trade and other payables	34	**(148.6)**	(147.4)	**–**	–
Employee benefits	11	**(37.2)**	(29.5)	**–**	–
Deferred tax liabilities	28	**(431.5)**	(519.3)	**–**	–
Total non-current liabilities		**(1,341.1)**	(1,402.7)	**–**	–
Current liabilities					
Overdrafts	31	**–**	(1.3)	**–**	–
Interest-bearing loans and borrowings	32	**(51.6)**	(78.1)	**–**	–
Trade and other payables	34	**(145.1)**	(160.2)	**–**	–
Income tax payable		**(42.7)**	(6.8)	**–**	–
Provisions	35	**(10.6)**	(54.3)	**–**	–
Total current liabilities		**(250.0)**	(300.7)	**–**	–
TOTAL LIABILITIES		**(1,591.1)**	(1,703.4)	**–**	–
NET ASSETS		**2,543.3**	2,836.5	**1,662.8**	1,658.0
Equity					
Share capital	39	**278.5**	56.8	**278.5**	56.8
Share premium	40	**28.3**	173.1	**28.3**	28.3
Reserves	40	**295.5**	557.1	**1,051.0**	1,272.7
Retained earnings	40	**1,784.5**	1,863.3	**305.0**	300.2
Shareholders' funds	40	**2,386.8**	2,650.3	**1,662.8**	1,658.0
Minority interests	40	**156.5**	186.2	**–**	–
TOTAL EQUITY	40	**2,543.3**	2,836.5	**1,662.8**	1,658.0

Approved by the Board on 18 March 2010 and signed on behalf of the Board

The Earl of Home (Chairman)

Nicholas Scarles (Group Finance Director)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Note	2009 £m	2008 £m
Operating activities			
Operating profit/(loss) before changes in working capital and provisions	41(a)	**24.2**	(82.1)
Decrease in trade and other receivables		**39.3**	34.3
Decrease in trading properties		**13.9**	50.4
Decrease in trade and other payables		**(36.7)**	(34.7)
Decrease in employee benefits		**(4.2)**	(4.4)
Decrease in provisions		**(46.9)**	(198.5)
Cash flow from operations		**(10.4)**	(235.0)
Interest paid		**(47.7)**	(48.3)
Income taxes paid		**(7.0)**	(23.1)
Interest received		**8.6**	13.1
Net cash flows from operating activities		**(56.5)**	(293.3)
Investing activities			
Proceeds from sale of investment property		**534.6**	118.9
Acquisition of investment property		**(4.5)**	(17.2)
Development of investment property		**(25.4)**	(53.8)
Proceeds from sale of other property, plant and equipment		**–**	0.1
Acquisition of other property, plant and equipment		**(0.6)**	(2.5)
Proceeds from sale of other financial assets		**4.2**	7.1
Acquisition of other financial assets		**(1.2)**	(5.3)
Net cash flow from joint ventures and associates		**17.3**	15.0
Proceeds from sale of joint ventures and associates		**4.5**	–
Acquisition of joint ventures and associates		**(17.4)**	(30.3)
Dividends received		**0.4**	2.2
Net cash flows from investing activities		**511.9**	34.2
Financing activities			
Proceeds from additional borrowings		**100.0**	198.6
Repayment of borrowings		**(116.0)**	(168.1)
Minority shares issued by subsidiaries		**–**	0.5
Dividends paid		**(21.6)**	(21.9)
Net cash flows from financing activities		**(37.6)**	9.1
Net increase/(decrease) in cash and cash equivalents		**417.8**	(250.0)
Cash and cash equivalents at 1 January		**90.2**	323.3
Effect of exchange rate fluctuation on cash held		**(2.8)**	16.9
Cash and cash equivalents at 31 December	31	**505.2**	90.2

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

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

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

The financial statements are prepared on the historical cost basis, except for the revaluation of investment and development properties, certain financial assets and derivatives and deferred tax thereon. The Accounts have been prepared on a going concern basis as described in the going concern section of the Directors' report on page 78. The principal accounting policies adopted are set out below. The Company has elected under section 230 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.

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. 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 is subject to annual impairment reviews and is stated at cost less any impairment.

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.

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

(E) LEASES
Leases to tenants where substantially all the risks and rewards of ownership are retained by the Group as 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.

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

1 ACCOUNTING POLICIES CONTINUED

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. 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 and the carrying value of the property derecognised. The net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease.

(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
Financial assets available for sale 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. Where the Group has the positive intent and ability to hold a financial asset to maturity, it is stated at amortised cost less impairment losses. Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as loans and receivables. Loans and receivables are included 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. Mezzanine loan investments comprise a loan principal, which attracts a rate of interest and is accounted for as loans and receivable, and a profit participation element which is treated as an embedded derivative and classified as held for trading. The embedded derivative is held at fair value determined by reference to a prudent estimate of the profit participation that will be ultimately receivable, discounted where material. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the investment have been affected.

(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) TRADE AND OTHER RECEIVABLES
Trade and other receivables are stated at cost less any impairment.

(J) CASH AND CASH EQUIVALENTS
Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, 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.

(K) DERIVATIVE FINANCIAL INSTRUMENTS
Derivative financial instruments utilised by the Group are interest rate and property derivative swaps and caps 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.

(L) TRADE AND OTHER PAYABLES
Trade and other payables are stated at cost.

(M) 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.

1 **ACCOUNTING POLICIES** CONTINUED

(N) 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, the interest cost on the future benefit liability and the expected return on plan assets.

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.

(O) REVENUE

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

Revenue from development is recognised 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.

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.

Revenue from the sale of trading properties is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, which is usually at completion.

Performance fees receivable from funds are recognised in income when it is considered probable 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.

(P) 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.

(Q) 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.

(R) INCOME TAX

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.

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. The following temporary differences are not provided for: the initial recognition of assets and liabilities that affect neither accounting nor taxable profit and 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.

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.

(S) 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 there is reasonable assurance 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.

1 ACCOUNTING POLICIES CONTINUED

(T) ADOPTION OF STANDARDS

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. The adoption of the following standards gave rise to changes in disclosures:

- Amendment to IAS 40 Investment Property
  This amendment brings all investment property under development within the scope of IAS 40 Investment Property, with effect from 1 January 2009. Previously, property that was being constructed or developed for future use as an investment property, but which had not been previously classified as an investment property, was presented in accordance with IAS 16 Property Plant and Equipment, with surpluses or deficits on revaluation being recognised in equity. As a result of the amendment, such property is now recognised in accordance with IAS 40 Investment Property, and any revaluation surpluses or deficits are recognised in the income statement. The Group has adopted this requirement prospectively from 1 January 2009 and has not restated prior year comparatives in accordance with the transitional provisions of the amendment.
- IFRS 8 Operating Segments
  The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. An explanation of the impact of this change is given in note 3.

Adoption of the following standards and interpretations did not have any material effect on the Group:

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards
- Amendment to IFRS 2 Share Based Payment
- Amendment to IFRS 7 Financial Instruments: Disclosures
- IFRS 3 (revised) Business Combinations
- IAS 1 (revised) Presentation of Financial Statements
- Amendment to IAS 16 Property, Plant and Equipment
- IAS 23 (revised) Borrowing Costs
- IAS 27 (revised) Consolidated and Separate Financial Statements
- Amendment to IAS 32 Financial Instruments: Presentation
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 15 Arrangements for Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

The following standards and interpretations have been issued but are not yet effective:

- Amendment to IFRS 2 Share Based Payments
- IFRS 9 Financial Instruments
- Amendment to IAS 24 Related Party Disclosures
- Amendment to IFRIC 14 The Limit on a Defined Benefit Asset
- IFRIC 19 Extinguishing Liabilities with Equity Instruments

The Directors anticipate that the adoption of these standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

(U) SIGNIFICANT JUDGEMENTS AND KEY ESTIMATES

i) Property valuations

Investment properties are carried at market value in accordance with valuations carried out by independent valuers. Valuations are based on a number of key assumptions including an estimate of future rental income and the appropriate discount rate. For investment properties under development, key judgements also include estimates of future development costs.

Trading properties are carried at the lower of cost and net realisable value. Net realisable value requires judgement in estimating the future net realisable proceeds and costs to complete for each trading property.

ii) Development provisions

Provisions for losses on developments are based on estimates arising from a detailed review of the remaining costs to complete each project and investment value at completion.

iii) Leases

Classification of leases between finance leases and operating leases requires a judgement to be made regarding the extent to which the risks and rewards of ownership are transferred to the lessee.

Where operating lease premiums are received in exchange for the grant of a long leasehold interest that is classified as an operating lease, the related profit is recognised over the term of the lease. Many of the transactions giving rise to deferred lease premiums took place a number of years ago before the requirement to spread profit recognition; the Group has had to apply its judgement to estimate certain of the lease premium deferrals and associated deferred tax assets.

iv) Defined benefit pension schemes

The balance sheet assets and liabilities and the expected annual charge in respect of defined benefit pension plans are determined according to estimates carried out by actuaries on the basis of assumptions agreed by the Board. The key assumptions underlying these calculations are set out in Note 11.

v) 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.

2 FOREIGN CURRENCY

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	
	2009 £1	2008 £1	**2009 £1**	2008 £1
US Dollars	**1.55**	1.85	**1.61**	1.44
Canadian Dollars	**1.77**	1.96	**1.69**	1.77
Euros	**1.11**	1.26	**1.13**	1.03
Australian Dollars	**1.99**	2.18	**1.80**	2.06
Hong Kong Dollars	**12.06**	14.42	**12.52**	11.14
Chinese Renminbi	**10.62**	12.90	**11.02**	9.81
Japanese Yen	**145.73**	192.45	**150.34**	130.33

3 SEGMENTAL ANALYSIS

The Group has adopted IFRS 8, Operating Segments, with effect from 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group Chief Executive to allocate resources and assess performance. The Group's reportable segments are the five regional Operating Companies and Grosvenor Fund Management. Following the adoption of IFRS 8, the components of segment result and assets have been restated to reflect the performance measures that are reviewed by the Group Chief Executive.

The restatement of segment information has had no impact on the balance sheet and therefore a balance sheet at the beginning of the comparative period has not been presented as it is unchanged from the balance sheet reported in the financial statements for the year ended 31 December 2008.

2009

	Britain & Ireland £m	Americas £m	Continental Europe £m	Australia £m	Asia Pacific £m	Fund Management £m	Not allocated £m	**Total £m**
Income statement								
Gross rental income	77.4	32.2	3.7	14.8	5.1	–	–	**133.2**
Property outgoings (excluding major refurbishments)	(26.1)	(5.8)	(1.9)	(2.5)	(2.8)	–	–	**(39.1)**
Net rental income	51.3	26.4	1.8	12.3	2.3	–	–	**94.1**
Fees and other income	5.9	6.9	1.5	0.3	0.4	20.7	(0.6)	**35.1**
(Loss)/profit on trading and development properties	(12.5)	(0.2)	–	11.3	–	–	–	**(1.4)**
Administrative expenses	(14.7)	(13.3)	(7.1)	(4.2)	(11.3)	(24.7)	(9.2)	**(84.5)**
Net financing costs	(20.3)	(7.5)	(0.2)	(4.1)	(2.4)	0.1	(0.6)	**(35.0)**
Revenue profit/(loss) of joint ventures and associates (note 24)	3.6	6.6	37.6	(0.3)	2.1	(0.2)	4.5	**53.9**
Group revenue profit/(loss)	13.3	18.9	33.6	15.3	(8.9)	(4.1)	(5.9)	**62.2**
Net gains/(losses) on revaluation and sale of investment properties	24.6	(111.9)	(4.0)	(28.0)	31.7	–	–	**(87.6)**
Major refurbishment costs	(6.7)	–	–	–	–	–	–	**(6.7)**
Net losses on other investments	(9.4)	(3.1)	–	–	(0.1)	(0.2)	–	**(12.8)**
Derivative fair value adjustments	0.6	0.2	–	1.6	(5.3)	–	0.3	**(2.6)**
Other (losses)/gains of joint ventures and associates (note 24)	(37.4)	(50.1)	(146.9)	(1.8)	15.0	(0.6)	–	**(221.8)**
(Loss)/profit before tax	(15.0)	(146.0)	(117.3)	(12.9)	32.4	(4.9)	(5.6)	**(269.3)**
Tax and minority interests in joint ventures and associates								**33.5**
Loss before tax reported in the income statement								**(235.8)**

3 SEGMENTAL ANALYSIS CONTINUED

2009

	Britain & Ireland £m	Americas £m	Continental Europe £m	Australia £m	Asia Pacific £m	Fund Management £m	Not allocated £m	**Total £m**
Balance sheet (proportional basis)								
Investment property	2,061.5	533.0	1,623.5	251.4	251.5	4.3	–	**4,725.2**
Investment property under development	2.4	–	116.6	–	–	–	–	**119.0**
Trading property	160.1	21.2	125.9	3.6	34.9	–	–	**345.7**
Other financial assets	–	11.1	–	–	4.9	16.0	–	**32.0**
Total property assets	2,224.0	565.3	1,866.0	255.0	291.3	20.3	–	**5,221.9**
Net debt	(658.7)	(35.6)	(1,032.7)	(61.6)	(95.8)	12.0	110.1	**(1,762.3)**
Deferred tax	(277.0)	(35.1)	(214.4)	(13.2)	(23.8)	1.3	2.5	**(559.7)**
Other net liabilities	(224.8)	(27.0)	(61.3)	(16.7)	(8.7)	(9.6)	(8.5)	**(356.6)**
Net assets	1,063.5	467.6	557.6	163.5	163.0	24.0	104.1	**2,543.3**
Investment property additions	16.1	13.4	65.2	1.4	3.9	0.1	–	**100.1**

2008 (restated)

	Britain & Ireland £m	Americas £m	Continental Europe £m	Australia £m	Asia Pacific £m	Fund Management £m	Not allocated £m	Total £m
Income statement								
Gross rental income	71.9	27.9	3.1	15.6	2.1	–	–	120.6
Property outgoings (excluding major refurbishments)	(25.9)	(7.0)	(1.4)	(2.9)	(1.2)	–	–	(38.4)
Net rental income	46.0	20.9	1.7	12.7	0.9	–	–	82.2
Fees and other income	6.6	6.6	3.6	0.3	0.1	19.8	–	37.0
(Loss)/profit on trading and development properties	(116.7)	8.3	(0.4)	2.2	–	–	–	(106.6)
Administrative expenses	(14.8)	(15.2)	(7.8)	(4.9)	(6.5)	(20.7)	(12.8)	(82.7)
Net financing costs	(21.2)	(4.4)	4.4	(3.8)	(1.4)	1.1	2.7	(22.6)
Revenue profit/(loss) of joint ventures and associates (note 24)	6.8	5.2	3.7	(0.9)	0.5	0.1	0.6	16.0
Group revenue (loss)/profit	(93.3)	21.4	5.2	5.6	(6.4)	0.3	(9.5)	(76.7)
Net losses on revaluation and sale of investment properties	(207.9)	(0.9)	(1.1)	(47.6)	(10.2)	–	–	(267.7)
Major refurbishment costs	(13.9)	–	–	–	–	–	–	(13.9)
Net losses on other investments	(5.1)	(0.7)	–	–	(5.7)	(0.5)	–	(12.0)
Derivative fair value adjustments	0.1	(0.2)	–	(2.0)	4.5	–	(0.3)	2.1
Other losses of joint ventures and associates (note 24)	(124.9)	(12.7)	(113.9)	(1.5)	(16.3)	(0.6)	–	(269.9)
(Loss)/profit before tax	(445.0)	6.9	(109.8)	(45.5)	(34.1)	(0.8)	(9.8)	(638.1)
Tax and minority interests in joint ventures and associates								44.2
Loss before tax reported in the income statement								(593.9)

3 SEGMENTAL ANALYSIS CONTINUED

2008 (restated)

	Britain & Ireland £m	Americas £m	Continental Europe £m	Australia £m	Asia Pacific £m	Fund Management £m	Not allocated £m	Total £m
Balance sheet (proportional basis)								
Investment property	2,260.5	881.9	1,817.5	232.0	291.1	5.1	–	5,488.1
Investment property under development	8.9	27.8	161.4	–	–	–	–	198.1
Trading property	188.2	26.4	114.0	39.0	71.5	–	–	439.1
Other financial assets	–	21.2	–	–	3.2	23.1	–	47.5
Total property assets	2,457.6	957.3	2,092.9	271.0	365.8	28.2	–	6172.8
Net debt	(846.9)	(243.2)	(1,005.1)	(92.6)	(156.1)	15.1	37.5	(2,291.3)
Deferred tax	(293.2)	(110.4)	(260.3)	(15.4)	(11.5)	1.1	2.4	(687.3)
Other net assets/liabilities	(197.3)	(17.9)	(88.9)	(8.2)	(23.3)	(6.6)	(15.5)	(357.7)
Net assets	1,120.2	585.8	738.6	154.8	174.9	37.8	24.4	2,836.5
Investment property additions	63.5	54.9	111.0	1.9	79.0	0.6	–	310.9

4 REVENUE PROFIT/(LOSS)

The Group uses revenue profit as its primary measure of underlying operating performance. The calculation of revenue profit and its reconciliation to profit before tax is set out below.

	2009			2008		
	Group £m	**Share of joint ventures and associates £m**	**Total £m**	Group £m	Share of joint ventures and associates £m	Total £m
Gross rental income	**133.2**	**184.9**	**318.1**	120.6	156.7	277.3
Property outgoings (excluding major refurbishments)	**(39.1)**	**(37.9)**	**(77.0)**	(38.4)	(30.9)	(69.3)
Net rental income (before major refurbishments)	**94.1**	**147.0**	**241.1**	82.2	125.8	208.0
Fees and other income	**35.1**	**18.8**	**53.9**	37.0	14.3	51.3
(Loss)/profit on trading and development properties excluding Liverpool One	**(1.4)**	**(10.7)**	**(12.1)**	12.3	(22.3)	(10.0)
Administrative expenses	**(84.5)**	**(39.3)**	**(123.8)**	(82.7)	(38.3)	(121.0)
Net financing costs (excluding derivative fair value adjustments)	**(35.0)**	**(61.9)**	**(96.9)**	(22.6)	(60.8)	(83.4)
Adjusted revenue profit	**8.3**	**53.9**	**62.2**	26.2	18.7	44.9
Liverpool One trading loss	**–**	**–**	**–**	(118.9)	(2.7)	(121.6)
Revenue profit/(loss)	**8.3**	**53.9**	**62.2**	(92.7)	16.0	(76.7)
Reconciliation of revenue profit to profit before tax:						
Revenue profit/(loss)	**8.3**	**53.9**	**62.2**	(92.7)	16.0	(76.7)
Joint ventures and associates:						
– Revenue loss	**–**	**(53.9)**	**(53.9)**	–	(16.0)	(16.0)
– Equity accounted loss	**–**	**(134.4)**	**(134.4)**	–	(209.7)	(209.7)
Net losses on revaluation and sale of investment properties	**(87.6)**	**–**	**(87.6)**	(267.7)	–	(267.7)
Major refurbishment costs	**(6.7)**	**–**	**(6.7)**	(13.9)	–	(13.9)
Net losses on other investments	**(12.8)**	**–**	**(12.8)**	(12.0)	–	(12.0)
Derivative fair value adjustments	**(2.6)**	**–**	**(2.6)**	2.1	–	2.1
Loss before tax	**(101.4)**	**(134.4)**	**(235.8)**	(384.2)	(209.7)	(593.9)

5 REVENUE

	2009 £m	2008 £m
Rental income	**133.2**	120.6
Income from trading and development properties	**109.3**	110.0
Service charge income	**10.5**	5.5
Other income	**35.1**	37.0
	288.1	273.1

6 GROSS RENTAL INCOME

	2009 £m	2008 £m
Gross lease payments receivable	**129.1**	117.9
Amortisation of capitalised lease incentives	**(0.5)**	0.9
Amortisation of deferred lease premiums	**4.6**	1.8
	133.2	120.6

Investment properties are leased out under operating leases. The majority of operating lease terms fall in the range between six months and 40 years. Certain investment properties on the London estate are leased out on longer-term ground-rent based leases for periods of up to 945 years.

Total contingent rents included in gross rental income amounted to £0.1m (2008: £0.1m).

7 PROPERTY OUTGOINGS

	2009 £m	2008 £m
Service charge income	**10.5**	5.5
Service charge expenses	**(10.5)**	(5.5)
Net service charge expenses	**–**	–
Major refurbishment costs	**(6.7)**	(13.9)
Other property operating expenses	**(39.1)**	(38.4)
Total net property outgoings	**(45.8)**	(52.3)

Operating expenses associated with unlet properties totalled £2.0m (2008: £1.4m).

8 OTHER INCOME

	2009 £m	2008 £m
Fund management and asset management fees	**29.0**	28.4
Project management fees	**3.3**	5.3
Other income	**2.8**	3.3
	35.1	37.0

9 ADMINISTRATIVE EXPENSES

	2009 £m	2008 £m
Staff costs	**56.6**	52.8
Office costs	**15.0**	13.8
Auditors' remuneration – audit services	**1.3**	1.2
– other services	**0.1**	0.1
Other professional fees	**7.2**	7.8
Other administrative expenses	**4.3**	7.0
	84.5	82.7

All of the Group's Operating Companies were audited by Deloitte LLP. £0.5m (2008: £0.5m) of the total audit fee is estimated to relate to the audit of the Group and £0.8m (2008: £0.7m) to the audit of the Group's subsidiaries. The Company's audit fees were borne by another Group company. Amounts paid to other accountancy firms in 2009 totalled £1.3m (2008: £1.7m).

10 EMPLOYEE INFORMATION

	2009 £m	2008 £m
Staff costs		
Wages and salaries	**51.2**	52.1
Social security contributions	**5.8**	5.0
Other staff costs	**7.3**	6.6
Pension costs		
Contributions to defined contribution plans	**3.1**	2.5
Net cost of defined benefit plans	**4.9**	4.0
	72.3	70.2
Included in:		
Administrative expenses	**56.6**	52.8
Property operating expenses	**7.7**	7.8
Development costs	**8.0**	9.6
	72.3	70.2

Employee numbers

	At end of year		Average	
	2009 Number	2008 Number	2009 Number	2008 Number
Britain & Ireland	**280**	285	**283**	302
Americas	**58**	66	**63**	65
Continental Europe	**–**	–	**–**	50
Australia	**19**	23	**22**	25
Asia Pacific	**39**	42	**41**	41
Fund Management	**135**	160	**147**	104
Holding Company and shared services	**31**	35	**33**	35
	562	611	**589**	622

The Company employs no staff (2008: nil).

11 RETIREMENT BENEFIT SCHEMES

DEFINED BENEFIT SCHEMES

The Group operates defined benefit pension schemes in Britain & Ireland, the USA, Canada and Australia as explained on page 75. Benefits in the scheme in USA were frozen in 2007 and the scheme in Canada was closed to new entrants in 2008.

The defined benefit schemes are funded and are administered by independent trustees. Independent qualified actuaries complete valuations of the schemes at least every three years and in accordance with their recommendations annual contributions are paid to the schemes so as to secure the benefits set out in the rules.

The Britain & Ireland 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, plan assets and cost of this scheme, based on the proportion of the accrued liabilities that relate to the Group's employees.

Actuarial valuations were last carried out at the following dates:

Britain & Ireland	31 December 2008
USA	31 December 2009
Canada	31 December 2007
Australia	30 June 2008

All the valuations have been updated to 31 December 2009 where appropriate. 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 Britain & Ireland and the USA to satisfy pension commitments not catered for by the funded schemes.

The Group has agreed with the Trustees of the Britain & Ireland scheme to make contributions, in addition to payments in respect of the continuing accrual of benefits, of £3.7m per annum until 2018 to fund the scheme deficit. The level of contributions will be reviewed following the next triennial valuation due in 2011.

11 RETIREMENT BENEFIT SCHEMES CONTINUED

DEFINED CONTRIBUTION SCHEMES

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

The total cost of defined contribution pension schemes charged to the income statement was £3.1m (2008: £2.5m).

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

	2009 £m	2008 £m
Current service cost	3.7	4.4
Past service cost	–	0.2
Interest cost	7.6	6.7
Expected return on scheme assets	(6.4)	(7.3)
	4.9	4.0

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

	2009 £m	2008 £m
Present value of unfunded obligations	(11.9)	(11.9)
Present value of funded obligations	(140.5)	(109.0)
Present value of total defined benefit obligations	(152.4)	(120.9)
Fair value of scheme assets	115.2	91.4
Defined benefit pension deficit	(37.2)	(29.5)
The net deficit arises in the following regions:		
Britain & Ireland	(24.1)	(12.4)
USA	(9.2)	(11.1)
Canada	(2.1)	(2.2)
Australia	(1.8)	(3.8)
	(37.2)	(29.5)

Movements in the present value of defined benefit obligations are:

	2009 £m	2008 £m
At 1 January	120.9	113.8
Current service cost	3.7	4.4
Past service cost	–	0.2
Interest cost	7.6	6.7
Actuarial losses/(gains)	25.7	(7.2)
Benefits paid	(5.0)	(4.8)
Exchange movements	(0.5)	7.8
At 31 December	152.4	120.9

Analysis of the scheme liabilities:

	2009 £m	2008 £m
Britain & Ireland	107.5	76.3
USA	18.5	20.1
Canada	21.1	18.3
Australia	5.3	6.2
At 31 December	152.4	120.9

11 RETIREMENT BENEFIT SCHEMES CONTINUED

Movements in fair value of scheme assets were:

	2009 £m	2008 £m
At 1 January	**91.4**	104.6
Expected return on plan assets	**6.4**	7.3
Actuarial gains/(losses)	**13.7**	(27.9)
Contributions by the employer	**8.4**	7.2
Benefits paid	**(5.0)**	(4.3)
Exchange movements	**0.3**	4.5
At 31 December	**115.2**	91.4

Analysis of the scheme assets and the expected rates of return:

2009

	Equities		Bonds		Other		
	%	£m	%	£m	%	£m	**Total £m**
Britain & Ireland	7.9	66.4	4.7	15.7	4.4	1.3	**83.4**
USA	9.2	7.5	5.1	1.6	3.7	0.2	**9.3**
Canada	8.5	8.6	4.8	4.5	2.2	5.9	**19.0**
Australia	8.7	2.2	6.7	0.7	6.8	0.6	**3.5**
		84.7		22.5		8.0	**115.2**

2008

	Equities		Bonds		Other		
	%	£m	%	£m	%	£m	Total £m
Britain & Ireland	7.4	56.4	3.6	6.4	3.8	1.1	63.9
USA	9.5	6.6	5.4	2.3	3.5	0.1	9.0
Canada	8.5	6.6	4.8	4.3	2.2	5.2	16.1
Australia	8.7	1.5	6.7	0.5	6.7	0.4	2.4
		71.1		13.5		6.8	91.4

11 RETIREMENT BENEFIT SCHEMES CONTINUED

2009

	Britain & Ireland	USA	Canada	Australia
Discount rate	5.6%	5.9%	6.3%	5.2%
Expected return on scheme assets	7.2%	7.8%	4.9%	6.5%
Expected rate of salary increase	6.7%	n/a	3.5%	4.0%
Expected rate of future pension increase	3.6%	3.0%	2.8%	1.8%
Inflation	3.6%	3.0%	2.8%	2.5%

2008

	Britain & Ireland	USA	Canada	Australia
Discount rate	6.2%	6.0%	7.3%	3.6%
Expected return on scheme assets	7.0%	7.8%	4.9%	6.5%
Expected rate of salary increase	6.3%	n/a	4.5%	4.0%
Expected rate of future pension increase	2.9%	3.0%	3.0%	1.9%
Inflation	2.9%	3.0%	3.0%	2.5%

	Male		Female	
	2009	2008	2009	2008
Life expectancy of a 65-year-old today				
Britain & Ireland	25.1	25.0	26.7	26.6
USA	18.9	19.4	20.9	21.6
Canada	19.4	18.5	22.0	21.1
Australia	22.1	21.3	24.9	24.1
Life expectancy of a 65-year-old in 20 years				
Britain & Ireland	28.4	28.2	28.6	28.5
USA	18.9	19.4	20.9	21.6
Canada	21.0	18.5	22.8	21.1
Australia	23.3	23.3	26.1	26.1

The sensitivity to the 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 2010 £m
Based on the assumptions above	152.4	6.0
Approximate impact of:		
Increase in discount rate by 0.25%	(6.6)	(0.4)
Increase in inflation rate by 0.25%	6.7	0.9
Increase in life expectancy by one year at 65	4.2	0.5
Increase in return on assets by 0.25%	–	(0.3)

The history of experience gains and losses is as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligation	(152.4)	(120.9)	(113.8)	(111.1)	(124.1)
Fair value of scheme assets	115.2	91.4	104.6	95.3	96.3
Deficit in the schemes	(37.2)	(29.5)	(9.2)	(15.8)	(27.8)
Experience adjustments on plan assets:					
Amount of gain/(loss)	13.7	(27.9)	(1.2)	4.9	8.0
Percentage of plan assets	11.9%	30.5%	1.1%	5.1%	8.3%
Experience adjustments on plan liabilities					
Amount of (loss)/gain	(25.7)	7.2	5.6	5.5	(19.3)
Percentage of the present value of scheme liabilities	16.9%	6.0%	4.9%	5.0%	15.6%

12 DIRECTORS' REMUNERATION DETAILS

	2009 £000	2008 £000
Aggregate remuneration:		
Emoluments	**3,144**	3,030
Performance-related bonus	**227**	640
Long-term incentive scheme	**2,608**	2,299
Compensation for loss of office	**1,245**	–
	7,224	5,969

The total amounts payable under long-term incentive schemes comprise all amounts to which Directors became unconditionally entitled during the year including aggregate amounts that vested as a consequence of Directors retiring.

The amounts above include for the highest paid Director emoluments of £281,000 (2008: £364,000), performance-related bonus of £158,000 (2008: £142,000), and long-term incentive plans of £2,116,000 (2008: £1,717,000).

Retirement benefits accrue to six Directors under defined benefit schemes sponsored by Group companies, two of whom are members of a scheme that combines defined benefit and money purchase benefits. The total annual accrued pension under the defined benefit pension schemes was £368,000 (2008: £514,000) and for the highest paid Director was £nil (2008: £324,000). Total contributions in respect of money purchase pension benefits were £251,000 (2008: £220,000) and for the highest paid Director were £nil (2008: £21,000).

13 NET LOSS ON TRADING AND DEVELOPMENT PROPERTIES

	2009 £m	2008 £m
Development income	**–**	25.2
Development costs	**(6.8)**	(119.7)
Proceeds from sale of trading properties	**96.2**	84.8
Carrying value of trading properties sold	**(95.9)**	(54.0)
Provision for impairment of trading properties	**(0.6)**	(39.7)
Reversal of provision for impairment of trading properties	**1.8**	–
Uplift on trading properties completed and transferred to investment property	**11.3**	–
Provision for impairment of development properties	**–**	(3.2)
Provision for impairment of joint venture trading properties	**(7.4)**	–
	(1.4)	(106.6)

The carrying value of trading properties sold includes £1.5m of capitalised interest (2008: £1.2m).

14 NET LOSSES ON OTHER INVESTMENTS

	2009 £m	2008 £m
Impairment of equity shares	**–**	(5.6)
Provision for impairment of joint ventures	**–**	(5.0)
Amounts written off mezzanine loans	**(3.1)**	(0.7)
Amounts written off other financial assets	**–**	(0.7)
Loss on disposal of joint ventures	**(9.7)**	–
	(12.8)	(12.0)

15 NET LOSSES ON REVALUATION AND SALE OF INVESTMENT PROPERTY

	2009 £m	2008 £m
Valuation gains on investment property	**68.5**	61.1
Valuation losses on investment property	**(157.2)**	(391.3)
Valuation losses on redevelopment properties	**–**	(0.7)
Net valuation losses on investment property	**(88.7)**	(330.9)
Profit on disposal of investment property	**1.1**	63.2
	(87.6)	(267.7)

16 NET FINANCING COSTS

	2009 £m	2008 £m
Dividend income	**0.4**	2.2
Interest income	**7.8**	14.5
Other financial income	**1.2**	1.6
Financial income	**9.0**	16.1
Gross interest expense (including dividends on preference shares)	**(47.6)**	(47.9)
Interest capitalised	**5.1**	10.1
Commitment and other financing costs	**(2.1)**	(2.7)
Financial expenses	**(44.6)**	(40.5)
Fair value adjustments of interest rate swaps	**(3.0)**	2.5
Fair value adjustments of other derivatives	**–**	(0.5)
Profit on property derivatives	**0.4**	0.1
Derivative fair value adjustments	**(2.6)**	2.1
Fair value adjustments of embedded derivatives	**0.2**	(0.4)
Total fair value adjustments	**(2.4)**	1.7
Net financing costs	**(37.6)**	(20.5)

The average rate of interest capitalised in the year was 5.9% (2008: 7.1%).

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

17 INCOME TAX EXPENSE

Recognised in the income statement

	2009 £m	2008 £m
Current tax expense/(credit)		
UK corporation tax at 28.0% (2008: 28.5%)	**19.5**	(11.5)
Overseas tax	**30.9**	8.1
Adjustment for prior years	**1.1**	3.1
	51.5	(0.3)
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**(85.0)**	(110.1)
Benefit of tax losses recognised	**6.5**	–
Adjustment for prior years	**–**	(7.5)
	(78.5)	(117.6)
Total income tax credit in the income statement	**(27.0)**	(117.9)

17 INCOME TAX EXPENSE CONTINUED

Deferred tax recognised in other comprehensive income	2009 £m	2008 £m
Revaluation of investment property under development	–	11.8
Revaluation of property plant and equipment	**0.2**	7.3
Fair value adjustments on financial instruments treated as cash flow hedges	**(0.8)**	5.0
Fair value adjustments on available for sale financial assets	**0.8**	–
Actuarial losses on defined benefit pension schemes	**2.7**	6.8
Total income tax recognised in other comprehensive income	**2.9**	30.9
Reconciliation of effective tax rate		
Loss before taxation	**(235.8)**	(593.9)
Less: share of loss of joint ventures and associates	**134.4**	209.7
Add: loss of joint ventures where the tax charge is directly attributable to the Group	**(67.3)**	(110.8)
Adjusted Group loss before taxation	**(168.7)**	(495.0)
Tax credit on adjusted Group loss at standard UK corporation tax rate of 28.0% (2008: 28.5%)	**(47.2)**	(141.1)
Higher tax rates on overseas earnings	**(11.5)**	(0.4)
Expenses not deductible for tax purposes	**7.6**	17.6
Other items attracting no tax relief or liability	**1.6**	0.2
Other timing differences	**14.9**	11.0
Reduction in tax rate	–	(0.9)
Adjustments in respect of prior years	**7.6**	(4.3)
Total income tax credit in the income statement	**(27.0)**	(117.9)
Effective tax rate based on adjusted Group loss	**16.0%**	23.8%

The reduction in the main rate of UK corporate tax from 30% to 28.0% was effective from 1 April 2008 with the tax payable in respect of accounting periods spanning that date calculated by apportioning the Company's taxable profits on a time basis.

18 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.

		Note	2009 £m	2008 £m
Investment property	– Group	19	**2,279.1**	2,751.1
	– Share of joint ventures	24	**2,446.1**	2,612.6
	– Share of associates	25	–	124.4
Investment property under development	– Group	20	–	34.7
	– Share of joint ventures	24	**119.0**	163.4
Trading properties	– Group	29	**142.3**	164.2
	– Share of joint ventures	24	**203.4**	274.9
Other financial assets*	– Group	26	**32.0**	47.5
Total property assets			**5,221.9**	6,172.8

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

19 INVESTMENT PROPERTY

	Completed property			Under development			
	Freehold £m	Leasehold £m	Total £m	Freehold £m	Leasehold £m	Total £m	**Total £m**
At 1 January 2008	862.9	1,972.1	2,835.0	–	6.7	6.7	**2,841.7**
Acquisitions	26.4	13.4	39.8	–	–	–	**39.8**
Costs capitalised	5.9	19.9	25.8	–	5.8	5.8	**31.6**
Disposals	(17.0)	(64.9)	(81.9)	–	–	–	**(81.9)**
Revaluation losses	(80.4)	(249.8)	(330.2)	–	(0.7)	(0.7)	**(330.9)**
Release of deferred costs	(1.0)	0.8	(0.2)	–	–	–	**(0.2)**
Depreciation of short leasehold properties	–	(0.5)	(0.5)	–	–	–	**(0.5)**
Transfer from/(to) redevelopment projects	–	3.7	3.7	–	(3.7)	(3.7)	**–**
Transfer from investment properties under development	77.7	–	77.7	–	–	–	**77.7**
Transfer from trading properties	3.0	–	3.0	–	–	–	**3.0**
Transfer from leasehold to freehold	7.0	(7.0)	–	–	–	–	**–**
Transfer to finance lease receivable	–	(6.9)	(6.9)	–	–	–	**(6.9)**
Exchange movements	139.5	38.2	177.7	–	–	–	**177.7**
At 31 December 2008	1,024.0	1,719.0	2,743.0	–	8.1	8.1	**2,751.1**
Acquisitions	2.2	5.0	7.2	7.5	–	7.5	**14.7**
Costs capitalised	1.8	9.0	10.8	0.2	–	0.2	**11.0**
Disposals	(262.5)	(252.9)	(515.4)	(10.3)	–	(10.3)	**(525.7)**
Revaluation (losses)/gains	(151.0)	65.5	(85.5)	(3.2)	–	(3.2)	**(88.7)**
Release of deferred costs	(0.8)	0.2	(0.6)	–	–	–	**(0.6)**
Depreciation of short leasehold properties	–	(0.6)	(0.6)	–	–	–	**(0.6)**
Transfer from investment properties under development	–	–	–	34.7	–	34.7	**34.7**
Transfer from trading properties	81.1	14.0	95.1	–	–	–	**95.1**
Transfer to other property, plant and equipment	–	(2.9)	(2.9)	–	–	–	**(2.9)**
Other transfers	25.3	8.1	33.4	(25.3)	(8.1)	(33.4)	**–**
Exchange movements	2.0	(11.0)	(9.0)	–	–	–	**(9.0)**
At 31 December 2009	722.1	1,553.4	2,275.5	3.6	–	3.6	**2,279.1**

Investment properties were valued at 31 December 2009 by independent external valuers on the basis of market value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Valuations were performed as follows:

			£m
Britain & Ireland	Freehold	DTZ Debenham Tie Leung, Chartered Surveyors	9.4
	Freehold	CB Richard Ellis, Chartered Surveyors	85.6
	Long Leasehold	DTZ Debenham Tie Leung, Chartered Surveyors	1,497.9
Americas	Freehold	Cushman & Wakefield Le Page, Chartered Surveyors	339.0
Continental Europe	Freehold	Cushman & Wakefield, Chartered Surveyors	41.8
	Freehold	Directors' valuation	0.2
Australia	Freehold	Colliers International Consultancy & Valuation	140.6
	Freehold	Land Mark White, Chartered Surveyors	89.7
Asia Pacific	Freehold	Tanizawa SOGO Appraisal Co Ltd	19.3
	Long Leasehold	Daiwa Real Estate Appraisal Co Ltd	13.4
	Long Leasehold	Savills Valuation & Professional Services Limited	42.2
			2,279.1

The historical cost of the Group's investment properties was £1,242.4m (2008: £1,466.5m).

At 31 December 2009, investment properties with a carrying amount of £1,110.8m were pledged as security for bank loans (2008: £1,332.1m).

Included in the above are investment properties available for sale of £124.2m (2008: £263m).

20 INVESTMENT PROPERTY UNDER DEVELOPMENT

	Freehold £m	Leasehold £m	Total £m
At 1 January 2008	77.0	2.9	**79.9**
Acquisitions	13.7	–	**13.7**
Costs capitalised	9.5	–	**9.5**
Revaluation losses	(3.1)	–	**(3.1)**
Provision for impairment	(0.3)	(2.9)	**(3.2)**
Transfer to investment properties	(77.7)	–	**(77.7)**
Exchange movements	15.6	–	**15.6**
At 31 December 2008	34.7	–	**34.7**
Transfer to investment properties	(34.7)	–	**(34.7)**
At 31 December 2009	–	–	**–**

At 31 December 2008, investment properties under development were presented at fair value separately as ‘Investment Property under Development’. The Group has adopted the amendment to IAS 40, as described in Note 1, which brings property under development within the scope of IAS 40 Investment Properties. Consequently, as at 1 January 2009, investment properties under development of £34.7m were transferred to investment properties.

21 OTHER PROPERTY, PLANT AND EQUIPMENT

2009

	Land and buildings £m	Leasehold improvements £m	Computer and IT equipment £m	Fixtures, fittings and motor vehicles £m	Total £m
Cost					
At 1 January 2009	26.5	6.7	6.4	6.2	**45.8**
Additions	–	0.1	0.4	0.9	**1.4**
Disposals	–	–	(0.3)	(0.9)	**(1.2)**
Revaluation losses	(1.2)	–	–	–	**(1.2)**
Transfer from investment property	–	–	–	2.9	**2.9**
Exchange movements	–	(0.2)	–	(0.2)	**(0.4)**
At 31 December 2009	25.3	6.6	6.5	8.9	**47.3**
Depreciation					
At 1 January 2009	(0.1)	(5.4)	(4.3)	(3.2)	**(13.0)**
Depreciation charge for the year	–	(0.3)	(0.8)	(0.6)	**(1.7)**
Disposals	–	–	0.2	0.1	**0.3**
Exchange movements	–	0.1	–	0.1	**0.2**
At 31 December 2009	(0.1)	(5.6)	(4.9)	(3.6)	**(14.2)**
Carrying amount					
At 1 January 2009	26.4	1.3	2.1	3.0	**32.8**
At 31 December 2009	25.2	1.0	1.6	5.3	**33.1**

21 OTHER PROPERTY, PLANT AND EQUIPMENT CONTINUED

2008

	Land and buildings £m	Leasehold improvements £m	Computer and IT equipment £m	Fixtures, fittings and motor vehicles £m	**Total £m**
Cost					
At 1 January 2008	47.7	5.7	5.7	4.9	**64.0**
Additions	–	0.5	1.0	1.0	**2.5**
Disposals	–	–	(0.4)	(0.3)	**(0.7)**
Revaluation losses	(21.2)	–	–	–	**(21.2)**
Exchange movements	–	0.5	0.1	0.6	**1.2**
At 31 December 2008	26.5	6.7	6.4	6.2	**45.8**
Depreciation					
At 1 January 2008	(0.1)	(4.8)	(3.8)	(2.8)	**(11.5)**
Depreciation charge for the year	–	(0.4)	(0.7)	(0.5)	**(1.6)**
Disposals	–	–	0.3	0.2	**0.5**
Exchange movements	–	(0.2)	(0.1)	(0.1)	**(0.4)**
At 31 December 2008	(0.1)	(5.4)	(4.3)	(3.2)	**(13.0)**
Carrying amount					
At 1 January 2008	47.6	0.9	1.9	2.1	**52.5**
At 31 December 2008	26.4	1.3	2.1	3.0	**32.8**

Land and buildings are freehold and were valued at 31 December 2009 by independent valuers DTZ Debenham Tie Leung, Chartered Surveyors, on the basis of market value for existing use in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The historical cost of the Group's revalued land and buildings above at 31 December 2009 was £13.6m (2008: £13.6m).

The carrying value of freehold land and buildings includes capitalised interest of £nil (2008: £nil).

At 31 December 2009, land and buildings with a carrying value of £24.6m were pledged as security for bank loans (2008: £25.9m).

22 INVESTMENTS IN SUBSIDIARIES

Company

	Shares at cost £m
At 1 January 2009 and 31 December 2009	**1,358.4**

At 31 December 2009, the Group had the following principal investments in subsidiaries:

INTERMEDIATE HOLDING COMPANIES
Grosvenor Estate Holdings*¥
Grosvenor Limited
Grosvenor Americas Limited (Canada)
Grosvenor Americas USA Inc. (USA)
Grosvenor International SA (Luxembourg)ø
Grosvenor Continental Europe Holdings SA (Luxembourg)
Grosvenor First European Property Investments SA (Luxembourg)†
Grosvenor Australia Properties Pty Limited (Australia)
Grosvenor Australia Investments Pty Limited (Australia)
Grosvenor Asia Pacific Limited (Hong Kong)
Grosvenor Fund Management Limited

FINANCING
Grosvenor Group Finance Company*
Grosvenor UK Finance Plc

PROPERTY INVESTMENT
Grosvenor West End Properties*
Eaton Square Properties Limited¥
Grosvenor (Basingstoke) Limited
Grosvenor Commercial Properties*
Grosvenor Properties*

Old Broad Street Properties Limited
Grosvenor Realty Investments Limited
Cambridge Retail Investments Limited
Liverpool Property Investments Limited

PROPERTY DEVELOPMENT
Grosvenor Developments Limited
Liverpool PSDA Limited

FUND MANAGEMENT
Grosvenor Investment Management Limited
Grosvenor Investment Management US Inc. (USA)

*Unlimited company

¥100% of preference shares are also owned

øOrdinary and non-voting preference shares are wholly owned. All of the floating rate guaranteed class B voting preferred redeemable shares, which carry approximately 36% of the total voting rights, are publicly held.

†67.5% owned

All the above companies except Grosvenor Estate Holdings are indirectly owned. All companies are wholly owned and incorporated in Great Britain except where indicated. Except as disclosed above, all interests are in the form of ordinary shares.

The above represents the Group's material subsidiary undertakings. A full list of all subsidiary undertakings is available on request.

23 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Note	2009 £m	2008 £m
Share of loss:			
Joint ventures	24	**(134.4)**	(187.6)
Associates	25	**–**	(22.1)
		(134.4)	(209.7)
Share of assets and liabilities:			
Joint ventures	24	**859.6**	1,064.9
Associates	25	**–**	28.4
		859.6	1,093.3

24 INVESTMENTS IN JOINT VENTURES

2009

	Britain & Ireland £m	Americas £m	Continental Europe £m	Australia £m	Asia Pacific £m	Fund Management £m	Not allocated £m	**Total £m**
Share of (loss)/profit from joint ventures								
Gross rental income	33.8	18.4	125.5	1.5	5.5	0.2	–	**184.9**
Property outgoings	(7.0)	(6.4)	(21.3)	–	(3.1)	(0.1)	–	**(37.9)**
Net rental income	26.8	12.0	104.2	1.5	2.4	0.1	–	**147.0**
Fees and other income	0.4	–	18.6	–	–	(0.2)	–	**18.8**
(Loss)/profit on trading and development properties	(1.7)	–	(12.3)	(1.3)	4.6	–	–	**(10.7)**
Administrative expenses	(7.3)	(1.8)	(32.0)	(0.1)	(2.6)	–	4.5	**(39.3)**
Net financing costs	(14.6)	(3.6)	(40.9)	(0.4)	(2.3)	(0.1)	–	**(61.9)**
Revenue profit/(loss)	3.6	6.6	37.6	(0.3)	2.1	(0.2)	4.5	**53.9**
Net (losses)/gains on revaluation and sale of investment properties	(39.6)	(50.6)	(142.7)	(1.8)	15.0	(0.6)	–	**(220.3)**
Derivative fair value adjustments	(0.4)	0.5	–	–	–	–	–	**0.1**
Net gains/(losses) on other investments	2.6	–	(3.0)	–	–	–	–	**(0.4)**
Impairment of goodwill	–	–	(1.2)	–	–	–	–	**(1.2)**
(Loss)/profit before tax	(33.8)	(43.5)	(109.3)	(2.1)	17.1	(0.8)	4.5	**(167.9)**
Current tax	–	(0.2)	(8.5)	(0.2)	(1.5)	–	–	**(10.4)**
Deferred tax	–	–	29.7	–	(7.8)	–	–	**21.9**
Minority interest	–	–	21.8	–	0.2	–	–	**22.0**
	(33.8)	(43.7)	(66.3)	(2.3)	8.0	(0.8)	4.5	**(134.4)**
Share of assets and liabilities								
Non-current assets								
– investment properties	468.6	194.0	1,581.4	21.1	176.8	4.2	–	**2,446.1**
– investment properties under development	2.4	–	116.6	–	–	–	–	**119.0**
– other	–	–	58.0	–	–	–	–	**58.0**
Current assets								
– cash	15.3	1.9	51.7	1.5	8.9	0.8	–	**80.1**
– trading properties	107.5	–	57.4	3.6	34.9	–	–	**203.4**
– other	8.9	1.5	88.1	0.1	33.2	–	–	**131.8**
Non-current liabilities	(68.8)	(69.9)	(1,366.3)	(11.0)	(131.9)	(2.6)	–	**(1,650.5)**
Current liabilities	(358.6)	(4.0)	(139.9)	(0.4)	(73.7)	(0.6)	7.4	**(569.8)**
Net assets	175.3	123.5	447.0	14.9	48.2	1.8	7.4	**818.1**
Goodwill	–	–	41.5	–	–	–	–	**41.5**
	175.3	123.5	488.5	14.9	48.2	1.8	7.4	**859.6**
Borrowings included in liabilities	(373.8)	(70.1)	(1,004.8)	(7.8)	(113.1)	(2.6)	–	**(1,572.2)**

24 INVESTMENTS IN JOINT VENTURES CONTINUED

2008

	Britain & Ireland £m	Americas £m	Continental Europe £m	Australia £m	Asia Pacific £m	Fund Management £m	Not allocated £m	Total £m
Share of (loss)/profit from joint ventures								
Gross rental income	28.5	13.1	106.0	1.4	3.6	–	–	152.6
Property outgoings	(6.7)	(3.5)	(18.9)	(0.1)	(0.9)	–	–	(30.1)
Net rental income	21.8	9.6	87.1	1.3	2.7	–	–	122.5
Fees and other income	0.3	0.2	14.5	–	0.5	0.4	(1.5)	14.4
Profit/(loss) on trading and development properties	1.1	–	(21.7)	(1.7)	–	–		(22.3)
Administrative expenses	(4.0)	(1.4)	(33.8)	–	(0.7)	(0.3)	2.1	(38.1)
Net financing costs	(12.8)	(3.2)	(42.4)	(0.5)	(2.0)	–	–	(60.9)
Revenue profit/(loss)	6.4	5.2	3.7	(0.9)	0.5	0.1	0.6	15.6
Net losses on revaluation and sale of investment properties	(102.4)	(11.9)	(113.8)	(1.5)	(16.3)	(0.6)	–	(246.5)
Derivative fair value adjustments	–	(0.8)	–	–	–	–	–	(0.8)
(Loss)/profit before tax	(96.0)	(7.5)	(110.1)	(2.4)	(15.8)	(0.5)	0.6	(231.7)
Current tax	–	–	(9.8)	–	–	–	–	(9.8)
Deferred tax	–	(0.1)	19.1	0.7	1.4	–	–	21.1
Minority interest	–	–	32.7	–	0.1	–	–	32.8
	(96.0)	(7.6)	(68.1)	(1.7)	(14.3)	(0.5)	0.6	(187.6)
Share of assets and liabilities								
Non-current assets								
– investment properties	388.9	268.8	1,769.9	20.0	159.9	5.1	–	2,612.6
– investment properties under development	2.8	–	160.6	–	–	–	–	163.4
– other	–	–	90.5	–	–	–	–	90.5
Current assets								
– cash	13.2	2.1	75.3	0.5	18.8	0.5	–	110.4
– trading properties	85.0	–	114.0	4.4	71.5	–	–	274.9
– other	3.7	1.7	203.2	0.6	23.2	0.4	–	232.8
Non-current liabilities	(0.1)	(54.6)	(1,511.6)	(3.3)	(102.0)	(2.9)	–	(1,674.5)
Current liabilities	(285.5)	(31.8)	(352.7)	(7.0)	(115.6)	(0.4)	2.7	(790.3)
Net assets	208.0	186.2	549.2	15.2	55.8	2.7	2.7	1,019.8
Goodwill	–	–	45.1	–	–	–	–	45.1
	208.0	186.2	594.3	15.2	55.8	2.7	2.7	1,064.9
Borrowings included in liabilities	(248.8)	(81.4)	(1,128.4)	(6.8)	(131.6)	(3.0)	–	(1,600.0)

The analysis of joint ventures has been presented to align with the Group's reportable segments (see note 3). Comparative figures have been adjusted accordingly.

24 INVESTMENTS IN JOINT VENTURES CONTINUED

At 31 December 2009, the Group had the following principal interests in joint ventures which are accounted for on the basis explained in Note 1:

	Principal activities	Country of incorporation/registration	Effective interest	Group share of net assets £m
Britain & Ireland				
Grosvenor Shopping Centre Fund	Property investment	England and Wales	27.1%	58.0
Grosvenor London Office Fund	Property investment	England and Wales	24.2%	57.0
Grosvenor Festival Place Fund	Property investment	England and Wales	43.2%	7.2
Grosvenor Residential Investment Fund	Property investment	England and Wales	29.4%	12.2
Grosvenor Liverpool Fund	Property investment	England and Wales	23.7%	24.0
GC Bankside LLP	Property development	England and Wales	50%	6.7
Barkhill Limited	Property development	Republic of Ireland	50%	10.3
Americas				
Joint ventures with BBCAF Inc	Property investment	United States of America	50%/25%	101.2
Joint ventures with the Getty Family Trust	Property investment	United States of America	50%	7.7
GEMOA Inc	Property investment	United States of America	20%	8.0
Art Hill Management	Property investment	United States of America	48.9%	5.6
Joint ventures with Rockwood	Property investment	United States of America	33%	1.0
Continental Europe*				
Sonae Sierra SGPS SA	Property investment and development	Portugal	50%	483.1
Australia				
Fieldglen II	Property investment	Australia	50%	11.2
Hassall Street Trust	Property development	Australia	50%	3.6
Asia Pacific				
Belgravia Place	Property investment	China	50%	13.6
Westminster Terrace	Property development	Hong Kong	50%	5.5
Grosvenor Park Partners	Property development	Cayman Islands	50%	9.1
Stable Residential Fund	Property investment	Japan	4%	1.3
Grosvenor Capital Advisors Partnership Fund	Property investment	Japan	33.7%/18.8%	12.7
Grosvenor Office Retail Fund	Property investment	Japan	7.6%	3.6

*The investments in joint ventures in Continental Europe are controlled by Grosvenor First European Property Investments SA (GFEPI), which is 67.5% owned by the Group. The effective interest above includes the interests of the minority investors in GFEPI.

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 and Unlimited Companies (Accounts) Regulations 1992 as amended by SI 2005 No. 1987 The Partnerships and Unlimited Companies (Accounts) (Amendment) Regulations 2005, which dispenses with the requirement for those partnerships to file accounts with Companies House.

25 ASSOCIATES

	Britain & Ireland 2009 £m	Britain & Ireland 2008 £m
Share of loss from associates:		
Revenue profit	–	0.4
Net losses on revaluation and sale of investment properties	–	(22.5)
Loss before tax	–	(22.1)
Deferred tax	–	–
Loss after tax	–	(22.1)
Share of assets and liabilities:		
Investment properties	–	124.4
Investment properties under development	–	–
Other assets	–	17.2
Liabilities	–	(113.2)
Net assets	–	28.4
Borrowings included in liabilities	–	(109.3)

The investment in associates in 2008 comprised the Group's interest in the Grosvenor Liverpool Fund. During 2009 the Grosvenor Liverpool Fund was transferred from associates to joint ventures.

26 OTHER FINANCIAL ASSETS

	2009 £m	2008 £m
Non-current assets		
Equity shares	**23.5**	30.5
Finance lease receivables	**6.9**	6.9
Mezzanine loans	**3.4**	4.6
Other financial assets	**4.9**	4.6
	38.7	46.6
Current assets		
Mezzanine loans	**5.2**	11.9

Included in the above are property related financial assets of £32.0m (2008: £47.5m).

Principal financial assets at 31 December 2009:

Equity shares

	Principal activities	Country of incorporation	Effective interest
Asia Standard International Group Limited	Property investment and development (listed on the Hong Kong Stock Exchange)	Hong Kong	4.1%
ISPT Grosvenor International Property Trust	Property investment vehicle	Australia	9.9%
Shmael U.S. Real Estate Fund	Property investment vehicle	USA	10.0%

Finance lease receivables

	2009 £m	2008 £m
Finance lease receivable	**5.5**	5.5
Unguaranteed residual value	**1.4**	1.4
	6.9	6.9

Finance lease receivables in respect of rents on leasehold properties are receivable as follows:

	Minimum lease payments £m	Unearned finance income £m	Principal £m
Less than one year	1.1	1.1	–
Between one and five years	2.5	2.5	–
More than five years	88.6	83.1	5.5
	92.2	86.7	5.5

MEZZANINE LOANS

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

27 INTANGIBLE ASSETS

2009

	Goodwill £m	Other intangible assets £m	**Total £m**
Cost			
At 1 January 2009	10.0	2.9	**12.9**
Exchange movements	(0.8)	(0.3)	**(1.1)**
At 31 December 2009	9.2	2.6	**11.8**
Amortisation/impairment			
At 1 January 2009	(4.5)	(2.3)	**(6.8)**
Amortisation	–	(0.6)	**(0.6)**
Exchange movements	0.3	0.3	**0.6**
At 31 December 2009	(4.2)	(2.6)	**(6.8)**
Carrying amount			
At 1 January 2009	5.5	0.6	**6.1**
At 31 December 2009	5.0	–	**5.0**

2008

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2008	7.6	2.1	9.7
Exchange movements	2.4	0.8	3.2
At 31 December 2008	10.0	2.9	12.9
Amortisation/impairment			
At 1 January 2008	(3.5)	(1.2)	(4.7)
Amortisation	–	(0.5)	(0.5)
Exchange movements	(1.0)	(0.6)	(1.6)
At 31 December 2008	(4.5)	(2.3)	(6.8)
Carrying amount			
At 1 January 2008	4.1	0.9	5.0
At 31 December 2008	5.5	0.6	6.1

28 DEFERRED TAX ASSETS AND LIABILITIES

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

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

	2009			2008		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Investment property – contingent gains	**19.3**	**(412.1)**	**(392.8)**	36.4	(497.0)	(460.6)
Investment property – deferred gains	**42.8**	**–**	**42.8**	36.1	–	36.1
Other property, plant and equipment	**0.2**	**(12.5)**	**(12.3)**	0.1	(10.6)	(10.5)
Other financial assets	**3.0**	**(1.0)**	**2.0**	0.9	(0.9)	–
Interest-bearing loans and borrowings	**2.9**	**–**	**2.9**	5.4	(1.0)	4.4
Employee benefits	**15.0**	**(3.1)**	**11.9**	8.8	(2.3)	6.5
Provisions	**1.2**	**–**	**1.2**	1.0	–	1.0
Other items	**2.4**	**(2.8)**	**(0.4)**	0.3	(7.5)	(7.2)
Tax value and loss carry-forwards recognised	**8.5**	**–**	**8.5**	5.9	–	5.9
Tax assets/(liabilities)	**95.3**	**(431.5)**	**(336.2)**	94.9	(519.3)	(424.4)

At 31 December 2009, no deferred tax was provided in respect of unremitted earnings of overseas subsidiaries because the Group is able to control the timing of the reversal of temporary differences and is satisfied that it is probable they will not reverse in the foreseeable future. At 31 December 2009 the total of these temporary differences was £418.0m (2008: £479m) and the potential tax effect £26.3m (2008: £136m). The temporary differences at 31 December 2009 were significantly reduced from the previous year as a result of a change to UK tax legislation which largely exempts from UK tax overseas dividends received on or after 1 July 2009. The temporary differences at 31 December 2009 represent only the unremitted earnings of those overseas subsidiaries where remittance of those earnings would still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

Unrecognised deferred tax assets

	2009 £m	2008 £m
Tax losses	**29.6**	10.7

Movement in temporary differences during the year

	Balance at 1 January 2009 £m	Recognised in Income £m	Recognised in Equity £m	Exchange movement £m	Balance at 31 December 2009 £m
Investment property – contingent gains	(460.6)	61.6	0.2	6.0	**(392.8)**
Investment property – deferred gains	36.1	6.7	–	–	**42.8**
Other property, plant and equipment	(10.5)	(1.9)	–	0.1	**(12.3)**
Other financial assets	–	1.5	0.8	(0.3)	**2.0**
Interest-bearing loans and borrowings	4.4	(0.5)	(0.8)	(0.2)	**2.9**
Employee benefits	6.5	2.7	2.7	–	**11.9**
Provisions	1.0	0.2	–	–	**1.2**
Other items	(7.2)	6.5	–	0.3	**(0.4)**
Tax value and loss carry-forwards recognised	5.9	1.7	–	0.9	**8.5**
	(424.4)	78.5	2.9	6.8	**(336.2)**

29 TRADING PROPERTIES

	2009 £m	2008 £m
At 1 January	**164.2**	147.1
Additions	**151.6**	106.4
Capitalised interest	**3.3**	3.4
Disposals	**(95.9)**	(54.0)
Provision for impairment	**(0.6)**	(39.7)
Reversal of provision for impairment	**1.8**	–
Transfer to investment properties	**(83.8)**	(3.0)
Exchange movements	**1.7**	5.3
Other	**–**	(1.3)
At 31 December	**142.3**	164.2

At 31 December 2009, trading properties with a carrying amount of £68.4m were pledged as security for bank loans (2008: £31.4m).

30 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Trade receivables	**21.2**	21.0	**–**	–
Receivables due from subsidiaries	**–**	–	**304.4**	299.6
Receivables due from joint ventures	**112.4**	139.2	**–**	–
Other receivables	**16.9**	15.1	**–**	–
Prepayments	**12.2**	22.9	**–**	–
Accrued income	**2.8**	–	**–**	–
	165.5	198.2	**304.4**	299.6

Included in the above are receivables due after more than one year totalling £46.1m (2008: £42.6m).

31 CASH AND CASH EQUIVALENTS

	2009 £m	2008 £m
Bank balances	**117.5**	55.2
Cash deposits	**387.7**	36.3
Cash and cash equivalents	**505.2**	91.5
Bank overdrafts	**–**	(1.3)
Cash and cash equivalents in the statement of cash flows	**505.2**	90.2

The amount of cash and cash equivalents not available for use by the Group totals £42.4m (2008: £11.1m), of which £nil (2008: £1.6m) has been pledged as collateral.

32 INTEREST-BEARING LOANS AND BORROWINGS

	2009 £m	2008 £m
Non-current liabilities		
Secured bank loans	**310.8**	339.5
Unsecured bank loans	**112.8**	67.6
Secured bond issues	**202.3**	202.4
Unsecured bond issues	**52.6**	53.5
Finance lease liabilities	**1.4**	1.4
Loan from joint ventures	**12.5**	8.1
Preference shares	**31.4**	34.0
	723.8	706.5
Current liabilities		
Current portion of secured bank loans	**53.0**	50.8
Current portion of unsecured bank loans	**–**	15.0
Current portion of loan from joint ventures	**–**	12.3
Current portion of currency swaps	**(1.4)**	–
	51.6	78.1

The bank loans and secured bonds are secured over investment properties and investment properties under development with a carrying value of £1,110.8m (2008: £1,359.9m), land and buildings with a carrying value of £24.6m (2008: £25.9m) and trading properties with a carrying value of £68.4m (2008: £31.4m). Included in secured bond issues is £2.4m (2008: £2.4m) of net un-amortised premium. The preference shares are issued by a subsidiary undertaking (see Note 22).

FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

	2009			2008		
	Minimum lease payments £m	**Interest £m**	**Principal £m**	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**0.3**	**0.3**	**–**	0.3	0.3	–
Between one and five years	**1.2**	**1.2**	**–**	1.2	1.2	–
More than five years	**74.4**	**73.0**	**1.4**	74.1	72.7	1.4
	75.9	**74.5**	**1.4**	75.6	74.2	1.4

33 FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

The capital structure of the Group comprises debt, which includes the borrowings disclosed in Note 32; cash and cash equivalents disclosed in Note 31; and equity, comprising issued share capital, reserves and retained earnings as disclosed in Notes 39 and 40.

The Group manages its capital to optimise the allocation of equity between the Operating Companies and to enable them to meet their short, medium and long-term targets. Internal gearing and interest cover limits are set for the Group and each Operating Company. Group gearing at the year end is 11.3% (2008: 26.2%).

Categories of financial instruments and their fair values

2009

	Loans and receivables £m	Held for trading £m	Available-for-sale securities £m	Financial assets at amortised cost £m	**Total carrying amount £m**	**Fair value £m**
Financial assets:						
Equity shares	–	–	23.5	–	**23.5**	**23.5**
Finance lease receivable	6.9	–	–	–	**6.9**	**10.9**
Mezzanine loan investments	6.8	1.8	–	–	**8.6**	**8.6**
Other financial assets	–	–	4.8	0.1	**4.9**	**4.9**
Trade and other receivables	112.4	–	–	38.1	**150.5**	**150.5**
Cash and cash equivalents	–	–	–	505.2	**505.2**	**505.2**
Total financial assets	126.1	1.8	28.3	543.4	**699.6**	**703.6**

	Financial liabilities at amortised cost £m	**Total carrying amount £m**	**Fair value £m**
Financial liabilities:			
Fixed rate loans			
Sterling secured mortgage 2034	(50.0)	**(50.0)**	**(68.7)**
Sterling secured bond 2026	(202.3)	**(202.3)**	**(190.0)**
Sterling unsecured bond 2019	(52.5)	**(52.5)**	**(55.5)**
US Dollars	(31.4)	**(31.4)**	**(31.6)**
Canadian Dollars	(37.4)	**(37.4)**	**(37.4)**
Total fixed rate loans	(373.6)	**(373.6)**	**(383.2)**
Floating rate loans			
Sterling	(104.7)	**(104.7)**	**(104.7)**
US Dollars	(85.1)	**(85.1)**	**(85.1)**
Euros	(80.3)	**(80.3)**	**(80.3)**
Australian Dollars	(65.5)	**(65.5)**	**(65.5)**
Japanese Yen	(10.3)	**(10.3)**	**(10.3)**
Total floating rate loans	(345.9)	**(345.9)**	**(345.9)**
Finance lease liabilities	(1.4)	**(1.4)**	**(1.4)**
Loans from joint ventures	(12.5)	**(12.5)**	**(12.5)**
Preference shares	(31.4)	**(31.4)**	**(31.4)**
Trade and other payables	(87.2)	**(87.2)**	**(87.2)**
Total financial liabilities	(852.0)	**(852.0)**	**(861.6)**

33 FINANCIAL INSTRUMENTS CONTINUED

2009

	Held for trading £m	Total carrying amount £m	Fair value £m
Derivatives			
Interest rate swaps			
Sterling	0.1	**0.1**	**0.1**
US Dollars	(3.2)	**(3.2)**	**(3.2)**
Euros	(1.1)	**(1.1)**	**(1.1)**
Australian Dollars	0.5	**0.5**	**0.5**
Chinese Renminbi	(3.0)	**(3.0)**	**(3.0)**
Total interest rate swaps	(6.7)	**(6.7)**	**(6.7)**
Currency swaps			
Sterling	(5.4)	**(5.4)**	**(5.4)**
Canadian Dollars	4.6	**4.6**	**4.6**
Chinese Renminbi	(3.1)	**(3.1)**	**(3.1)**
Total currency swaps	(3.9)	**(3.9)**	**(3.9)**
Total derivatives	(10.6)	**(10.6)**	**(10.6)**

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.

	2009			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Available for sale financial assets				
Equity shares	**5.0**	**18.5**	**–**	**23.5**
Other	**4.8**	**–**	**–**	**4.8**
Financial assets held for trading				
Mezzanine loan investments	**–**	**–**	**1.8**	**1.8**
Derivatives	**–**	**5.2**	**–**	**5.2**
Total financial assets	**9.8**	**23.7**	**1.8**	**35.3**
Financial liabilities held for trading				
Derivatives	**–**	**(15.8)**	**–**	**(15.8)**
Total financial liabilities	**–**	**(15.8)**	**–**	**(15.8)**

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

2008

	Loans and receivables £m	Held for trading £m	Available-for-sale securities £m	Financial assets at amortised cost £m	Total carrying amount £m	Fair value £m
Financial assets:						
Equity shares	–	–	30.5	–	30.5	30.5
Finance lease receivable	6.9	–	–	–	6.9	10.8
Mezzanine loan investments	14.5	2.0	–	–	16.5	16.5
Other financial assets	–	–	4.6	–	4.6	4.6
Trade and other receivables	139.2	–	–	36.1	175.3	175.3
Cash and cash equivalents	–	–	–	91.5	91.5	91.5
Total financial assets	160.6	2.0	35.1	127.6	325.3	329.2

33 FINANCIAL INSTRUMENTS CONTINUED

	Financial liabilities at amortised cost £m	Total carrying amount £m	Fair value £m
Financial liabilities:			
Bank overdrafts	(1.3)	(1.3)	(1.3)
Fixed rate loans			
Sterling secured mortgage 2034	(50.0)	(50.0)	(63.4)
Sterling secured bond 2026	(202.4)	(202.4)	(174.3)
Sterling unsecured bond 2019	(52.5)	(52.5)	(44.0)
US Dollars	(35.6)	(35.6)	(29.7)
Canadian Dollars	(70.1)	(70.1)	(69.4)
Euros	(0.9)	(0.9)	(0.9)
Japanese Yen	(14.4)	(14.4)	(14.2)
Total fixed rate loans	(425.9)	(425.9)	(395.9)
Floating rate loans			
Sterling	(85.0)	(85.0)	(85.0)
US Dollars	(96.2)	(96.2)	(96.2)
Canadian Dollars	(8.9)	(8.9)	(8.9)
Euros	(24.9)	(24.9)	(24.9)
Australian Dollars	(82.4)	(82.4)	(82.4)
Chinese Renminbi	(1.0)	(1.0)	(1.0)
Total floating rate loans	(298.4)	(298.4)	(298.4)
Finance lease liabilities	(1.4)	(1.4)	(2.5)
Loans from joint ventures	(20.4)	(20.4)	(20.4)
Preference shares	(34.0)	(34.0)	(34.0)
Trade and other payables	(119.2)	(119.2)	(119.2)
Total financial liabilities	(900.6)	(900.6)	(871.7)

2008

	Held for trading £m	Total carrying amount £m	Fair value £m
Interest rate swaps			
US Dollars	(5.2)	(5.2)	(5.2)
Euros	(0.5)	(0.5)	(0.5)
Australian Dollars	(1.1)	(1.1)	(1.1)
Chinese Renminbi	2.3	2.3	2.3
Total interest rate swaps	(4.5)	(4.5)	(4.5)

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 non-derivative 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 non-derivative 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.

FINANCIAL RISK MANAGEMENT
The Group has a decentralised treasury management operating structure, co-ordinated through a Group 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 fully 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 for the next three years;

33 FINANCIAL INSTRUMENTS CONTINUED

– not to hedge long-term net asset positions held in foreign currencies; and

– 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 Shareholders and 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 for the next three years. The interest rate profile is reviewed by the Group on a monthly basis.

The Group's exposure to interest rates on financial assets and financial liabilities is analysed below:

2009

	Effective interest rate %	Floating interest rate £m	Fixed interest rate < 1 year £m	Fixed interest rate 1-5 years £m	Fixed interest rate > 5 years £m	Non-interest bearing £m	**Total £m**
Financial assets:							
Equity shares	–	–	–	–	–	23.5	**23.5**
Finance lease receivables	12.6	–	–	–	6.9	–	**6.9**
Mezzanine loan investments	9.8	–	5.2	3.4	–	–	**8.6**
Other financial assets	4.4	0.2	0.1	0.5	0.4	3.7	**4.9**
Trade and other receivables	4.0	29.6	20.7	–	14.2	86.0	**150.5**
Cash and cash equivalents	0.8	497.6	–	–	–	7.6	**505.2**
Total financial assets		527.4	26.0	3.9	21.5	120.8	**699.6**
Financial liabilities:							
Fixed rate loans							
Sterling secured mortgage 2034	10.4	–	–	–	(50.0)	–	**(50.0)**
Sterling secured bond 2026	6.4	–	–	–	(202.3)	–	**(202.3)**
Sterling unsecured bond 2019	8.4	–	–	–	(52.5)	–	**(52.5)**
US Dollars	5.6	–	(0.3)	(1.2)	(29.9)	–	**(31.4)**
Canadian Dollars	6.1	–	(0.7)	(2.8)	(33.9)	–	**(37.4)**
Total fixed rate loans		–	(1.0)	(4.0)	(368.6)	–	**(373.6)**
Floating rate loans fixed through interest rate swaps							
Sterling	4.7	–	–	(49.6)	–	–	**(49.6)**
US Dollars	6.4	–	–	(55.2)	–	–	**(55.2)**
Euros	4.2	–	–	(23.9)	–	–	**(23.9)**
Australian Dollars	4.8	–	(42.3)	(16.9)	–	–	**(59.2)**
Japanese Yen	3.1	–	–	(10.3)	–	–	**(10.3)**
Chinese Renminbi	3.1	–	–	(3.0)	–	–	**(3.0)**
Total floating rate loans fixed through interest rate swaps		–	(42.3)	(158.9)	–	–	**(201.2)**
Floating rate loans							
Sterling	0.8	(55.0)	–	–	–	–	**(55.0)**
US Dollars	2.8	(33.1)	–	–	–	–	**(33.1)**
Euros	2.0	(57.5)	–	–	–	–	**(57.5)**
Australian Dollars	5.8	(5.8)	–	–	–	–	**(5.8)**
Total floating rate loans		(151.4)	–	–	–	–	**(151.4)**
Currency swaps	–	–	–	–	–	(3.9)	**(3.9)**
Finance lease liabilities	11.0	–	–	–	(1.4)	–	**(1.4)**
Loans from joint ventures	6.0	–	–	–	(3.1)	(9.4)	**(12.5)**
Preference shares	1.3	(31.4)	–	–	–	–	**(31.4)**
Trade and other payables	–	–	–	–	–	(87.2)	**(87.2)**
Total financial liabilities		(182.8)	(43.3)	(162.9)	(373.1)	(100.5)	**(862.6)**

The total average cost of debt for the year ended 31 December 2009 was 5.6% (2008: 6.5%).

33 FINANCIAL INSTRUMENTS CONTINUED

2008

	Effective interest rate %	Floating interest rate £m	Fixed interest rate < 1 year £m	Fixed interest rate 1-5 years £m	Fixed interest rate > 5 years £m	Non-interest bearing £m	Total £m
Financial assets:							
Equity shares	–	–	–	–	–	30.5	30.5
Finance lease receivables	12.6	–	–	–	6.9	–	6.9
Mezzanine loan investments	10.0	–	11.9	4.6	–	–	16.5
Other financial assets	5.0	–	0.1	0.5	0.5	3.5	4.6
Trade and other receivables	5.5	51.3	–	–	–	124.0	175.3
Cash and cash equivalents	2.7	78.2	5.7	–	–	7.6	91.5
Total financial assets		129.5	17.7	5.1	7.4	165.6	325.3
Financial liabilities:							
Bank overdrafts	3.9	(1.3)	–	–	–	–	(1.3)
Fixed rate loans							
Sterling secured mortgage 2034	10.4	–	–	–	(50.0)	–	(50.0)
Sterling secured bond 2026	6.4	–	–	–	(202.4)	–	(202.4)
Sterling unsecured bond 2019	8.4	–	–	–	(52.5)	–	(52.5)
US Dollars	5.7	–	(0.2)	(1.7)	(33.7)	–	(35.6)
Canadian Dollars	5.7	–	(3.4)	–	(66.7)	–	(70.1)
Euros	6.0	–	–	–	(0.9)	–	(0.9)
Japanese Yen	2.8	–	(14.4)	–	–	–	(14.4)
Total fixed rate loans		–	(18.0)	(1.7)	(406.2)	–	(425.9)
Floating rate loans fixed through interest rate swaps							
US Dollars	5.1	–	–	(63.6)	–	–	(63.6)
Euros	4.3	–	–	–	(25.4)	–	(25.4)
Australian Dollars	7.1	–	(13.9)	(45.4)	–	–	(59.3)
Chinese Renminbi	3.2	–	–	2.3	–	–	2.3
Total floating rate loans fixed through interest rate swaps		–	(13.9)	(106.7)	(25.4)	–	(146.0)
Floating rate loans							
Sterling	6.4	(85.0)	–	–	–	–	(85.0)
US Dollars	3.5	(37.8)	–	–	–	–	(37.8)
Canadian Dollars	3.8	(8.9)	–	–	–	–	(8.9)
Australian Dollars	6.2	(24.2)	–	–	–	–	(24.2)
Chinese Renminbi	6.3	(1.0)	–	–	–	–	(1.0)
Total floating rate loans		(156.9)	–	–	–	–	(156.9)
Finance lease liabilities	11.0	–	–	–	(1.4)	–	(1.4)
Loans from joint ventures	–	–	–	–	–	(20.4)	(20.4)
Preference shares	5.1	(34.0)	–	–	–	–	(34.0)
Trade and other payables	6.0	(12.4)	–	–	–	(106.8)	(119.2)
Total financial liabilities		(204.6)	(31.9)	(108.4)	(433.0)	(127.2)	(905.1)

33 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.

If interest rates had been 0.5% higher and all other variables were held constant, the impact on the Group's equity would be:

		2009 £m	2008 £m
Increase/(decrease) in results for the year	– interest charge	**1.8**	(0.5)
	– mark to market of interest rate swaps	**2.3**	2.7
	– tax charge	**(1.2)**	(0.8)
Total increase in profit and equity		**2.9**	1.4

Similarly, if interest rates had been 0.5% lower, then Group profit and equity would have decreased by £2.9m (2008: £1.4m).

The Group's sensitivity to interest rates has increased during the year mainly due to higher levels of cash deposits.

FOREIGN CURRENCY RISK

Investments outside Britain and Ireland are held for the long term, so it is the Group's policy not to hedge the net investment in these regions. Within each region there is a certain amount of natural currency hedging as debt is drawn in local currency to finance local operations. Short-term cash flows between currencies are hedged by the use of foreign exchange derivatives.

At the end of the year, other than that arising on its equity in non-UK Operating Companies, 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 26. Equity investments designated as available for sale 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 £2.4m (2008: increase/decrease by £3.0m) as a result of changes in fair value of available for sale shares.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk in respect of its surplus cash deposits, trade receivables, mezzanine loan investments and loans to joint ventures.

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.

At the year end deposits were invested as follows:

Standard & Poor's credit rating of institution

	Total deposits at 31 December	
	2009 £m	2008 £m
AAA	**227.5**	22.4
AA+	**–**	7.4
AA	**131.4**	12.8
AA-	**75.4**	25.1
A+	**51.3**	19.3
A	**19.6**	2.6
Other	**–**	1.9
	505.2	91.5

33 FINANCIAL INSTRUMENTS CONTINUED

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 £21.2m of which £10.8m was outstanding at 1 March 2010.

Mezzanine loans represent loans to developers on which Grosvenor earns interest and a share of the development profit. Grosvenor makes loans to established developers with a track record of stable performance and carries out due diligence before committing funds. In the majority of loans, Grosvenor receives a second charge on the development property and has 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

Grosvenor obtains financing from a number of sources, including secured lending at project level together with secured and unsecured borrowing at the corporate level. 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 2009, the Group had the following drawn and undrawn committed borrowing facilities available:

	Drawn facilities		Undrawn facilities	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Expiring in less than 1 year	**51.6**	65.8	**158.4**	96.4
Expiring from 1 to 2 years	**109.4**	16.4	**124.6**	79.7
Expiring from 2 to 5 years	**195.2**	199.8	**248.3**	337.3
Expiring after more than 5 years	**373.7**	446.8	**–**	–
Total	**729.9**	728.8	**531.3**	513.4

Borrowing limits are set for each Operating Company to ensure that the interest costs of all projected debt can be met from sustainable cash flows, excluding those that are dependent on property sales.

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:

2009

	Fixed rate loans £m	Floating rate loans £m	Finance lease liabilities £m	Loans from joint ventures £m	**Total £m**
Due within 1 year	27.2	47.4	0.3	–	**74.9**
From 1 to 2 years	38.2	120.9	0.3	–	**159.4**
From 2 to 3 years	26.8	20.3	0.3	–	**47.4**
From 3 to 4 years	26.8	205.6	0.3	–	**232.7**
From 4 to 5 years	58.7	–	0.3	–	**59.0**
After 5 years	619.3	–	74.4	12.5	**706.2**
	797.0	394.2	75.9	12.5	**1,279.6**

33 FINANCIAL INSTRUMENTS CONTINUED

2008

	Fixed rate loans £m	Floating rate loans £m	Finance lease liabilities £m	Loans from joint ventures £m	Total £m
Due within 1 year	46.6	66.2	0.3	12.3	125.4
From 1 to 2 years	28.5	24.9	0.3	–	53.7
From 2 to 3 years	28.5	137.8	0.3	–	166.6
From 3 to 4 years	28.5	5.3	0.3	–	34.1
From 4 to 5 years	28.5	115.5	0.3	–	144.3
After 5 years	722.9	18.2	74.1	8.1	823.3
	883.5	367.9	75.6	20.4	1,347.4

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

	2009		2008	
	Payable £m	**Receivable £m**	Payable £m	Receivable £m
Due within 1 year	**(6.6)**	**3.1**	(7.0)	3.6
From 1 to 2 years	**(6.2)**	**4.6**	(4.5)	2.4
From 2 to 3 years	**(5.0)**	**5.0**	(4.3)	3.2
From 3 to 4 years	**(1.6)**	**1.7**	(3.7)	2.8
From 4 to 5 years	**–**	**–**	(1.3)	0.9
	(19.4)	**14.4**	(20.8)	12.9

34 TRADE AND OTHER PAYABLES

	Group	
	2009 £m	2008 £m
Current liabilities		
Trade payables	**12.4**	24.2
Payables due to joint ventures	**0.8**	12.4
Other payables	**73.3**	63.4
Accrued expenses	**56.5**	59.1
Deferred income	**2.1**	1.1
	145.1	160.2
Non-current liabilities		
Deferred income	**147.9**	128.2
Other payables	**0.7**	19.2
	148.6	147.4

Deferred income includes £147.9m in respect of deferred lease premium profits (2008: £127.6m).

35 PROVISIONS

Development loss provision

	2009 £m	2008 £m
At 1 January	**54.3**	180.2
Recognised in the year	**–**	85.4
Utilised in the year	**(43.7)**	(211.3)
At 31 December	**10.6**	54.3

36 OPERATING LEASE COMMITMENTS

LEASES AS LESSEE

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

	2009 £m	2008 £m
Land and buildings	**6.1**	5.9

Non-cancellable operating lease rentals are payable as follows:

	2009 £m	2008 £m
Less than one year	**6.2**	6.2
Between 1 and 5 years	**20.2**	21.9
More than five years	**1.7**	5.3
	28.1	33.4

LEASES AS LESSOR

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

	2009 £m	2008 £m
Less than one year	**120.9**	133.4
Between 1 and 5 years	**358.8**	393.3
More than five years	**1,145.6**	1,180.8
	1,625.3	1,707.5

37 CAPITAL COMMITMENTS

	2009 £m	2008 £m
Investment properties contracted but not provided	**85.1**	265.8
Development properties contracted but not provided	**61.9**	57.7
	147.0	323.5

Included in the above is Grosvenor's share of joint venture and associate capital commitments of £145.0m (2008: £177.3m).

38 CONTINGENT LIABILITIES

In connection with the demerger of Wheatsheaf Investments Limited (formerly Deva Group Limited) in 1999 the Company has provided guarantees up to a maximum of £17.6m (2008: £22m).

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

39 SHARE CAPITAL

	2009 Number of shares	2009 £m	2008 Number of shares	2008 £m
Allocated, called up and fully paid				
Ordinary Shares of £1	**5,684,877**	**5.7**	5,684,877	5.7
Non-Voting Ordinary Shares of £1	**45,479,016**	**45.4**	45,479,016	45.4
'A' Preference Shares of £1	**5,684,877**	**5.7**	5,684,877	5.7
'B' Preference Shares of £1	**221,710,203**	**221.7**	–	–
'C' Preference Shares of £1	**–**	**–**	–	–
	278,558,973	**278.5**	56,848,770	56.8

On 12 November 2009 as a result of an offer of a stock dividend to the Shareholders, the Company issued 222m new 'B' Preference Shares at par value. The shares were paid up in full by way of capitalisation of part of the Company's merger reserve (see note 40).

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 a floating coupon on the amounts paid up or deemed paid up on the 'C' Preference Shares. The balance of profits available for distribution are payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares. Holders of the 'B' Preference Shares are not entitled to a distribution of profits.

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 'B' Preference Shares the amounts paid up on their shares and thirdly repaying the holders of the 'C' Preference Shares 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 up to an amount of £10bn. Thereafter the balance of assets is payable to the holders of the 'B' Preference Shares, 'C' Preference Shares, ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

Holders of the 'B' Preference Shares and non-voting ordinary shares are not entitled to vote at general meetings of the members of the Company except on resolutions varying or abrogating any of the special rights or privileges attaching to their shares.

40 RECONCILIATION OF SHARE CAPITAL AND RESERVES

(a) Group

	Share capital £m	Share premium £m	Translation reserve £m	Other reserve £m	Fair value reserve £m	Revaluation reserve £m	Retained earnings £m	**Total £m**	Minority interest £m	**Total equity £m**
At 1 January 2008	56.8	173.1	56.4	114.7	2.6	140.3	2,344.5	**2,888.4**	175.1	**3,063.5**
Loss for the year	–	–	–	–	–	–	(456.9)	**(456.9)**	(19.1)	**(476.0)**
Revaluation movement	–	–	–	–	–	(52.7)	–	**(52.7)**	(2.9)	**(55.6)**
Fair value adjustments	–	–	–	(20.6)	(6.9)	–	–	**(27.5)**	(3.0)	**(30.5)**
Transferred to income statement	–	–	–	–	(1.2)	–	–	**(1.2)**	–	**(1.2)**
Deferred tax	–	–	–	4.1	–	19.1	6.8	**30.0**	0.9	**30.9**
Pension actuarial losses	–	–	–	–	–	–	(20.8)	**(20.8)**	–	**(20.8)**
Dividends to Shareholders	–	–	–	–	–	–	(13.0)	**(13.0)**	(8.9)	**(21.9)**
Transfer between reserves	–	–	2.1	–	–	(4.8)	2.7	**–**	–	**–**
Minority shares issued by subsidiaries	–	–	–	–	–	–	–	**–**	1.9	**1.9**
Exchange	–	–	304.0	–	–	–	–	**304.0**	42.2	**346.2**
At 31 December 2008	56.8	173.1	362.5	98.2	(5.5)	101.9	1,863.3	**2,650.3**	186.2	**2,836.5**
Loss for the year	–	–	–	–	–	–	(190.6)	**(190.6)**	(18.2)	**(208.8)**
Revaluation movement	–	–	–	–	–	(1.2)	–	**(1.2)**	–	**(1.2)**
Fair value adjustments	–	–	–	(0.8)	(9.8)	–	–	**(10.6)**	(1.1)	**(11.7)**
Deferred tax	–	–	–	(0.8)	0.8	0.2	2.7	**2.9**	–	**2.9**
Pension actuarial losses	–	–	–	–	–	–	(12.0)	**(12.0)**	–	**(12.0)**
Dividends to Shareholders	–	–	–	–	–	–	(15.4)	**(15.4)**	(6.2)	**(21.6)**
Issue of Preference Shares	221.7	–	–	(221.7)	–	–	–	**–**	–	**–**
IAS 40 reclassification	–	–	–	–	–	(93.9)	93.9	**–**	–	**–**
Transfer between reserves	–	(144.8)	(13.5)	113.0	(0.9)	–	42.6	**(3.6)**	3.6	**–**
Exchange	–	–	(33.0)	–	–	–	–	**(33.0)**	(7.8)	**(40.8)**
At 31 December 2009	278.5	28.3	316.0	(12.1)	(15.4)	7.0	1,784.5	**2,386.8**	156.5	**2,543.3**

Other reserves comprise net interest rate hedging losses of £16.1m and capital redemption reserve of £4.0m. During the year £144.8m has been transferred from share premium to other reserves to better represent the nature of the reserves, and to be consistent with the presentation in the Company balance sheet.

40 RECONCILIATION OF SHARE CAPITAL AND RESERVES CONTINUED

(b) Company

	Share capital £m	Share premium £m	Merger capital reserve £m	Capital redemption reserve £m	Profit and loss account £m	**Total equity £m**
At 1 January 2008	56.8	28.3	1,268.7	4.0	110.8	**1,468.6**
Retained profit for the year	–	–	–	–	202.4	**202.4**
Dividends to Shareholders	–	–	–	–	(13.0)	**(13.0)**
At 31 December 2008	56.8	28.3	1,268.7	4.0	300.2	**1,658.0**
Retained profit for the year	–	–	–	–	20.2	**20.2**
Dividends to Shareholders	–	–	–	–	(15.4)	**(15.4)**
Issue of Preference Shares	221.7	–	(221.7)	–	–	**–**
At 31 December 2009	278.5	28.3	1,047.0	4.0	305.0	**1,662.8**

DIVIDENDS
After the balance sheet date, the following dividends were proposed:

	£m
Dividends on Ordinary Shares	**10.9**
Dividends on Preference Shares	**0.7**
	11.6

The dividends have not been provided for and there are no income tax consequences for the Group.

41 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2009 £m	2008 £m
Operating activities		
Loss from operations including share of joint ventures	**(198.2)**	(573.4)
Adjustments for		
Depreciation	**2.3**	2.1
Foreign exchange losses	**–**	0.3
Amortisation of capitalised lease incentives	**2.1**	1.8
Amortisation of deferred lease premiums	**(4.6)**	(1.8)
Recognition of income from operating lease incentives	**(1.5)**	(1.0)
Loss on sale on other investments	**12.8**	12.0
Net losses on revaluation and sale of investment property	**87.6**	267.7
Share of loss of joint ventures and associates	**134.4**	209.7
Amortisation of other intangible assets	**0.6**	0.5
Uplift on trading properties completed and transferred to investment property	**(11.3)**	–
Operating profit/(loss) before changes in working capital and provisions	**24.2**	(82.1)

41 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

(b) Analysis of net debt

	1 January 2009 £m	Cash flow £m	Other non-cash movements £m	Exchange movements £m	**31 December 2009 £m**
Cash at bank and in hand	55.2	64.1	–	(1.8)	**117.5**
Short-term deposits and short-term liquid investments	36.3	352.4	–	(1.0)	**387.7**
Bank overdraft	(1.3)	1.3	–	–	**–**
Cash and cash equivalents	90.2	417.8	–	(2.8)	**505.2**
Borrowings due within one year	(78.1)	19.3	10.0	(2.8)	**(51.6)**
Borrowings due after more than one year	(706.5)	(3.3)	(30.3)	16.3	**(723.8)**
Total borrowings	(784.6)	16.0	(20.3)	13.5	**(775.4)**
Net debt	(694.4)	433.8	(20.3)	10.7	**(270.2)**

Other non-cash movements include £46.5m of debt transferred on sales, £62.4m debt acquired on acquisitions and £5.0m of net fair value adjustments on interest rate and currency swaps.

42 RELATED PARTY TRANSACTIONS

Grosvenor Group Limited is wholly owned by Trusts and members of the Grosvenor Family headed by the 6th Duke of Westminster. During 2009 the Group entered into the following transactions with the Grosvenor Trusts and members of the Grosvenor Family:

	2009 £m	2008 £m
Rent and service charge income	**2.5**	0.3
Rent and service charge expenses	**(2.0)**	(1.2)
Development management fees	**0.6**	2.9
Management and administration fees	**6.6**	7.6
Management and administration fees payable	**(0.6)**	–

During 2009 the Group entered into the following transactions with other related parties:

	2009 £m	2008 £m
Development and asset management fees received from joint ventures	**18.5**	19.4
Other fees received from joint ventures	**1.9**	1.5
Insurance premiums payable to a related company	**(6.1)**	(7.3)

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

	2009 £m	2008 £m
Grosvenor Trusts	**(0.5)**	(0.7)
Amounts due from joint ventures	**99.6**	147.5
Amounts due to joint ventures	**(16.8)**	(24.6)
Amounts due to a related company	**(7.7)**	(17.2)

Subsequent to the year end the Group received £76.2m of premiums from the Grosvenor Trusts for the sale of an investment property.

As explained in note 38 the Company has provided guarantees up to a maximum of £17.6m to Wheatsheaf Investments Limited, which is owned by the Grosvenor Trusts.

CONSOLIDATED INCOME STATEMENT PRESENTED IN US DOLLARS

for the year ended 31 December 2009

	2009 US$m	2008 US$m
Total revenue	**448.1**	505.8
Gross rental income	**207.2**	223.4
Property outgoings	**(71.2)**	(96.9)
Net rental income	**136.0**	126.5
Net other income	**54.6**	68.5
Administrative expenses	**(131.4)**	(153.2)
Net loss on trading and development properties	**(2.2)**	(197.4)
Net losses on other investments	**(19.9)**	(22.2)
Net losses on revaluation and sale of investment property	**(136.2)**	(495.8)
Share of loss of joint ventures and associates	**(209.0)**	(388.4)
Loss from operations including share of joint ventures and associates	**(308.1)**	(1,062.0)
Dividend income	**0.6**	4.1
Financial income	**14.0**	29.8
Financial expenses	**(69.4)**	(75.0)
Fair value adjustments	**(3.7)**	3.1
Net financing costs	**(58.5)**	(38.0)
Loss before tax	**(366.6)**	(1,100)
Current tax	**(80.1)**	0.6
Deferred tax	**122.1**	217.8
Loss for the year	**(324.6)**	(881.6)
Attributable to:		
Equity holders of the parent	**(296.4)**	(846.2)
Minority interest	**(28.2)**	(35.4)
Loss for the year	**(324.6)**	(881.6)

The above statement, prepared under IFRS accounting standards, is translated at the average exchange rate for the relevant year.

CONSOLIDATED BALANCE SHEET PRESENTED IN US DOLLARS
as at 31 December 2009

	Group	
	2009 US$m	2008 US$m
ASSETS		
Non-current assets		
Investment property	**3,680.5**	3,955.5
Investment property under development	**–**	49.9
Other property, plant and equipment	**53.5**	47.2
Investments in joint ventures and associates	**1,388.2**	1,571.9
Other financial assets	**62.5**	67.0
Intangible assets	**8.1**	8.8
Deferred tax assets	**153.9**	136.4
Total non-current assets	**5,346.7**	5,836.7
Current assets		
Trading properties	**229.8**	236.1
Trade and other receivables	**267.3**	285.0
Other financial assets	**8.4**	17.1
Income tax receivable	**8.7**	21.0
Cash and cash equivalents	**815.8**	131.6
Total current assets	**1,330.0**	690.8
TOTAL ASSETS	**6,676.7**	6,527.5
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	**(1,168.9)**	(1,015.8)
Trade and other payables	**(240.0)**	(211.9)
Employee benefits	**(60.1)**	(42.4)
Deferred tax liabilities	**(696.8)**	(746.6)
Total non-current liabilities	**(2,165.8)**	(2,016.7)
Current liabilities		
Overdrafts	**–**	(1.9)
Interest-bearing loans and borrowings	**(83.3)**	(112.3)
Trade and other payables	**(234.3)**	(230.3)
Income tax payable	**(69.0)**	(9.8)
Provisions	**(17.1)**	(78.1)
Total current liabilities	**(403.7)**	(432.4)
TOTAL LIABILITIES	**(2,569.5)**	(2,449.1)
NET ASSETS	**4,107.2**	4,078.4
Equity		
Issued capital	**449.7**	81.7
Share premium	**45.7**	248.9
Reserves	**477.3**	801.2
Retained earnings	**2,881.8**	2,678.9
Shareholders' funds	**3,854.5**	3,810.7
Minority interest	**252.7**	267.7
TOTAL EQUITY	**4,107.2**	4,078.4

The above statement, prepared under IFRS accounting standards, is translated at the closing exchange rate for the relevant year.

CONSOLIDATED INCOME STATEMENT PRESENTED IN EUROS

for the year ended 31 December 2009

	2009 €m	2008 €m
Total revenue	**321.0**	343.9
Gross rental income	**148.4**	151.9
Property outgoings	**(51.0)**	(65.9)
Net rental income	**97.4**	86.0
Other income	**39.1**	46.6
Administrative expenses	**(94.1)**	(104.1)
Net loss on trading and development properties	**(1.6)**	(134.2)
Net losses on other investments	**(14.3)**	(15.1)
Net losses on revaluation and sale of investment property	**(97.6)**	(337.1)
Share of loss of joint ventures and associates	**(149.7)**	(264.1)
Loss from operations including share of joint ventures and associates	**(220.8)**	(722.0)
Dividend income	**0.4**	2.8
Financial income	**10.0**	20.3
Financial expenses	**(49.7)**	(51.0)
Fair value adjustments	**(2.7)**	2.1
Net financing costs	**(42.0)**	(25.8)
Loss before tax	**(262.8)**	(747.8)
Current tax	**(57.4)**	0.4
Deferred tax	**87.5**	148.1
Loss for the year	**(232.7)**	(599.3)
Attributable to:		
Equity holders of the parent	**(212.3)**	(575.3)
Minority interest	**(20.4)**	(24.0)
Loss for the year	**(232.7)**	(599.3)

The above statement, prepared under IFRS accounting standards, is translated at the average exchange rate for the relevant year.

CONSOLIDATED BALANCE SHEET PRESENTED IN EUROS

as at 31 December 2009

	Group	
	2009 €m	2008 €m
ASSETS		
Non-current assets		
Investment property	2,565.1	2,845.7
Investment property under development	–	35.9
Other property, plant and equipment	37.3	33.9
Investments in joint ventures and associates	967.5	1,130.9
Other financial assets	43.6	48.2
Intangible assets	5.6	6.3
Deferred tax assets	107.3	98.2
Total non-current assets	3,726.4	4,199.1
Current assets		
Trading properties	160.2	169.8
Trade and other receivables	186.3	205.0
Other financial assets	5.9	12.3
Income tax receivable	6.1	15.1
Cash and cash equivalents	568.6	94.6
Total current assets	927.1	496.8
TOTAL ASSETS	4,653.5	4,695.9
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	(814.6)	(730.8)
Trade and other payables	(167.3)	(152.5)
Employee benefits	(41.9)	(30.5)
Deferred tax liabilities	(485.7)	(537.2)
Total non-current liabilities	(1,509.5)	(1,451.0)
Current liabilities		
Overdrafts	–	(1.3)
Interest-bearing loans and borrowings	(58.1)	(80.8)
Trade and other payables	(163.3)	(165.7)
Income tax payable	(48.1)	(7.0)
Provisions	(11.9)	(56.2)
Total current liabilities	(281.4)	(311.0)
TOTAL LIABILITIES	(1,790.9)	(1,762.0)
NET ASSETS	2,862.6	2,933.9
Equity		
Issued capital	313.5	58.8
Share premium	31.9	179.1
Reserves	332.6	576.1
Retained earnings	2,008.5	1,927.3
Shareholders' funds	2,686.5	2,741.3
Minority interest	176.1	192.6
TOTAL EQUITY	2,862.6	2,933.9

The above statement, prepared under IFRS accounting standards, is translated at the closing exchange rate for the relevant year.

FIVE–YEAR SUMMARY

INCOME STATEMENT

	2005 £m	2006 £m	2007 £m	2008 £m	**2009 £m**
Net rental and other income	80.8	118.1	107.1	105.3	**122.5**
Administrative expenses	(53.3)	(75.8)	(81.5)	(82.7)	**(84.5)**
Loss on trading and development properties	(7.3)	(176.6)	(35.4)	(106.6)	**(1.4)**
Gains/(losses) on other investments	–	0.3	12.6	(12.0)	**(12.8)**
Net gains/(losses) on revaluation and sale of investment properties	246.8	518.7	413.9	(267.7)	**(87.6)**
Impairment of goodwill	(3.3)	(0.2)	–	–	**–**
Share of profit/(loss) from joint ventures and associates	121.6	145.0	120.0	(209.7)	**(134.4)**
Profit/(loss) before net financing costs and tax	385.3	529.5	536.7	(573.4)	**(198.2)**
Net financing costs	(17.2)	(20.8)	(12.7)	(20.5)	**(37.6)**
Profit/(loss) before tax	368.1	508.7	524.0	(593.9)	**(235.8)**

BALANCE SHEET

	2005 £m	2006 £m	2007 £m	2008 £m	**2009 £m**
Total property assets including share of joint ventures and associates	3,727.7	4,592.4	5,963.3	6,172.8	**5,221.9**
Investment property	2,007.4	2,350.0	2,921.6	2,785.8	**2,279.1**
Investment in joint ventures and associates	819.4	1,050.1	1,156.0	1,093.3	**859.6**
Other financial assets	71.0	50.0	55.4	46.6	**38.7**
Other non-current assets	132.7	113.8	124.6	133.8	**133.4**
	3,030.5	3,563.9	4,257.6	4,059.5	**3,310.8**
Trading properties	34.5	48.7	147.1	164.2	**142.3**
Cash and cash equivalents	385.5	455.4	323.6	91.5	**505.2**
Other net current assets/(liabilities)	(34.2)	42.7	(28.7)	57.7	**(22.3)**
	385.8	546.8	442.0	313.4	**625.2**
Borrowings (including current)	(575.4)	(659.5)	(671.4)	(785.9)	**(775.4)**
Deferred tax	(450.6)	(555.2)	(604.4)	(519.3)	**(431.5)**
Other non-current liabilities	(203.8)	(329.2)	(360.3)	(231.2)	**(185.8)**
	(1,229.8)	(1,543.9)	(1,636.1)	(1,536.4)	**(1,392.7)**
Net assets	2,186.5	2,566.8	3,063.5	2,836.5	**2,543.3**
Share capital and share premium	233.9	233.9	229.9	229.9	**306.8**
Reserves	1,857.7	2,184.0	2,658.5	2,420.4	**2,080.0**
	2,091.6	2,417.9	2,888.4	2,650.3	**2,386.8**
Minority interest	94.9	148.9	175.1	186.2	**156.5**
Total equity	2,186.5	2,566.8	3,063.5	2,836.5	**2,543.3**

www.grosvenor.com

You will find a list of offices
and a glossary under this flap.
The flap unfolds so you can
refer to the glossary, which
defines the terms we use, as
you read through the document.

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GLOSSARY

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

Co-investment
Where Grosvenor invests equity in joint venture or fund vehicles alongside third-parties.

Core*
A fund which invests predominantly in mature sectors and countries and generates a high proportion of return through income.

Core plus*
A fund which may invest in any country or property type and delivers returns from a balance of income return and capital appreciation. Return will come through adding value to the property through active asset management such as a re-letting, re-positioning and redevelopment.

Development exposure ratio
Grosvenor's share of development properties including its share of the future development commitment, as a percentage of property assets including the future development commitment.

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

Economic property interest
Grosvenor's equity interest in properties (or debt) after deducting the share attributable to minority investors.

Estimated rental value (ERV)
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.

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.

Funds under management
The total value of properties managed by Grosvenor.

Future development commitment
The expected costs to complete the development programme to which we are committed.

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

Green Star ratings
An environmental rating system used in Australia.

Gross rental income
Total income from rents of the Group's properties.

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

Grosvenor Group
Grosvenor Group Limited and its wholly owned subsidiaries.

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

*Definitions abbreviated from definitions used by INREV (the European Association for Investors in Non-listed Real Estate Vehicles).

Group
Grosvenor Group Limited and its subsidiary undertakings.

Head lease
The lease for an investment property under which the Group is a lessee.

Holding Company
Grosvenor Group Limited.

IFRS
International Financial Reporting Standard(s).

Interest rate swap
A contractual agreement with a counterparty (usually a bank) to exchange an interest obligation for an alternative interest obligation for a pre-determined 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
Grosvenor's portfolio of office, retail and residential properties in the Mayfair and Belgravia areas of London's West End.

Mark to market adjustment
An accounting adjustment to adjust the book value of an asset or liability to its market value.

Market value
Market value is the amount for which an interest in an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. For investment properties it is determined by independent external valuers.

Mezzanine lending
Lending to property developers that is subordinated to senior lending in return for a profit share in the completed development.

Operating Companies
Grosvenor's five regional investment and development businesses and Grosvenor Fund Management.

Opportunity fund*
A fund which typically uses high leverage, has a high exposure to development or other forms of active asset management, and will deliver returns primarily in the form of capital appreciation.

Passing rent
The annual rental income receivable, which may be more or less than the ERV.Performance fees
Fees that are payable in the event that the performance of the underlying investment exceeds a pre-determined benchmark.

Pre-let
A lease signed with a tenant prior to the completion of a development.

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

Property derivative
Financial instruments whose price is derived by reference to a property returns index.

Proportional
The total of the Group's wholly owned and its share of jointly owned property assets or net debt.

Proprietary
Relating to Grosvenor's share of investments in property assets.

Rack-rented
Referring to property that is rented out at full market rent.

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.

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

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

Separate account client
A private real estate portfolio managed by Grosvenor Fund Management on behalf of a third-party.

Third-party
The non-Grosvenor share of investments managed by Grosvenor.

Total return
Total return on property assets (total return) Revenue profit before financial expenses but after major refurbishments, plus the net gain on revaluation and sale of investment properties and other investments and including fair value adjustments and exchange movements recognised in reserves, as a percentage of average property assets (before current year revaluations) and cash. Joint ventures and associates are treated proportionally for the purposes of this calculation.

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

Weighted average cost of capital
The weighted average cost of debt and the notional cost of equity. Used as a benchmark for total return performance.