



Grosvenor today

Our independence and heritage as a private company owned by the Grosvenor family have given us a very strong ethos, based on the enduring values of loyalty, integrity, a belief in expertise and concentration on the long term.

Our aim is to grow as a private, diversified property group, active internationally across sectors, and taking a long-term view of markets and our commitments. The individual parts of Grosvenor, described below, create value based on their own strategies, designed to suit their skills and markets.



GROSVENOR ESTATE

Trustees of the Grosvenor Estate (Shareholders)

Grosvenor is privately owned. The Shareholders are the Trustees of the Grosvenor Estate who hold the shares and other assets for the benefit of current and future members of the Grosvenor family.

There are six Trustees: the Chairman (the 6th Duke of Westminster), the Executive Trustee and four other Trustees.



GROSVENOR

Grosvenor Group Limited

Grosvenor Group Limited is the Company established by the Grosvenor Trusts as the holding vehicle for the Grosvenor Estate's urban real estate interests.

The seven Non-Executive Directors on the Group Board include the Executive Trustee and two other Trustees, one of whom is the Chairman. The Chief Executive and Finance Director are the two Executive Directors (see bottom of [page 11](#)).

The Group Executive Committee is a sub-committee of the Board of Grosvenor Group Limited (see bottom of [page 15](#)).

Direct investment £4.7bn

of Grosvenor capital
(also termed 'Proprietary activities - direct')

Our regional Operating Companies are wholly owned companies through which Grosvenor makes direct investments in real estate. Each has control over its own balance sheet. Together they invest 79% of Grosvenor's capital.



Grosvenor Britain & Ireland

£3.3bn

Grosvenor Britain & Ireland is fortunate to manage and develop an exceptional range of properties and locations through two business units: our London estate, responsible for assets across 300 acres of Mayfair and Belgravia, and Grosvenor Developments, responsible for other proprietary investments in Britain and Ireland. Both teams aim to create and manage great places in which people want to live, work, learn and relax.



Read more:
Page 28

Grosvenor Americas

£0.9bn

Grosvenor Americas owns and develops retail, commercial, residential and mixed-use property in Vancouver, Calgary, San Francisco, Los Angeles, Seattle and Washington, DC. We also provide structured finance to housing developers in these markets. We aim to understand the people who live and work in the communities where we are active and seek opportunities for place-making. (CGI)



Read more:
Page 34

Grosvenor Asia Pacific

£0.5bn

Grosvenor Asia Pacific has been active in the Asia Pacific region for two decades and we are positioning ourselves for the long term, given the region's strong long-term growth prospects. We continue to work with leading local partners, combining international knowledge with local expertise to provide high-quality service and value-add returns.



Read more:
Page 40

Indirect investment £1.3bn

of Grosvenor capital
(also termed 'Proprietary activities - indirect')

Our Indirect Investment portfolio invests in real estate through co-investments in Grosvenor-managed funds and investments with other specialist companies. It invests 21% of Grosvenor's capital in Asia, Australia, Brazil, Europe and the USA.



Read more:
Page 44

Co-investment in
Grosvenor-managed funds

£0.4bn

Sonae Sierra

£0.8bn

Other

£0.1bn

Fund management £3.0bn

of assets under management

Our international fund management business manages investments on behalf of 59 investors, including Grosvenor itself. It operates in Europe, the USA and Asia.



Read more:
Page 50



1645 Pacific Avenue is Grosvenor Americas' first residential development in the San Francisco Bay Area. Located at the convergence of three spectacular neighbourhoods (Pacific Heights, Nob Hill and Russian Hill), the building offers 39 homes, sweeping rooftop views, three retail spaces and a number of unique art installations, including a vast mural by emerging artist Zio Ziegler.

Image on front cover
© Jesse Goff Photography

In this review:

Grosvenor today	Inside front cover
	
Our 'Living cities' philosophy	1
Group strategy	6
Highlights	8
Chairman's statement	10
Chief Executive's review	12
Market overview	16
Portfolio analysis	18
Finance Director's report	20
10-year summary	23
Financial analysis	24
'Living cities' in practice	26

Direct investment	28
Grosvenor Britain & Ireland	
Grosvenor Americas	34
Grosvenor Asia Pacific	40
Indirect investment	44
Fund management	50
Our history	56
List of offices	Inside back cover
Glossary	Inside back cover

You will find important information about Grosvenor's current structure under this flap.

Annual Financial Statements 2014
Our full financial statements for the 2014 financial year are available at:
www.grosvenor.com/financialstatements2014

Annual Environmental Data 2014
Our 2014 environmental results can be viewed in detail at:
www.grosvenor.com/environmental2014

Global Reporting Initiative Index 2014
To see how we continue to benchmark the transparency of our reporting, please visit:
www.grosvenor.com/gri2014

Our 'Living cities' philosophy

Our 'Living cities' philosophy.

Grosvenor aims to create high-quality places for people to enjoy and which use resources responsibly.

The benefits that stem from bringing together business clusters, schools and colleges, a skilled workforce and high connectivity are driving urbanisation around the world. The opportunity is for cities to grow in ways that are socially, economically and environmentally resilient in the face of global challenges.

Grosvenor's long-term success in responding to these challenges depends on an imaginative approach to designing individual buildings, our larger-scale place-making activity and the expertise and commitment of our staff. We strive to bring new ideas to the creation of sustainable cities for future generations, while encouraging other city stakeholders to play their part.

We aim to grow our understanding and knowledge of cities and the challenges and opportunities facing them, and by doing so to evolve our 'Living cities' philosophy.

Our legacy will be the degree of our success as city stewards and creators of long-term value.

The following pages illustrate some aspects of our approach.

Our 'Living cities' philosophy (continued)



1 The Westminster Roppongi

This development in Tokyo, Japan, offers an exemplary standard of living in terms of lifestyle, amenity and design quality, featuring classic Japanese elements inspired by its unique location.

2 Liverpool ONE

In 2014, we secured the first digital store for retailer Argos outside London - and a new flagship store for them in North West England - demonstrating our commitment to bringing new concepts from leading brands to Liverpool ONE.

3 119 Ebury Street

Planning constraints for retrofitting listed buildings makes significant energy-saving improvements a challenge. This award-winning pilot project in London, UK, will help to clarify guidance for the sustainable redevelopment of heritage properties. (CGI)

4 The Beaumont Hotel

This new five-star art-deco hotel in Mayfair, London, UK, contains 'ROOM', a unique habitable structure by artist Sir Antony Gormley, and was voted 'Best Luxury Hotel Opening in the World for 2014' by Luxury Travel Intelligence.

5 Southampton's new arts complex

We are working in partnership with Southampton City Council in the UK to deliver a new arts complex for the city, including seven new restaurants and Guildhall Apartments which comprises 38 new homes. The project will complete Southampton's Cultural Quarter. (CGI)

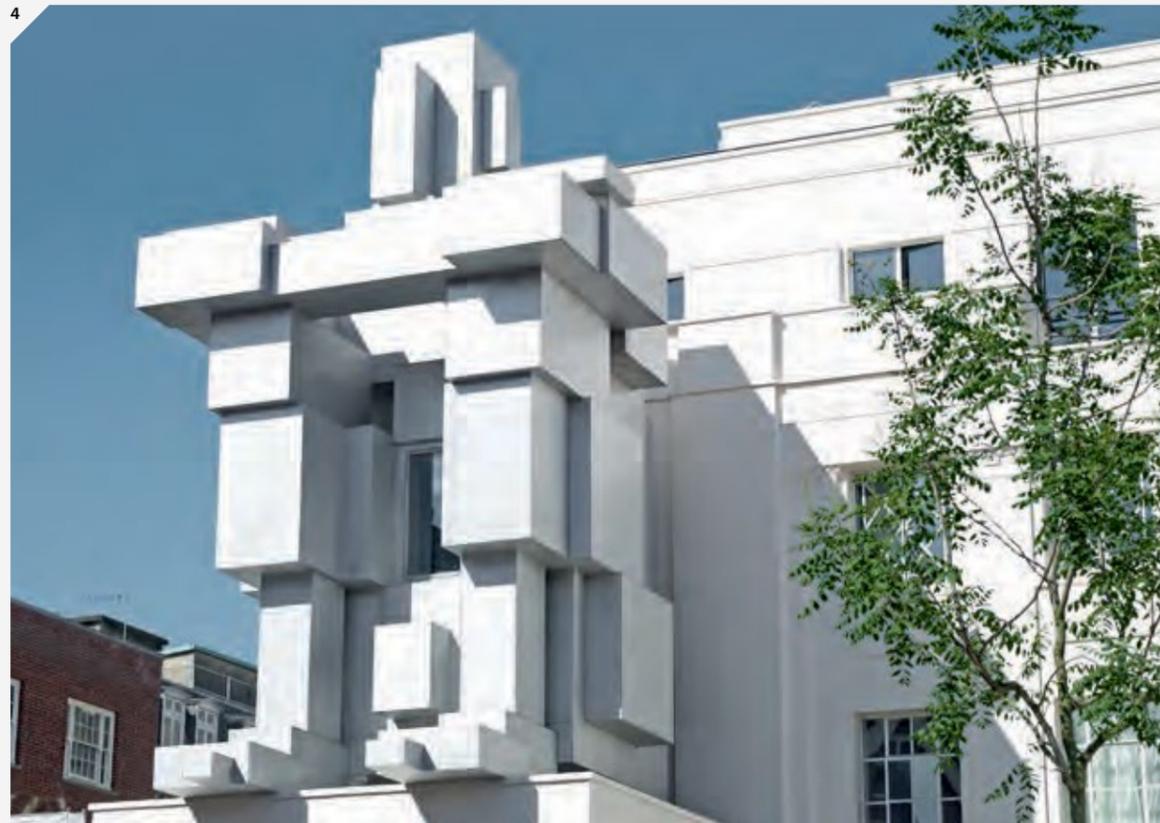
6 Grosvenor Ambleside

The 98 new terraced homes in this development in West Vancouver, Canada, will sit above street-level shops, cafés and restaurants. Residents will be able to control features in their homes, such as the temperature, while they are away. (CGI)



“For me, it is great to be in Duke Street and next to Mount Street in Mayfair, and to place my brand among all the incredible existing ones.”

Laura Apsit Livens
Owner and Creative Director, Laura Apsit Livens Ltd.



Creating high-quality places

In our role as managers of existing properties, as developers of new projects, as place-makers of larger-scale neighbourhoods and as fund managers, we invest in assets, cultural amenities and public spaces that aim to enrich people's lives and create a distinctive sense of place.

Our 'Living cities' philosophy (continued)



Supporting strong communities

A commitment to communities drives our efforts to create vibrant, healthy, safe and friendly places in which people can live, work, learn and relax. Learning about communities helps us make our places more relevant and, ultimately, more successful.

1-4 Grosvenor in the Community
In 2014, we launched 'Grosvenor in the Community' in London, UK: a series of initiatives - including an open-air film festival, pocket gardens, a more sustainable urban ecosystem for the local bee population, a community arts programme and fitness sessions - that aim to provide tangible benefits to tenants and stakeholders on our London estate.

6 Liverpool ONE
In the UK, Liverpool ONE's leisure facilities and award-winning Chavasse Park are used regularly for community events. In 2014, the Liverpool ONE Foundation worked with 44 local groups and charities in Merseyside and in partnership with local schools, colleges and universities to develop educational resources for use while visiting the shopping centre.

5 Grosvenor Theatre
Our 10-year partnership with the Kay Meek Centre in West Vancouver, Canada, will sponsor a number of youth initiatives and support future programming at the renamed 'Grosvenor Theatre'.

7 The Reteng Orphanage
Grosvenor Asia Pacific, through the Westminster Foundation, sponsored and provided development advice for a new facility that will help 100 orphan students with their educational and recreational activities.



"We are thrilled that Grosvenor shares our commitment to ensuring access to performance excellence for the community."

Paul Tutsch
Chair, Kay Meek Centre Board of Directors



Group strategy

Our objectives and strategy



“Our three objectives, relating to returns, diversification and reputation, are long term and consequently remain constant.”

Mark Preston
Group Chief Executive

What we do...

We create value by owning, developing and managing real estate, and investing in property-related businesses, in cities around the world. We allocate capital strategically between three distinct areas of business, and provide shared services to support each of them (see the inside front cover for more detail).

- We invest in, develop and manage property directly through our regional Operating Companies, using our local knowledge. We invest 79% of Grosvenor's capital in this way.
- We invest indirectly in property by allocating capital to co-investments in Grosvenor-managed funds and to other indirect investments. We invest 21% of Grosvenor's capital in this way.
- We manage capital for third-party investors through various investment vehicles. We receive income from management and performance-related fees.

How we do it...

Grosvenor has a devolved business model. We believe that decisions about real estate are best made on the ground, by local people who know their markets.

In our decision-making, we draw upon experience gained over a long period of what makes for success or failure in urban environments, as well as on the creativity and know-how of property specialists around the Group. We use this knowledge to create value for our Shareholders and for the investors who entrust us with their capital.

Why we do it...

Creating value is certainly about profits, but is also about legacy and thus reputation.

Rigorous discipline to ensure financial success allows us, and our investor partners, to fund activities whose financial, social, environmental and other benefits may only become evident over the longer term.

The Group has three objectives:

1

To deliver attractive long-term returns.

Our strategy:

We strive to grow revenue profit to cover dividend and tax obligations, and to deliver total returns above our weighted average cost of capital and market benchmarks. We control risk by means of conservative gearing and management of liquidity at the corporate level, and by rigorous management of projects at the property level.



Grosvenor Fund Management acquired the final 50% of 10 Grosvenor Street on behalf of its London Office Fund in September 2014. Sole ownership of this 5,900m² office building in Mayfair will enable us to add value to the property through active asset management.

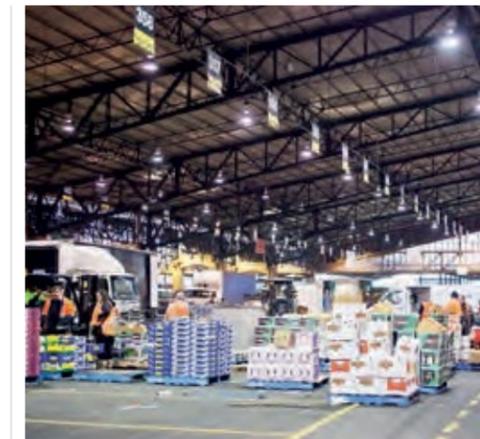
2

To develop and co-ordinate an internationally diversified property group.

Our strategy:

Diversification. We diversify by geography, sector, currency, property activity and management team. Our structure provides three routes to achieving this: direct proprietary activities, indirect proprietary activities, and fund management.

‘Living cities’. We use our expertise as stewards (asset managers) of existing properties, as place-makers (developers) of new projects, and as fiduciaries (fund managers) of capital to create high-quality places for people to enjoy and which use resources responsibly.



In 2014, our Indirect Investment business succeeded in its strategy to re-invest in Australia by completing an investment with Propertylink, a specialist in the Australian industrial and logistics sector.

3

To uphold Grosvenor's reputation for quality, integrity and social responsibility.

Our strategy:

We recruit and develop people who share the values of Grosvenor – loyalty, integrity, expertise and long-term vision – and have the skills and ambition to help us implement our strategy. We stick to our promises, build lasting relationships with partners and work closely and responsibly with local communities.

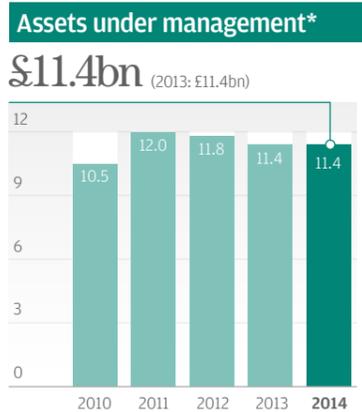


As part of a wider effort to reduce energy usage across its entire directly-managed property portfolio, Grosvenor Britain & Ireland retrofitted three properties to the EnerPHit Passivhaus energy performance standard. The properties will be the first of this standard in the private rented sector in London and will have excellent thermal performance and exceptional airtightness and mechanical ventilation, leading to an 80% reduction in energy usage.

Highlights

Group operational highlights

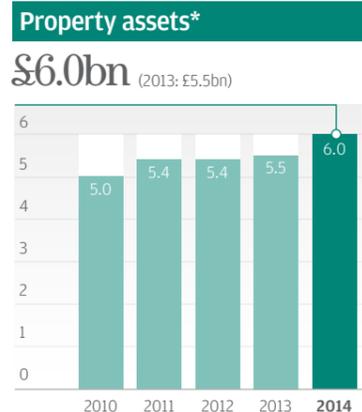
See glossary on the inside back cover for definitions



Why we measure
To monitor the scale of the portfolio of property assets for which the Group's management teams are responsible.

Comment
Strong revaluation increases across all Operating Companies, particularly in Grosvenor Britain & Ireland, were offset by disposals of assets in Grosvenor Fund Management.

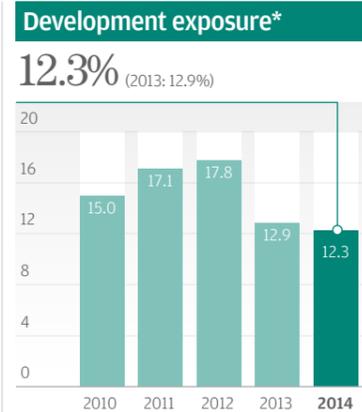
* Restated. Refer to glossary.



Why we measure
To quantify the Group's financial investment in property assets.

Comment
Property assets have increased largely due to significant revaluation uplifts across all our Operating Companies.

* Restated. Refer to glossary.



Why we measure
To indicate the level of committed development activity, expressed as a proportion of total property commitments.

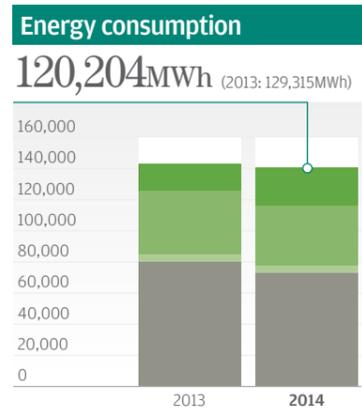
Comment
Our current development exposure has fallen, largely as a function of the increasing value of the investment portfolio. Our development pipeline means that we expect this measure to increase over the coming years.

* Restated. Refer to glossary.



Why we measure
To help us increase revenue profit. Maximising occupancy in our buildings is a key driver.

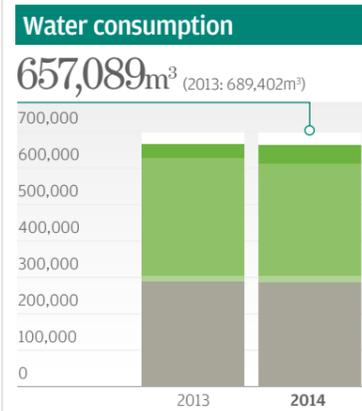
Comment
Our focus continues to be on maintaining high occupancy levels, with good results across all our sectors and regions.



Grosvenor Britain & Ireland	21,460MWh
Grosvenor Americas	32,602MWh
Grosvenor Asia Pacific	4,477MWh
Grosvenor Fund Management	61,665MWh

Why we measure
To monitor our energy consumption so we can identify ways to improve our environmental performance.

Comment
We have reduced energy consumption by 7.0% across our like-for-like directly-managed portfolio due, in part, to retrofitting initiatives which have improved energy efficiency.



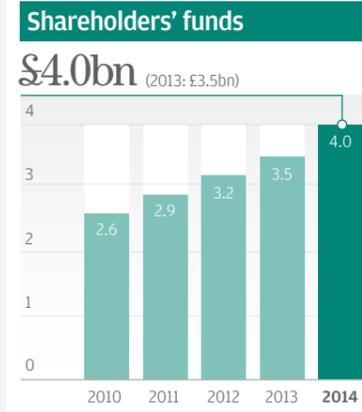
Grosvenor Britain & Ireland	18,186m ³
Grosvenor Americas	307,039m ³
Grosvenor Asia Pacific	13,462m ³
Grosvenor Fund Management	318,402m ³

Why we measure
To monitor our water consumption so we can identify ways to improve our environmental performance.

Comment
We have reduced water consumption by 5.0% across our like-for-like directly-managed portfolio due, in part, to initiatives to improve water efficiency.

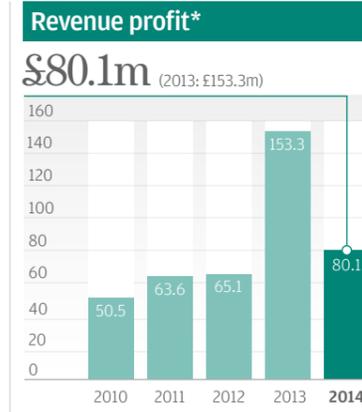
Group financial highlights

Group analysis:



Why we measure
To report the total value of the Shareholders' investment in the Group.

Comment
Shareholders' funds have hit a new high, largely as a result of the revaluation increases across our portfolio.



Why we measure
To identify underlying performance, excluding market movements.

Comment
Revenue profit has returned to the pre-2013 upward trend following the exceptional profit in 2013 due to one-off trading profits.

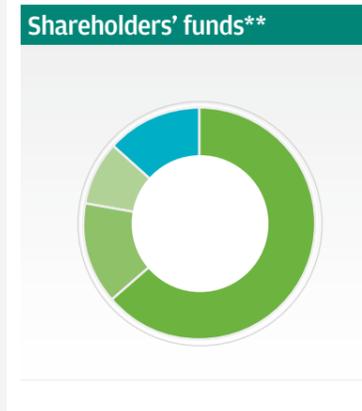
* Restated. Refer to glossary.



Why we measure
To show how our property portfolio has performed, including both income and capital returns.

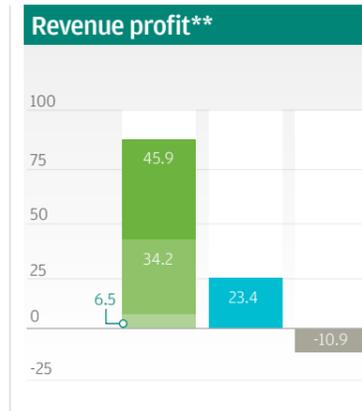
Comment
A strong return delivered by the Group with outperformance in all Operating Companies. This translates into a profit before tax of £681.8m (2013: £506.9m).

Operating company analysis:



Grosvenor proprietary activities – direct	
Grosvenor Britain & Ireland	£2,547.8m
Grosvenor Americas	£574.1m
Grosvenor Asia Pacific	£357.8m
Proprietary activities – indirect	
Proprietary activities – indirect	£523.8m
Grosvenor Fund Management	
Grosvenor Fund Management	£0.7m

** Excludes the Holding Company.



Grosvenor proprietary activities – direct	
Grosvenor Britain & Ireland	£45.9m
Grosvenor Americas	£34.2m
Grosvenor Asia Pacific	£6.5m
Proprietary activities – indirect	
Proprietary activities – indirect	£23.4m
Grosvenor Fund Management	
Grosvenor Fund Management	£(10.9m)

** Excludes the Holding Company.



Grosvenor proprietary activities – direct	
Grosvenor Britain & Ireland	17.3%
Grosvenor Americas	9.7%
Grosvenor Asia Pacific	9.1%
Proprietary activities – indirect	
Proprietary activities – indirect	8.7%

** Excludes the Holding Company and Grosvenor Fund Management. Total return on property assets is not a relevant measure for Grosvenor Fund Management.

Chairman's statement

Investing
for the future

In summary:

A strong result

Continued strong financial performance in 2014 prepares the ground for the next phase of longer-term projects soon to come on stream.

Continuing financial strength

Our diversification strategy continues to evolve and deliver.

Changes to our Board

New Board members strengthen the Group's international perspective.

Our responsibility to society

Our commitment to the long term and the highest quality design, build and service standards is uncompromised throughout our global activities.



View interview with Lesley Knox at:
[www.grosvenor.com/
about-grosvenor/performance](http://www.grosvenor.com/about-grosvenor/performance)

Continuing financial strength

The Group's financial performance continued its strong run in 2014. Revenue profit was £80.1m, total return was 13.1% and Shareholders' funds increased to £4.0bn. This return was above our expectations at the beginning of the year thanks largely to another robust performance in Grosvenor Britain & Ireland. Looking ahead, we expect more modest returns as the UK contribution reverts to trend.

We have long operated far beyond our central London roots and we continue to develop fruitful partnerships with investors and businesses around the world. From indirect investments in Australia to partnerships with investors in urban retail in Continental Europe, our business continues to broaden and evolve.

As one of the world's few genuinely international property groups, maintaining a consistent approach and set of values is challenging. But I am nevertheless struck by the ability of our people to do business across the world in a way which is tailored to individual markets while at the same time consistently true to Grosvenor's values.

The virtues of 'patient capital'

Grosvenor's unusual nature derives partly from being a private company. Free from the short-term demands of financial markets, we are able to set our own destiny and invest for the long term, with no need to churn capital to show immediate results. We aim to deliver the highest quality design, build and service standards, while developing strong communities through an increasing focus on the public realm.

Changes to our Board

A strong Board is, of course, crucial to the preservation of our values and approach and so we are delighted to have been able to appoint Sir Philip Dilley and Christopher Pratt as Non-Executive Directors. Philip's experience as Chairman of design, engineering and consulting firm Arup will be invaluable as the Group embarks on several large projects. Christopher's recent experience as Chairman of Swire Group in Hong Kong will provide a highly relevant perspective as we continue to expand and develop our presence in Asia.

2014 saw us celebrate 20 years in Asia: two decades of considerable success under the leadership of Nick Loup. Nick hands the reins over to Benjamin Cha who becomes Chief Executive of Grosvenor Asia Pacific on 1 April 2015. We are ambitious for the growth of this business.

Grosvenor's 'Living cities'

We believe our 'Living cities' philosophy also marks us out. We aim to contribute to the sustainable growth of the cities in which we operate by creating high-quality places for people to enjoy and which use resources responsibly.

The Westminster Foundation (which represents the philanthropic activities of the Grosvenor family, headed by the Duke of Westminster, and the Grosvenor Estate) had another strong year of grant-making and charitable activity in 2014. In particular, it made a number of grants to several well-respected charities to combat poverty in the areas of the UK where it operates and came together with Grosvenor Britain & Ireland to launch the Living Communities Fund, administered by the London Community Foundation, which makes small grants to grassroots community groups in south Westminster, London.

Part of the strength of Grosvenor's long-term outlook is our ability to withstand short-term pressures, take advantage of opportunities during periods of market weakness and ride out the property cycle. It is typical of our approach that we are already planning for the next downturn to ensure we can weather it and invest during it.

Lesley Knox
Group Chairman
26 March 2015

**Grosvenor Group Limited –
Board of Directors**
as at 26 March 2015

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



From left to right:

Jeremy Newsom FRICS
Non-Executive Director
Executive Trustee,
Grosvenor Estate

Jeffrey Weingarten
Non-Executive Director
Non-Executive Director,
Aviva Investors

Mark Preston FRICS
Executive Director
Group Chief Executive;
Non-Executive Director,
Persimmon Plc

Lesley Knox
Chairman and Non-
Executive Director
Trustee, Grosvenor Estate;
Non-Executive Director,
Centrica plc and SABMiller plc

Nicholas Scarles
FCA ATTORNEY AT LAW
Executive Director
Group Finance Director

Sir Philip Dilley
Non-Executive Director
Trustee, Arup;
Chairman, UK Environment Agency

Domenico Siniscalco PhD
Non-Executive Director
Vice Chairman, Country Head
of Italy and Head of Government
Coverage EMEA, Morgan Stanley

Michael McLintock
Non-Executive Director
Trustee, Grosvenor Estate;
Chief Executive, M&G Group

Christopher Pratt
Non-Executive Director
Non-Executive Director,
Johnson Electric Ltd

Read biographies online at:
www.grosvenor.com/group-board

Chief Executive's review

Consistent strategy, new projects...

In summary:

On trend

The Group's revenue profit is in line with the trend maintained over recent years.

Outperformance

Grosvenor Britain & Ireland's strong performance contributes to the highest total return since the start of the financial crisis.

International

We celebrated the 20th anniversary of investing in Asia. Benjamin Cha succeeds Nicholas Loup as Chief Executive of Grosvenor Asia Pacific.

'Living cities'

We are putting 'Living cities' into practice across the Group.

Long-term view

We continue to emphasise the importance of the long-term view.

View interview with Mark Preston at:
[www.grosvenor.com/
about-grosvenor/performance](http://www.grosvenor.com/about-grosvenor/performance)



2014 has been a further year of strong financial results, and of good progress against all three objectives (see pages 6-7). My report on each of those objectives is set out under the next three headings.

Returns

We focus on two primary measures of return: revenue profit and total return. In my statement last year, I described our revenue profit in 2013 as exceptional (resulting from significant residential sales in London) and indicated that the 2014 figure would be lower, but in line with the trend of prior years - and indeed this has been the result. The total return of 13.1%, however, exceeded expectations yet again, due mainly to strong outperformance in Grosvenor Britain & Ireland. As a result, Shareholders' funds grew to £4.0bn (2013: £3.5bn).

Grosvenor's commitment to delivering returns over the long term is partly demonstrated through our £5.5bn development pipeline, much of which involves many years of planning and pre-construction activity.

To pick two examples, we are involved in discussions with the planning authorities in the London Borough of Southwark over the development of a five-hectare site in **Bermondsey** (see caption 6 on page 33), which could create 800 new homes and help to transform this part of London.

Likewise, in Vancouver we are undertaking one of our most significant developments in the Americas - **Grosvenor Ambleside** (see caption 2 below and caption 6 on page 2) - which will help rejuvenate the historic Ambleside Village through a mix of residential, retail and public realm investment.

Our UK business continues to focus on the London market but has reduced its exposure to upmarket residential, believing there are better opportunities elsewhere (see caption 1 below).

Outside the UK, Grosvenor Americas acquired several residential development sites during the year, including one adjacent to **Jackson Square** in San Francisco and another in downtown Vancouver. Meanwhile, it made a particularly notable contribution (£34.2m) to revenue profit for the year.

Grosvenor Asia Pacific entered into a new development partnership and its first site has now been acquired in Tokyo.

Returns from both our new indirect investments and from co-investments in 2014 were in the mid-teens and these two areas continue to lead our diversification strategy.

Looking ahead, property broadly defined is expected to produce returns of up to 8.0% over the next several years and we consider this to be a realistic expectation for Grosvenor too. While we remain focused on generating long-term returns, we will be in a position, financially and strategically, to act swiftly and opportunistically where appropriate.

Diversification

We achieve a diversified investment portfolio through our three proprietary Operating Companies in Britain and Ireland, North America and Asia Pacific; via indirect property investments, backing managers with specialist skills and investing in new markets; and through our property fund management business (Grosvenor Fund Management). Having been closely correlated during, and immediately following, the global financial crisis, our markets are now at different points in the cycle, with China slowing, the USA and UK mid-cycle, and Continental European markets still early in recovery. The benefits of a strategy based on diversification derive from such a lack of correlation and we allocate capital to take best advantage of this. Our new Group Research Director, Graham Parry, expands on this issue on pages 16-17.

Today we invest circa 40% of our balance sheet outside the UK. This in itself sets us apart from many other major property groups, which tend to have a domestic focus (and are increasingly single-sector). We invest in an in-house research capability to add insight, from an investor's perspective, to other sources of information on global markets, sectors and trends. On-the-ground property expertise and knowledge in our 17 offices complements this central resource.

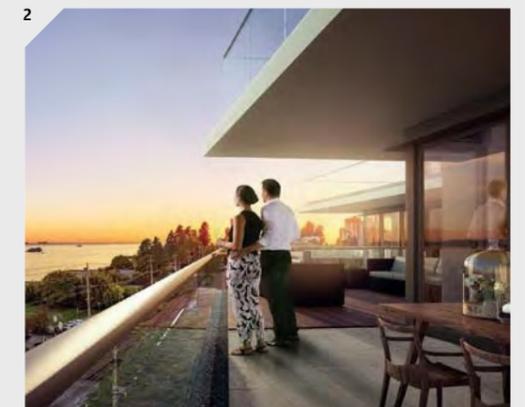
1 69 Grosvenor Street

This 18th century period townhouse in Mayfair, London, UK, was redeveloped into an office, completing at the end of 2014. Its modern design, complemented by carefully restored historical features, offers an alternative to traditional office space.



2 Grosvenor Ambleside

Ninety-eight individually designed homes will rise in terraces in two buildings and will be connected by a glass-covered galleria - an animated and engaging streetscape filled with music, art, people and life. (CGI)



Chief Executive's review (continued)

2014 was the year in which we celebrated our 20th anniversary of investing in Asia (see pages 40-41 and back cover). We were early international investors in the region's property markets and have been steadily building a reputation in the residential sector in particular (see caption 3 below). The celebration in Hong Kong was suitably upbeat, conveying well what has been achieved there, and in Shanghai and Tokyo, under the leadership of Nick Loup, who is succeeded as Chief Executive of Grosvenor Asia Pacific by Benjamin Cha (see quote to the right and caption 2 on page 43) on 1 April 2015. Ben joined us in September 2014. He has a deep understanding and experience of the Asian property market and his background is suitably international.

In Grosvenor Americas, we remain focused on the cities of Vancouver, Calgary, San Francisco and Washington, DC, but are also actively managing investment properties in Seattle and Los Angeles.

Our Indirect Investment business has investments in the logistics sector in the UK, USA and now Australia, in addition to an exposure to this sector via a portfolio of listed securities. We also continue to hold a significant investment in Sonae Sierra, giving us exposure to the recovering retail sector in Southern Europe and to shopping centres in Brazil.

This part of the Group also co-invests in funds managed by Grosvenor Fund Management. This is an important means by which we diversify and pursue our search for new opportunities, while offering our property expertise to institutional, private and other large investors.

Grosvenor Fund Management has deepened its focus in Europe and two events in particular illustrate the significance of this: a new partnership with a large North American investor to invest in European retail property and the acquisition of **Skärholmen Centrum** (see caption 4 below and pages 50-51), the fourth largest shopping centre in Sweden, together with an Asian and a European investor.

The benefits of diversification to Grosvenor continue to be as valuable as ever and so we will grow our international exposure and develop new partnerships. Meanwhile, political, economic and fiscal uncertainties continue to emerge on the horizon and we plan for these by maintaining a low level of balance sheet gearing (23.0% at the end of 2014 - see page 24) and generous financial capacity (£1.1bn - see page 25).

"It is a dynamic time for each market in Asia where we have a presence. With our long-standing commitment to the region, our strong partnerships and carefully developed strategies, I am confident we will be able to expand on previous successes. I look forward to being part of the process."



Benjamin Cha
Managing Director,
Grosvenor Asia Pacific
Succeeds Nick Loup as Chief
Executive on 1 April 2015



3



4

3 The Belgravia Azabu
"The Belgravia", together with "The Grosvenor" and "The Westminster" residential brand names in Asia, are increasingly recognised for the high-quality design and finishes that they bring to the market. The Belgravia Azabu in Tokyo, Japan is our latest addition to this portfolio.

4 Skärholmen Centrum
Grosvenor Fund Management acquired this leading shopping centre in Stockholm, Sweden, on behalf of its Retail Centres V (Sweden) fund, just after the year-end. The 98,000m² asset comprises more than 175 retailers and boasts exceptional community facilities.

As a final note on the topic of diversification, one of the challenges and opportunities for any international group is how best to share and learn from its collective knowledge and experience across the world. For the Grosvenor Group, part of the 'glue' which brings us all together is our approach to creating and managing places in cities, which we term 'Living cities'.

This approach underpins our strategy and is summarised on page 1, and detailed on pages 26-27.

Reputation

Upholding Grosvenor's reputation for quality, integrity and social responsibility is the third of our objectives. More than anything else this relies on recruiting, retaining and developing people with values and skills that match our ethos and strategy. However, merely listing the values of the Group - loyalty, integrity, expertise and long-termism - reveals little about what sets us apart.

What differentiates us? Because we are private and have a stable ownership we can think, plan and act for the long term; because we have a long history in, and deep understanding of, cities, we can share this with our partners and clients and make a contribution to the evolution of sustainable communities; and because the long-term relationship is more important to us than the short-term opportunity, we bring a unique perspective to our interactions with partners, lenders, occupiers, advisers and staff.

These are the reasons why I feel proud to have celebrated my own 25th anniversary at Grosvenor in October 2014. I find it rewarding to see through the consequences of decisions made in previous years - a privilege which is regrettably rare in an increasingly short-termist world.

I was delighted to be appointed as global Chairman of the Urban Land Institute's (ULI) Center for Sustainability's Advisory Board. Sustainability is central to the ULI's mission, and the Institute has a long history of examining best practices in land use and community-building that promote responsible resource use and long-term resilience for the benefit of people, profits and the planet.

Grosvenor has an important responsibility as a major player in real estate. We participate in many different ways in the public realm, so it is right that we have a voice on issues which affect our various stakeholders, via the ULI, London First and several other industry organisations.

We have commissioned a leading research company to look at how we are seen by a wide range of audiences, including the public at large. We suspect that many perceptions of Grosvenor are still rooted in the past and that we therefore need to communicate more actively to convey the changing Grosvenor of today and the future.

We encourage our Operating Companies to contribute to the local communities in the cities in which we hold assets. It is part of their responsibility to their communities to do so.

One example of this is our **Grosvenor Ambleside** development in West Vancouver. As part of our commitment to place-making, we entered into a partnership with the Kay Meek Centre to support a number of youth initiatives as well as future programming. The Kay Meek Centre will, in turn, manage the performance space we are creating at Ambleside.

Grosvenor encourages individual initiative and teamwork throughout the organisation. I would like to thank all 524 staff for playing their part in the evolution of the Group and in upholding and enhancing our reputation - every contribution makes a difference.

Mark Preston
Group Chief Executive
26 March 2015

Grosvenor Group Limited - Executive Committee
as at 26 March 2015

The Group Executive Committee is responsible for co-ordinating the implementation of Group strategy. It meets three times a year. Benjamin Cha succeeds Nicholas Loup on 1 April 2015 (see page 14).

From left to right:

Andrew Bibby
Chief Executive, Grosvenor Americas

Nicholas Loup
Chief Executive,
Grosvenor Asia Pacific

Mark Preston FRICS
Chairman, Executive Committee
Group Chief Executive

Nicholas Scarles
FCA ATTORNEY AT LAW
Group Finance Director

Peter Vernon FRICS
Chief Executive,
Grosvenor Britain & Ireland

James Raynor
Chief Executive,
Grosvenor Fund Management



Market overview

Limiting risk in a world of opportunity

Still an uncertain world

The global economy remains a challenging environment for property investors. While global momentum has improved, it continues to be buffeted by periodic setbacks and disappointments. There have been a number of false starts, including a stalling Eurozone recovery, heightened geopolitical risk and turbulent emerging markets.

The net effect is that the world has not been able to shake off a general feeling of unease. Although the bulk of the available evidence still points to a gradual normalisation in the global economy, the recovery remains contingent on continued extraordinary policy stimulus from central banks and there are continued doubts about what exactly the new normal now is. In the meantime, this prolonged period of abnormally low interest rates has boosted a wide range of asset prices, including real estate, to unprecedented levels.

Further complicating the outlook is the increasing divergence in regional growth prospects. The USA and the UK have pulled away from their beleaguered European and Japanese counterparts. At the same time, uncertainty about the strength of demand in China and other emerging markets is continuing to cloud investor sentiment.

Diversification enhances global real estate returns

From a property perspective, the current mixed fortunes in the global economy are reinforcing the benefits to investors of holding a diversified real estate portfolio, which extends the investment choice to a greater range of potential market opportunities. No single location or property sector outperforms all other markets all of the time.

Total investment returns can be enhanced through a mixed portfolio, which offers the chance to increase exposure to leading markets early in the cycle and then take profit at the top of the cycle before those markets overheat.

As different regions move to different points of the economic cycle it will accelerate the divergence of real estate returns and reinforce the benefits of geographic and sector diversification.

Risk mitigation is particularly important

In addition to offering greater potential returns, the uncorrelated nature of global property market cycles means that diversification can provide a significant reduction in the volatility of portfolio returns, relative to the level of risk in any single market. The chart opposite shows the correlation between commercial property returns in London and 53 other global cities.

While there is a high correlation (above 0.90) between London and other UK cities, many markets have low or even negative correlation with the London market. Thus, by holding a diversified portfolio of lowly correlated global markets, the investor can avoid taking a compounded hit to returns in all markets all at once.

Diversification benefits are further enhanced when local market returns are adjusted for currency movements. When local currency returns are converted to Sterling (the white circles on the chart opposite) the relative performance of major global cities becomes even more uncorrelated, increasing the stabilisation benefits from a diversified portfolio.

Indeed, the extra cushion provided by currency diversification can be particularly important during large global demand shocks, which tend to hit all real estate markets simultaneously, but which cannot, by definition, hit all exchange rates at the same time. In other words, while local property markets often become more correlated during a global shock, currency-adjusted returns do not.

It takes local knowledge to deliver 'alpha' returns

The key difficulty with global property diversification is how to put theory into practice. Despite the clear benefits from global diversification, real estate investors have tended to have a greater home-country bias than investors in other assets classes. This partly reflects the inherent nature of real estate markets. Although property returns are closely tied to the economic cycle, there is often an opportunity in real estate to outperform the market by exploiting greater local knowledge and expertise to generate 'alpha': a better risk-adjusted return than the market average. However, there are few global investors who are able to be effective direct investors in a broad range of global property markets. Most are forced to access property opportunities indirectly by finding local experts with aligned interests and values, which is itself a challenge.

The enduring attraction of well-connected cities

The latest data on global real estate investment suggests a renewed appetite amongst real estate investors for global diversification: cross-border investment flows increased again in 2014, but are still not back to pre-crisis levels. However, a major theme since the crisis is that global investors remain particularly selective about which global real estate markets they are willing to invest in.

There has been a particularly strong demand by large global investors with a narrow focus on only top prime assets in the largest leading global gateway cities.

This shift reflects both structural and cyclical factors. Globally integrated and vibrant cities like London, New York and San Francisco have enjoyed more dynamic population and employment growth and are increasingly becoming incubators for a knowledge-based economy. This economic dynamism, in turn, creates greater potential real estate opportunities for local operators to exploit local knowledge to deliver above-market returns. Real estate in these leading global cities is a good investment, particularly for long-term investors.

The property cycle is not dead

Part of the recent bias toward large gateway cities has also been a retreat from risk in a period of enduring global uncertainty, which has kept investors anchored in safe-haven markets. The fact that the global recovery remains patchy has been reflected in continued periodic bouts of investor uncertainty, and a bias toward large, liquid markets. This has pushed yields in a number of key global real estate markets to record lows and created concerns about overheating.

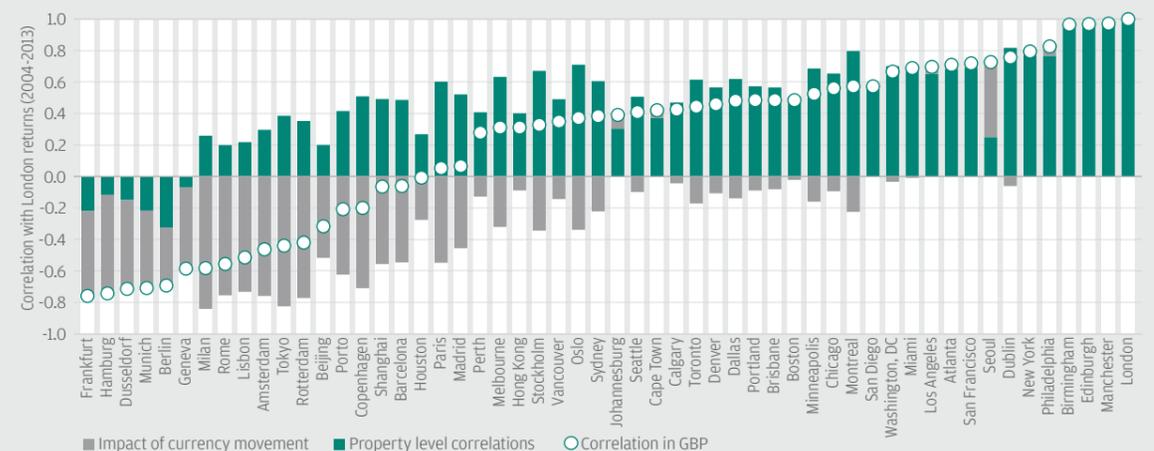
In this environment, the main risk is complacency. While a diversified portfolio of leading global cities will provide strong returns over the long run, investors will need to look more closely at market fundamentals to distinguish which regions and sectors offer the best value, based on where they are in the cycle. With interest rates expected to remain low for at least another year, there is a risk that investors begin to under-price the prospect of an eventual normalisation in growth and interest rates over the medium term. This looks to be a particular concern in some of the larger prime global markets that have benefited the most since the crisis, but which are often the most advanced in terms of the property cycle.

Graham Parry
Group Research Director
26 March 2015



Graham Parry
Group Research Director

Correlation between London property returns and other global cities (in local currency and GBP)



Portfolio analysis

A diversified portfolio

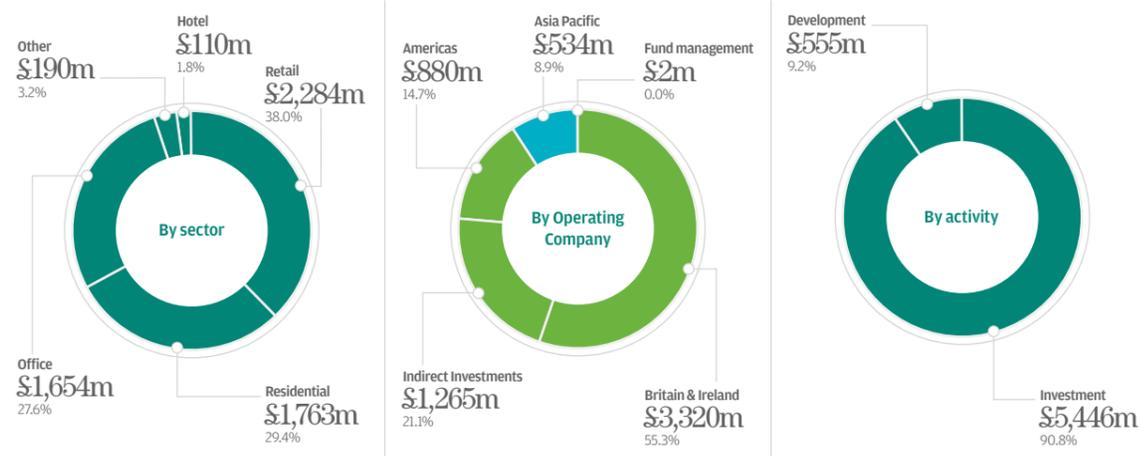
Segmental analysis

Diversification of our property portfolio is achieved by investing in property, both directly and indirectly, and across various geographical locations, sectors, activities and management teams. Our exposure is measured in terms of our share of property assets held on the balance sheet and assets under management (which includes property assets that we manage on behalf of third parties). During 2014, Grosvenor's share of property assets grew 9.0% to £6.0bn and assets under management remained at £11.4bn, reflecting the valuation increases across the proprietary business, offset by a reduction in the assets under management in Grosvenor Fund Management.

[See glossary on the inside back cover for definitions](#)

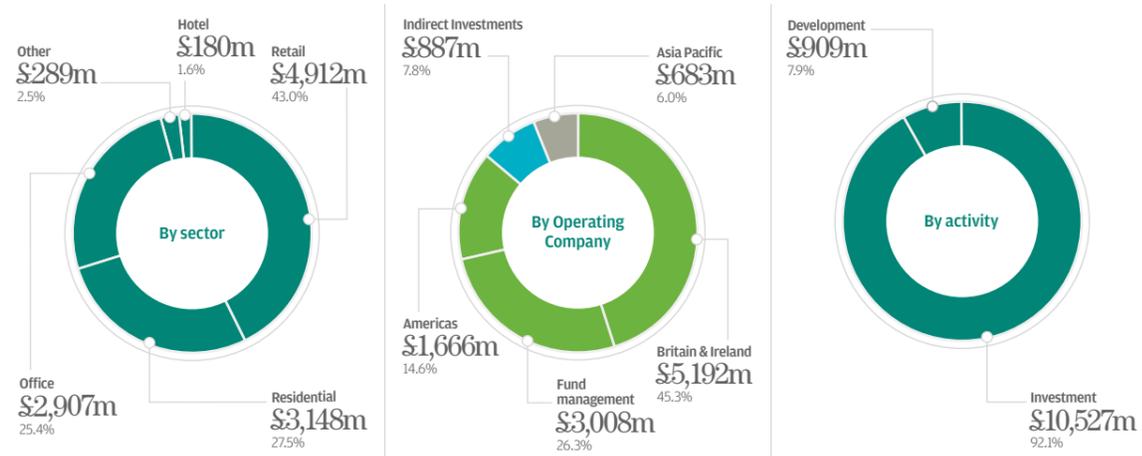
Property assets

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



Assets under management

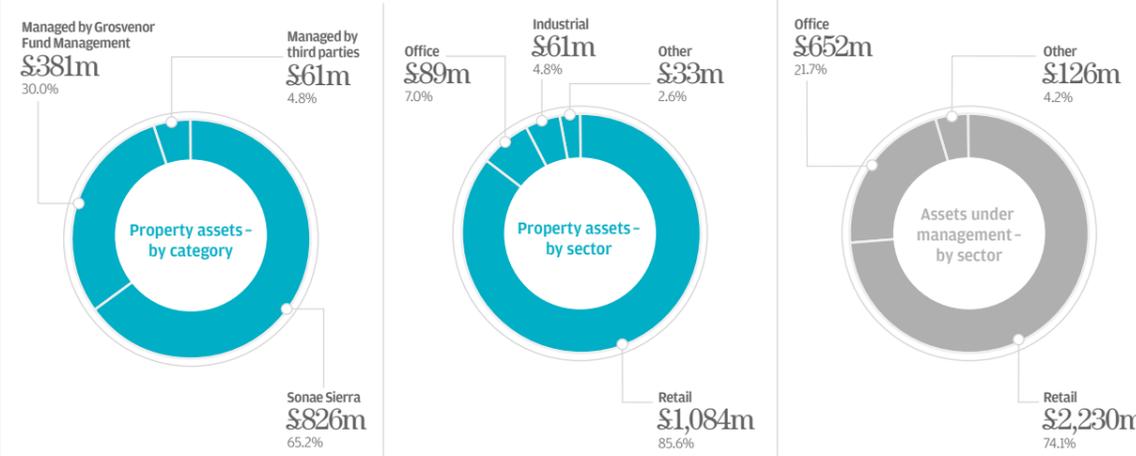
Assets under management represent the total investment in property assets (belonging to both Grosvenor Group and third-party investors), including the future costs of committed developments.



Proprietary activities – direct property assets: rent and yield profiles

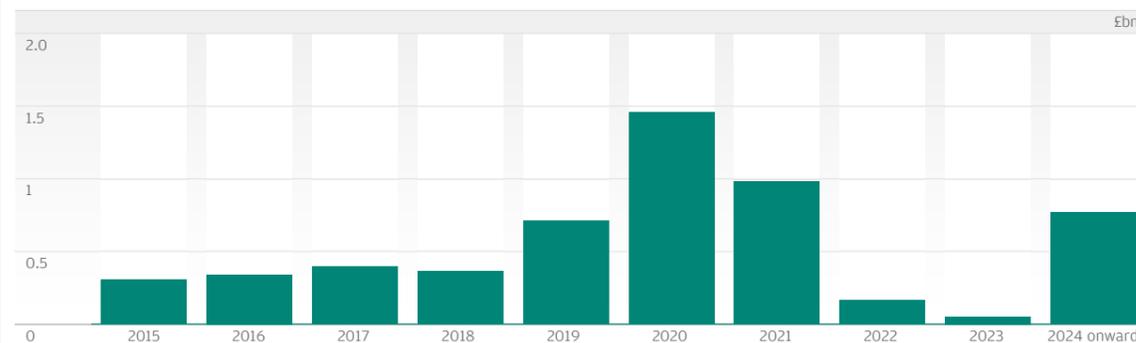


Proprietary activities – indirect



Development analysis

The combination of the completion and disposal or transfer of some of our mature development projects, together with the continued strong appreciation in the value of our investment portfolio, means that our development ratio (measured as the value of trading and development property assets as a proportion of the total property portfolio) has fallen to 12.3% from a peak in 2012 of 17.8%. This fall in the development ratio, which includes cost to completion, needs to be considered alongside the Group's development pipeline of key projects that are either currently on the ground or have plans which are well progressed (including projects which are not yet committed). The chart below shows the expected gross development value of the development pipeline projects (£5.5bn) together with potential completion dates.



Finance Director's report

The financial capacity to seize opportunities

In summary:

Strong performance

Another exceptional year, driven by markets and Group-wide operational performance.

Growing portfolio

Unusually for a diversified portfolio, all markets performed well.

Reduced gearing

Gearing was reduced in preparation for the next phase of development.

Prepared

We are well set up for a downturn, whenever that may come.

Resilient future

Grosvenor remains committed to making the property industry more resilient.



View interview with Nicholas Scarles at:
www.grosvenor.com/about-grosvenor/performance

Group performance

Group financial performance in 2014 was strong. Of course we recognise that this was driven in part by markets, as well as our teams' operational performance.

Revenue profit of £80.1m returned to the pre-2013 upward trend. As I said last year, the revenue profit comparison should be with 2012 (restated £65.1m) rather than last year's exceptional spike (2013 restated: £153.3m). Profit before tax increased 34.5% to a record £681.8m (2013: £506.9m). Total return, which includes both income and capital returns, was 13.1% (2013: 9.7%), the highest since the onset of the financial crisis. Shareholders' funds increased by 14.8% to £4.0bn (2013: £3.5bn).

Operating Company performance

Revenue profit

Grosvenor Britain & Ireland's performance in 2014 should also be compared with the trend established up to 2012 and not with the exceptional trading profit of 2013 arising from the decision to take advantage of prime residential pricing. Their revenue profit in 2014 was £45.9m (2013: £117.5m), a 30.4% increase on 2012.

Grosvenor Americas' revenue profit increased by 44.4% to £34.2m (2013: £23.7m) due to the successful completion and sale of developments, including the 39 residences at **1645 Pacific Avenue** in San Francisco, California.

Grosvenor Asia Pacific's revenue profit increased by 44.4% to £6.5m (2013: £4.5m), driven by increased rental income from new acquisitions and profits from **The Westminster Roppongi** development in Tokyo.

Indirect Investment's revenue profit reduced by 40.2% to £23.4m (2013 restated: £39.1m), due to reduced holdings of co-investments, together with trading property impairments in Sonae Sierra.

Grosvenor Fund Management reduced its losses by 27.0% to £10.9m (2013: £14.9m loss), benefiting from the first full year of its more focused strategy.

Total return

The rationale for our diversified portfolio is to smooth the impact of peaks and troughs in different geographical markets. We expect markets to be at different points in their cycle, yet 2014 proved to be a year in which all our markets performed positively.

For the fifth consecutive year, Grosvenor Britain & Ireland delivered the highest total return amongst our Operating Companies, at 17.3% (2013: 16.5%). This figure reflects continuing strong revaluations and active management of the London estate.

Grosvenor Americas' total return of 9.7% was down slightly from last year's six-year high (2013: 10.5%), and Grosvenor Asia Pacific's 9.1% was up on the previous year (2013: 5.4%) due to positive revaluation movements.

The total return from Indirect Investment at 8.7% (2013: 3.6%) was due in part to a recovery in Southern Europe - Portugal in particular - and strong performance from our investments in funds.

Treasury

£643.0m of wholly owned and managed debt refinancings took place during the year, taking advantage of low interest rates and the financial strength of Grosvenor and the joint ventures and funds which we manage. We adopt a co-ordinated approach to treasury management, whereby negotiation, approval and responsibility is at the local level while benefiting from central, shared professional treasury expertise and relationship management.

Taxation

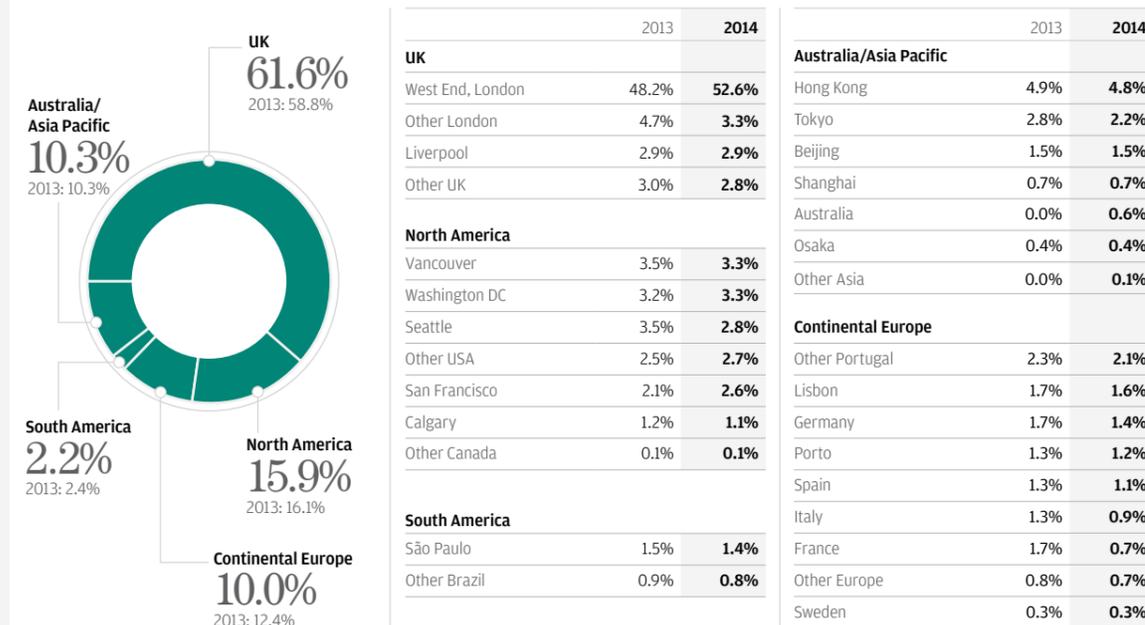
The 2014 effective tax charge was 21.3%, similar to last year, after taking account of the distortive effects of changing tax rates.

It is perhaps not surprising that property, being physical and immovable, is taxed where it exists, so our effective tax rate is driven by the blend of tax rates in the jurisdictions in which our investments and developments are located.

Borrowing and investing

While we challenge each of our Operating Companies to maximise income and total return, we do this within a comprehensive set of financial and operational parameters designed to ensure Grosvenor's survival.

Economic property interests by city



Finance Director's report (continued)

We prefer to understand what events, however unlikely, might cause Grosvenor to breach its financial obligations, and then seek to avoid them.

Our appetite for gearing risk is set in terms of the extent to which property values across our portfolio can fall without breaching Holding Company debt facility financial covenants and assuming no responsive action, such as selling assets. This 'resilience' at the end of 2014, was 80.0% (2013: 77.0%) - well above our internal minimum.

With economic gearing reducing to 23.0% (2013: 29.3%), we have headroom in preparation for the phased execution of our development pipeline. We have £1.1bn of financial capacity, in the form of spare cash and committed facilities to support future investment and development activity as well as to provide a cushion in the event of a market crash.

Our capital allocation by region in 2014 changed little from the previous year. There was a slight increase in our allocation to the UK, reflecting higher revaluations during the year.

The real estate cycle

Grosvenor remains cognisant of the next downturn, both as a potential risk, but also as an opportunity. As memories of previous crashes fade and as a boom market delivers exceptional returns, we recognise the emotional pressure to increase gearing and take additional risk, requiring a firm resolve to maintain risk within acceptable parameters.

Our commitment is to the long term, which transcends short-term volatility, exemplified by our incorporation of long-term resilient cities research data into our capital allocation process. During these recent years of exceptional performance, we have worked even harder to ensure that our cost-base is appropriate for a range of different scenarios in the changing cycle.

Of course, we do not know when any form of market correction will occur but, as I stated last year, our own analysis indicates the prospect of a correction is increasing.

For real estate companies, a crash is 'won' not by crisis management developed after the crash commences, but by the planning and positioning undertaken during the boom. We have dusted down the plans we developed in 2007, and updated and improved them, with a focus on preparations within each of our businesses in 2015.

We plan to continue development during less benign conditions when development costs are lower and to seek to capitalise on buying opportunities when others might be doing the opposite.

Euro risk

Normally, we do not hedge the foreign exchange rate risk arising on the net investment in overseas assets, other than to the extent of natural hedging arising from both local debt and assets being denominated in local currencies. There are three reasons for this. First, we do not believe that wealth over the long term should be measured in one currency - in our case, Sterling - but by reference to a portfolio of currencies. Second, our capital allocation exercise is aimed at identifying cities where property will outperform over the medium term. Given that property returns and exchange rates tend to be correlated with GDP growth, we plan to benefit from expected foreign exchange movements over the long term as part of our capital allocation strategy. Over the six decades since Grosvenor's first venture overseas with the acquisition of Annacis Island in Vancouver, Canada, this approach has generated significant value. Third, hedging foreign exchange over the long-term has a cost, which can be significant, and entails a number of risks, particularly counterparty credit risk where our tolerance limits are better used for managing our spare cash.

Nevertheless, we have made an exception, based on our concerns about the weakness of the Euro. In 2011, we put in place foreign exchange hedges in anticipation of medium- and long-term cash flows from the Eurozone. There was both a currency and a cash flow rationale - bad news in relation to the Euro-area economy would reduce expected cash flows, but be compensated by the receipt of a gain on the hedges. To date, the hedges have proved successful, and the additional cash generated in the period 2011-2014 as a result of the hedges maturing in our favour, have partially compensated the reduced cashflows from our Eurozone operations.

Working together

During my 10 years with Grosvenor, we have developed strong finance functions within our Operating Companies. In 2014, we rolled out a new cross-Operating Company Finance Forum to share best practice across the Grosvenor Estate, including Wheatheaf and the other operations owned by our Shareholders.

Our structure and way of working also provides career opportunities for our finance team, and I was delighted that Ian Mair was able to move from Grosvenor Britain & Ireland during the year to become Finance Director of Grosvenor Asia Pacific.

Over my time in this role, I have increasingly felt that the property industry should contribute more, beyond the physical fabric, to supporting the wider economy. While property contributes significantly to economic growth most of the time, it has also demonstrated its potential to undermine financial stability during the market crashes which almost inevitably follow periods of excessive lending. Responsibility for devising a market structure which supports commercial real estate's contribution to economic growth, while protecting financial stability following commercial real estate crashes, should not be the sole responsibility of regulators and bankers. The real estate sector - to my mind - has a duty to contribute its knowledge and expertise to the debate. I was therefore pleased to chair the Real Estate Finance Group; a group of senior commercial real estate market individuals brought together specifically for this purpose.

Our 2014 report - "A Vision for Real Estate Finance in the UK. Recommendations for reducing the risk of damage to the financial system from the next commercial real estate market crash" - followed over a year of detailed discussion and industry consultation.

One of the principal recommendations is the creation of a UK Commercial Real Estate (CRE) loan database containing information on every CRE loan made by both regulated and non-regulated lenders. As part of its commitment to look at all measures which could have been taken to protect financial stability after the financial crash of 2008, the Bank of England has given a positive response to our proposal. I very much hope that the CRE industry will engage constructively with the Bank of England in 2015 to ensure that we move closer to the creation of such a database.

Nicholas Scarles
Group Finance Director
26 March 2015

10-year summary

Consistent progress,
year-on-year

Below are the summary income statement and key lines from the balance sheet for the years 2005-2014, presented on a proportional basis*.

Over the 10-year period, revenue profit has increased at a compound annual growth rate (CAGR) of 7.7% and Shareholders' funds have increased at a CAGR of 7.4%.

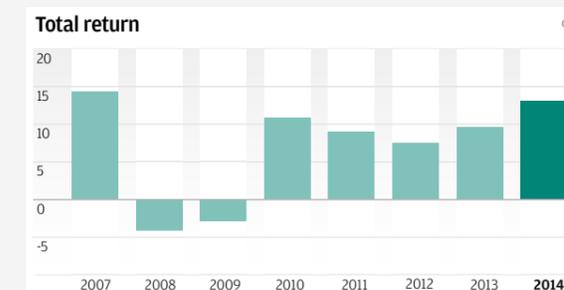
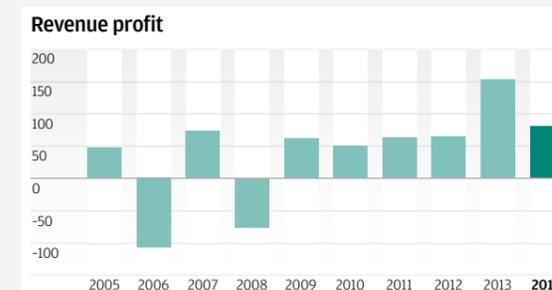
Income statement
- proportional

	2005**	2006**	2007**	2008**	2009**	2010**	2011**	2012**	2013**	2014
Net rental income	112.0	138.3	144.3	172.6	201.1	184.4	195.8	195.6	172.2	175.3
Fees and other income and expenses	45.3	70.1	68.4	58.7	63.6	75.7	60.5	58.5	63.1	63.9
Net gains/(losses) on trading properties	(0.8)	(175.2)	2.7	(100.8)	(2.8)	(3.6)	2.5	4.7	115.2	30.7
Administrative expenses	(79.2)	(105.4)	(114.4)	(124.0)	(125.7)	(123.8)	(120.5)	(118.8)	(128.6)	(127.3)
Net financing costs	(36.4)	(39.4)	(32.6)	(66.3)	(83.9)	(82.2)	(74.7)	(74.9)	(68.6)	(62.5)
Group revenue profit/(loss)	41.0	(111.6)	68.3	(59.7)	52.3	50.5	63.6	65.2	153.3	80.1
Net gains/(losses) on revaluation and sale of investment properties	336.9	640.7	475.6	(491.7)	(266.1)	386.6	329.5	320.1	380.9	638.0
Other	(7.3)	4.8	5.5	(47.2)	(23.6)	(16.4)	(67.4)	(11.9)	(20.9)	(15.8)
Tax and non-controlling interests in joint ventures	(2.5)	(25.3)	(25.4)	4.7	1.3	(25.9)	(10.7)	(5.6)	(6.4)	(20.5)
Profit/(loss) before tax	368.1	508.7	524.0	(593.9)	(235.8)	394.8	315.0	367.8	506.9	681.8

Balance sheet
- proportional

	2005**	2006**	2007**	2008**	2009**	2010**	2011**	2012**	2013**	2014
Total property assets including share of joint ventures	3,386.7	4,177.3	5,438.9	5,574.0	4,689.8	5,031.0	5,358.9	5,440.7	5,491.4	6,001.2
Net debt	(303.3)	(432.3)	(910.2)	(1,956.7)	(1,452.7)	(1,567.8)	(1,606.4)	(1,454.0)	(1,140.6)	(1,031.4)
Deferred tax	(489.7)	(659.0)	(765.2)	(585.9)	(473.2)	(382.1)	(593.5)	(491.1)	(665.0)	(739.3)
Other assets and liabilities	(407.2)	(519.3)	(700.0)	(195.0)	(220.6)	(305.2)	(195.9)	(217.0)	(144.9)	(175.6)
Net assets	2,186.5	2,566.8	3,063.5	2,836.5	2,543.3	2,775.9	2,963.1	3,278.6	3,540.9	4,054.9
Minority interests	94.9	148.9	175.1	186.2	156.5	126.6	107.8	86.4	85.8	88.3
Shareholders' funds	2,091.6	2,417.9	2,888.4	2,650.3	2,386.8	2,649.3	2,855.3	3,192.2	3,455.1	3,966.6

* Non-statutory basis. Incorporates both Grosvenor-controlled activities and share of joint ventures and associates.
** Restated figures. Refer to the glossary for details.



Our full financial statements for the 2014 financial year are available at www.grosvenor.com/financialstatements2014

See glossary on the inside back cover for definitions

Financial analysis

Thriving in cyclical markets

Managing cyclical risk

Overconfidence in cyclical markets is dangerous. Grosvenor, however, has survived through around 30 downturns over the last 340 years. Capital values in many of Grosvenor's markets have been rising for some time and, while this presents many opportunities, it also raises concerns about their sustainability, which we are addressing in a number of ways.

We have a strong in-house research team which supports the business with a carefully considered forward view. Forecasting can never be perfect, but it provides a solid reference point against which to test business plans.

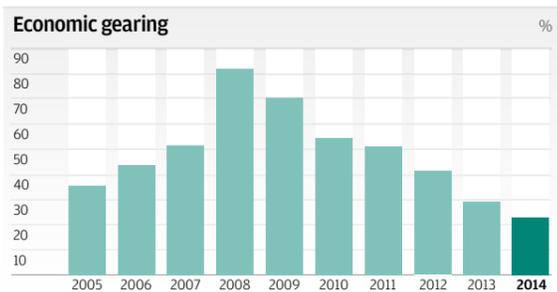
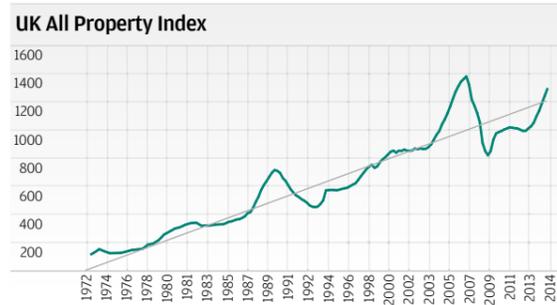
We also have an exciting and challenging pipeline of significant investment projects. The business has been built on a long-term view of property investment and we are therefore planning to develop through the next downturn whenever and in whatever form that may be.

A key element of our planning is the management of financial capacity and of gearing in particular. We expect that economic gearing will rise in the coming years as our major projects proceed, but at the end of 2014 our gearing was a healthy 23.0%, providing ample headroom to support our investment ambitions.

In terms of liquidity, we challenge each Operating Company to maintain sufficient spare cash and committed facilities to cater for two years of financial and property market turmoil. We assume no financings or refinancings, virtually no sales, and significant value falls and operational challenges based upon our recollection of the 1990s UK property crash.

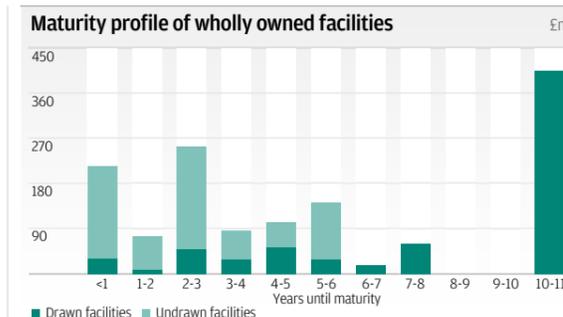
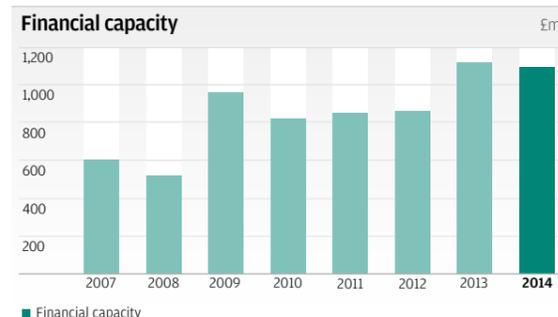
From time to time, we consider deliberately extreme scenarios which help us understand the extent of specific financial, market or economic risks. Examples include a halving of all UK asset values and the complete write off of all Euro-area assets and financial sources. These scenarios give us a feel for the potential limits of financial risk.

Diversification is another important element of the Grosvenor strategy and this has brought a number of benefits. The expertise of Operating Company management teams means that our geographic diversification has allowed us to tap into total returns beyond the limits of prime central London, and has provided some protection against the worst of the market cycle. In combination with prudent management of gearing and financial capacity, we believe that this will place us in a good position to survive and prosper through the coming cycle.



Financial capacity and liquidity

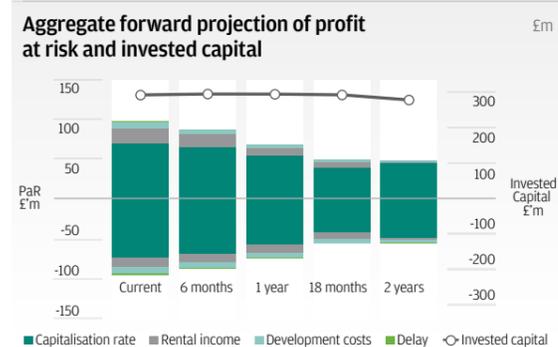
We manage financial capacity and liquidity not only with the aim of limiting exposure during periods of global economic stress, but also to position ourselves to take advantage of opportunities at times when others are unable to access finance. This is achieved by maintaining sufficient financial capacity - i.e. the amount of spare cash and undrawn, committed, general use facilities which are immediately available. At 31 December 2014, financial capacity was once again strong at £1.1bn (see first chart below). While there is a cost in maintaining such capacity, the benefit far outweighs that cost, ensuring that we are well positioned as we increase our exposure to development activity. The second chart below illustrates the spread of maturities of our wholly owned debt facilities, split between those which are drawn and undrawn. The weighted average life of facilities is 7.1 years and the Group has sufficient spare cash to repay all wholly owned facilities maturing over the next 11 years.



Development risk

In last year's Annual Review we introduced Grosvenor's development risk dashboard, showing a near-term forward view of development risk as measured by the Profit at Risk (PaR) metric. This allows us to analyse upside and downside development risk for the immediate future across four key drivers, namely potential changes in capitalisation rates, rental income, development costs and project timelines. This forward risk view is of increasing importance as markets heat up and the likelihood of a market correction grows, and complements our longer-term forecasting.

The dashboard includes data for all committed projects and for those which are expected to be committed within six months. This results in a pattern of risk which falls away over time as risks either crystallise or are eliminated. Current downside risk is lower than last year, due in part to a number of material projects, such as The Beaumont Hotel in London reaching completion, while new projects, such as Ball Park Square in Washington, DC, join the list. The major development projects in Grosvenor Britain & Ireland represent a significant proportion of the total development activity and the risks associated with these are being managed, in part, by scheduling development over a number of phases. The chart below also includes a measure of invested capital (the net of cumulative capital invested in development projects and receipts from associated sales). This remains relatively stable over the period with projects completing as others ramp up. Combining this with the PaR trend indicates that we expect to have a stable development pipeline over the next two years with acceptable levels of risk.



‘Living cities’ in practice

Demonstrating our philosophy

Our approach

Underpinning the strategy of the Group, our ‘Living cities’ philosophy is to create high-quality places for people to enjoy and which use resources responsibly.

Highlights

Here is a selection of our achievements around the Group in 2014:

In Grosvenor Britain & Ireland, we retrofitted 200 housing units to improve energy efficiency, as part of our ambitious 10-year strategy across our historic London estate. This included our first three private rental homes refurbished to the **EnerPhit Passivhaus** standard (see [page 7](#) and caption 2 on [page 31](#)).

The 1,200 new homes built in **Trumpington Meadows**, Cambridge, alongside our extensive wetland restoration, received the ‘Built for Life’ award (see [page 32](#)), reflecting our long-term vision for this community.

Our Grosvenor Americas team introduced a bike share concept at **Smith**, a residential development in Calgary, Canada (see caption 1 below). Our office in Vancouver was retrofitted with an aim to achieve the LEED Gold standard and we have sponsored a centre for performing arts – the Kay Meek Centre – in West Vancouver (see caption 5 on [page 4](#)).

To help us put our ‘Living cities’ philosophy into practice, we have identified eight key attributes of successful cities, and strive to align our activities to them:

Climate resilient

‘Living cities’ are resilient to long-term climate change and extreme weather events.

Good governance

‘Living cities’ have good governance including clear policies, high levels of community participation, strong institutional capacity, a clear vision and strong leadership.

Healthy environment

‘Living cities’ support healthy ecologies with areas of accessible green space, low levels of pollution and diverse habitats, all supporting a high quality of life.

Sustainable resources

‘Living cities’ manage natural resources sustainably to meet long-term needs. Resources are conserved and responsibly sourced.

Connected

‘Living cities’ are well connected internally, regionally and internationally in terms of transport and communications.

Economically resilient

‘Living cities’ are resilient to economic shocks, and support a diverse economy, innovation and entrepreneurship with a strong skills base.

High-quality place

‘Living cities’ have a physical environment that enriches people’s lives and a distinctive sense of place of which its citizens can be proud.

Strong community

‘Living cities’ have communities that are vibrant and healthy, safe, tolerant, diverse and affordable.

Our Grosvenor Asia Pacific team partnered with Daimler/Mercedes Benz on a ‘Smart’ car initiative at **The Westminster Roppongi** (see caption 2 below) in Tokyo, Japan.

Through our Indirect Investment team’s partnership with Propertylink, forward funding has been secured to develop the warehouse facilities for a new wholesale fruit, vegetable and flower market in Melbourne, Australia. This initiative will provide amenities to the community and reduce delivery vehicle traffic, improving air quality (see [pages 44-45](#)).

Grosvenor Fund Management has, once again, achieved ‘Green Star’ status in the Global Real Estate Sustainability Benchmark.

Our environmental performance

Our Group-wide like-for-like energy consumption reduced by 7.0% and water consumption reduced by 5.0%. Significant improvements came from Grosvenor Fund Management with a 9.0% energy and 2.0% water efficiency reduction across the portfolio they manage, thanks to a number of retrofitting initiatives.

“Cities face unprecedented challenges due to globalisation, climate change, resource depletion, and ageing populations. While daunting, these trends also offer enormous opportunities for cities to adapt and reinvent themselves.”

Kate Brown
Group Sustainability Director



Our Group-wide absolute energy consumption decreased by 7.0% and water footprint decreased by 5.0%, reflecting our changing portfolio of properties under management.

More detailed results are published online in our Annual Environmental Data report for 2014.

Research partnerships and industry leadership

In the UK, Kate Brown (see quote below), our Group Sustainability Director, helped to establish and chaired the Urban Land Institute’s UK Sustainability Council. The Council’s mission is to accelerate the rapid uptake of sustainability across the UK real estate sector. Four events were held in 2014 engaging various city stakeholders and Kate (along with Michael Ward from our Vancouver office – see caption [page 38](#)), was recognised as one of the top 40 real estate professionals under 40 globally by ULI – in part, for the success of this new Council.

Grosvenor Americas continued to sponsor research at the **University of British Columbia** into the success of cities (see [page 39](#)).

Employee engagement

The Grosvenor Liaison Group (see quote below) brings together our teams internationally to share knowledge and best practice, promote long-term thinking, looking up to 20 years ahead, and help deliver initiatives that are in line with our ‘Living cities’ philosophy.

Our challenges

Engaging the diverse range of tenants, other occupiers and visitors to the London estate is a sizeable challenge, as well as a huge opportunity. Grosvenor Britain & Ireland launched many new community initiatives, from public art and small parks, food banks and fitness classes, to an outdoor film festival which attracted over 2000 people during the Summer (see captions 1-4 on [pages 4-5](#)). We are also preparing to market our new energy-efficient homes by highlighting their wider benefits: they are healthier, more comfortable and more peaceful places to live.

Continually improving the environmental performance of our buildings, particularly within the lifetime of funds, requires creativity. In 2014, Grosvenor Fund Management obtained investor approval to buy five hectares of solar panels for the rooftops of the Liverpool ONE shopping centre, with a payback period of just five years.

Our 2015 priorities

Our Operating Companies have a range of sustainability priorities, but at Group level we have adopted the following:

- Researching digital trends and technologies that will help cities to become more sustainable.
- Seeking indirect investment opportunities in real estate companies that have a particular focus on resource efficiency.
- Researching the long term global implications of climate change for real estate.

Our full Annual Environmental Data 2014 report is available at: www.grosvenor.com/environmental2014 and our Global Reporting Initiative Index for 2014 is available at: www.grosvenor.com/gri2014



1 Smith
Smith, our residential development in Calgary, Canada, has a bike-share programme that will allow residents to sign out bicycles and explore Calgary’s surrounding Beltline region. (CGI)

2 The Westminster Roppongi
Two electric ‘Smart’ cars are available to rent seven days a week at this residence in Tokyo, Japan, providing residents with a convenient and low-carbon way of travelling within the city.

“We leverage knowledge and experience across the Group to enhance our understanding of cities and promote our ‘Living cities’ philosophy.”

Ian Morrison
Chairman, Grosvenor Liaison Group



Grosvenor Britain & Ireland



Ensuring long-term value

Mayfair, London, UK

We have worked continuously to enhance the quality of Mayfair and create a vibrant mixed-use neighbourhood. This year saw an acceleration in our place-making activities in the area with the delivery of a unique mix of retail, residential, office and hotel developments, art installations, improvements to the public realm and new community initiatives and programmes.



Grosvenor Britain & Ireland (continued)

Grosvenor Britain & Ireland

Business objective

Our objective is to create value through our skills in place-making and design, repositioning locations in ways that change customer perceptions and deliver outperformance for our Shareholders and co-investors.

Key achievements

- Continued to drive growth in net rental income (2014: £61.0m; 2013: £48.3m) through development, asset management and operational efficiency.
- On-site development activity on the London estate created £71.7m of value-add in 2014 (2013: £55.4m).
- Improved customer experience with net satisfaction of rack-rented tenants increasing to 62% in 2014 from 56% in 2013.
- Developed a leadership programme which will be rolled out to 70+ senior managers to strengthen capability to deliver our 10-year plan.
- Achieved a total return of 17.3% – the fifth successive year above 13.0%.

Revenue profit

£45.9m
(2013: £117.5m)

Total return

17.3%
(2013: 16.5%)

Assets under management

£5.2bn
(2013: £4.7bn)

Grosvenor's share of property assets



1 Residential	£1,304.6m	39.3%
2 Office	£1,062.0m	32.0%
3 Retail	£853.2m	25.7%
4 Hotel	£100.4m	3.0%



1 London	£3,174.2m	95.6%
2 Outside London	£146.0m	4.4%



1 Investment	£2,986.5m	89.9%
2 Development	£333.8m	10.1%

Number of assets by city

Britain:	Oxford	1	
Bournemouth	1	Southampton	1
Cambridge	4		
Edinburgh	11	Ireland:	
Liverpool	1	Dublin	2
London	1,521		

Like-for-like energy consumption MWh

-4%	2013	22,364
	2014	21,460

Like-for-like water consumption m³

-9%	2013	19,988
	2014	18,186

Another strong year

In 2014, we reaped the financial benefits of the organisational improvements we put into place in 2010-2012 and successfully delivered a programme of development projects that we had started in the downturn. It was another strong year with total return up to 17.3% (2013: 16.5%) due to a combination of capital growth, higher rental income, high occupancy rates (2014: 97%; 2013: 93%) and value added through asset management and development activity.

As expected, revenue profit was lower than 2013, which had benefited from an exceptional level of trading profits on the sale of high-end residential developments. Revenue profit before trading profit was marginally ahead of last year due to increased levels of income partially offset by investment in growing our development pipeline. Assets under management grew by 9.0% to £5.2bn (2013: £4.7bn).

A sense of place

Our strategy is centred around place-making, which began over 300 years ago when the Grosvenor family embarked on the development of its London estate. We have ambitious location and asset management plans and these inform our investment and development decisions.



Peter Vernon
Chief Executive,
Grosvenor Britain & Ireland

These plans also help us to actively manage the mix of businesses, architecture, public realm and community involvement – the alchemy that helps us create successful places in which people want to live, work, learn and relax: ‘Living cities’.

In 2014, we accelerated our place-making activity in north Mayfair in anticipation of the increased connectivity that the new Bond Street Crossrail station, which is due to open in 2018, will bring to the area.

We completed public realm works in **North Audley Street** and **Duke Street** and our redevelopment of **Brown Hart Gardens** (see image on page 28) – a raised terrace garden above the old Duke Street substation – won the Mayor’s award for ‘Best New Public Space in London’ at the London Planning Awards in February 2014.

The transformation of Brown Hart Gardens was completed when we delivered to our partners, Corbin & King, the new five-star art-deco **Beaumont Hotel** (see caption 4 on page 2 and image on page 28), which overlooks the gardens and contains ‘ROOM’ – a unique habitable sculpture by leading British artist Sir Antony Gormley. This is the first time we have developed a hotel in this part of Mayfair, and it has already become an exciting new destination in the West End, bringing new life to the neighbourhood. The Beaumont was voted ‘Best Luxury Hotel Opening in the World for 2014’ by Luxury Travel Intelligence.

The commissioning of ROOM reflects the importance of art in the creation of inspiring places. During the year, we also commenced redevelopment of **20 Grosvenor Hill** which will house the new Gagosian Gallery. This new double-height commercial art gallery in the heart of the Mayfair Conservation Area will be near two other public art installations we have been involved in – one at **50 Grosvenor Hill** with artist Neal French and the other at **Carlos Place** with architect Tadao Ando.

We want each one of our retail streets to have a unique character, so we curate them carefully. Identifying the right retailers – many of them independents and/or unique to London – is crucial. We continued to reinvigorate our retail offering in north Mayfair in 2014; new tenants to **Mount Street** included Roksanda Ilincic (see caption 3 below) and Christopher Kane. Luxury fashion brand Roland Mouret, whose flagship store has been located at Carlos Place since 2011, renewed its lease for a further 15 years. **Duke Street**, which links our retail offer on Mount Street with Oxford Street, underwent a renaissance with a deliberately eclectic mix of high-profile lettings.

“Our new space in the heart of Mayfair is a key investment for us. It will allow us to have good quality conversations with our clients in an innovative and exciting space.”



Simon Collins
UK Chairman
KPMG

“Grosvenor has delivered on its commitment to Southampton by place-shaping an innovative mix of uses. Particularly impressive is their commitment to developing a skills and training programme which will leave a legacy for the City and the project.”



Dawn Baxendale
Chief Executive
Southampton City Council



1 20 Grosvenor Street
This new 3,700m² Grade A office building in Mayfair, London incorporates large floor plates, period features on each floor, and an outdoor roof-terrace. (CGI)



2 EnerPhit Passivhaus
Our EnerPhit Passivhaus-compliant properties in London – the first of this standard in the private rented sector – have excellent thermal performance and exceptional airtightness and mechanical ventilation, leading to an 80% reduction in energy consumption.



3 Roksanda
Roksanda Ilincic saw the established fashion hub of Mayfair as the perfect fit for her label and new flagship store, Roksanda.

Grosvenor Britain & Ireland (continued)

In order to maintain the intensity of use and vitality in the area, we have committed to developing new office space in Mayfair. In 2014, we pre-let our new 3,700m² Grade A office scheme at **20 Grosvenor Street** (see caption 1 on page 31) to KPMG nine months ahead of completion, and have fully let both **50 Grosvenor Hill** and **33 Davies Street**.

In 2013, we were appointed development manager for a 50/50 partnership between the Grosvenor Trusts and The HongKong and Shanghai Hotels, Limited to redevelop **1-5 Grosvenor Place** to become the Peninsula London, with associated apartments. During 2014, we worked on advancing the design and feasibility of the development, and expect to submit a planning application in the second half of 2015.

We also continued to invest in our ambitious retrofit programme across the London estate. We progressed three unique **EnerPHit Passivhaus** units (see page 7 and caption 2 on page 31) – one in Adam’s Row in the Mayfair Conservation Area and two in Belgravia – which reduced energy consumption for these existing properties by 80%: a first for London’s private rental sector.

More milestones

We also reached a number of milestones in our place-making activities off-estate.

In South London, having assembled a five-hectare development site in **Bermondsey** (see caption 6 below) in 2013, we focused on formulating our strategy for the site, engaging with the local community and the London Borough of Southwark.

In Oxford, one of the most constrained cities for housing in the UK, we are master developer for a new neighbourhood at **Barton Park** – responsible for master planning, installing infrastructure and setting challenging design standards with our partner, Oxford City Council (OCC).

We aim to create a place that not only meets the area’s housing needs, but also enhances and revitalises the character and spirit of the area and provides a range of facilities that residents can enjoy together as a community. In 2014, we made our first land sale, committed to infrastructure investment and received OCC’s commitment to buy all affordable housing in the development. The project won the award for ‘Planning for Housing Growth’ at the 2014 Planning Awards.

In Cambridge, **Trumpington Meadows** (see caption 5 below) won ‘Best Large Development’ at the Evening Standard Awards, with judges commenting that it ‘raises the bar’ for the next generation of communities. It also received a ‘Quality Award’ from the National House Building Council for the second year running and was accredited ‘Built for Life’.

And in Southampton, we launched **Guildhall Apartments** (see caption 5 on page 2 and quote on page 31), the residential component of our new arts complex development which also incorporates seven restaurant/retail units, alongside facilities for City Eye, the University of Southampton’s John Hansard Gallery and a multi-purpose performing arts space. The 38 homes will have a new Cultural Quarter on their doorstep and offer unparalleled views across the city and its parks.

A sense of belonging

In all the places we manage, we work hard to foster a sense of belonging amongst the local community. After the success of our ‘Summer in the Square’ events in Grosvenor Square in 2012 and 2013, we launched **‘Grosvenor in the Community’** (see captions 1-4 on page 4) in 2014: a series of initiatives which enabled local residents, businesses and stakeholders on our London estate to participate more in the life of the neighbourhood. The initiatives were wide ranging and included open-air film festivals in Grosvenor Square and Belgrave Square, a community arts programme, the introduction of parklets (temporary, mobile pocket gardens managed by local people) and the creation of an urban eco-system for honey bees.

In **Bermondsey** (see caption 6 below), we supported the Bermondsey Community Kitchen, the Salter Statues campaign to replace a memorial to home-grown hero Dr Alfred Salter, a local harvest festival and the Bermondsey Business Improvement District’s Christmas event.

“London is growing and our challenge is to accommodate this growth while creating and managing great places to live and work. Our estates should be vibrant parts of the West End.”



Craig McWilliam
Executive Director
of the London estate
Grosvenor Britain & Ireland

“Places and communities take time to mature. Our approach to design and management recognises this and seeks to help create neighbourhoods that endure.”



Will Bax
Director of Place-making,
London estate
Grosvenor Britain
& Ireland

Building organisational capability through our people

We invest financial capital to increase the value of our portfolio. We also invest in our human capital: we want to stretch our people, get the best out of them and help them grow with the business. We get a great return when they deliver more than they dared hope for in a manner which exemplifies our values. This is dependent on our people knowing what is expected of them, and emphasising that conducting business in a way that exemplifies Grosvenor’s values is critically important in building the Grosvenor brand and strengthening our culture. We have shown how the Grosvenor values work in practice through six business principles that we promote so that Grosvenor people understand how we expect them to conduct themselves. We continue to recognise those who go above and beyond in living those principles. In 2014, we took our business principles a step further and incorporated them into our training programme for suppliers who interact with our customers on the London estate.

We also re-designed our leadership development programme (see caption 4 below), which gives people the opportunity to develop those leadership characteristics that we believe are central to the long-term success of our business.

We also appointed Simon Harding-Roots as an Executive Director to lead our major projects for the London estate. He joined us in March 2015 from Imperial College London, where he was Chief Operations Officer, and will be appointed to the Grosvenor Britain & Ireland Board.

A forward look

The UK market has improved and London, notably the West End, has seen commercial yields close to historic lows. In 2015, we plan to review how Mayfair and Belgravia can benefit from London’s continued success as a world city and how Mayfair in particular can contribute further to making the West End a global destination, an economic hub and a cultural attraction for domestic and international visitors alike.

As a long-term investor, we are organised to operate through cycles. We are targeted about new acquisitions, recycle mature assets where appropriate and continue to build our development pipeline so that we can choose to commit when the time is right.

Peter Vernon
Chief Executive, Grosvenor Britain & Ireland
26 March 2015



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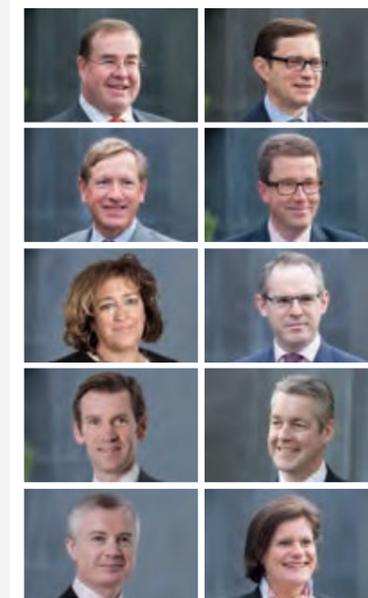
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4 Leadership programme
We are developing a set of specific leadership characteristics to act as a core element of a re-designed leadership development programme aimed at strengthening capability across the business to deliver our strategic plan.

5 Trumpington Meadows
Our masterplan for this new mixed-use community on a 140-hectare site in Cambridge aims to create a place to live that is appealing, distinctive and that enhances the surrounding conservation areas and countryside.

6 Bermondsey
Grosvenor is taking an active role in supporting the local Business Improvement District in Bermondsey, London. We are supporting a Community Kitchen, and most recently sponsored its inaugural Christmas event.

Grosvenor Britain & Ireland – Board of Directors as at 26 March 2015



- | | |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Graham Pimlott CBE
Chairman and Non-Executive Director | Peter Vernon FRICS
Executive Director
Chief Executive |
| Michael Gradon ACA
Non-Executive Director | Roger Blundell ACA
Executive Director
Finance Director |
| Heather Rabbatts
Non-Executive Director | Craig McWilliam FRICS
Executive Director
Executive Director of the London estate |
| Mark Preston FRICS
Non-Executive Director
Group Chief Executive | Richard Powell
Executive Director
Executive Director of Grosvenor Developments |
| Nicholas Scarles
FCA ATTORNEY AT LAW
Non-Executive Director
Group Finance Director | Ulrike Schwarz-Runer
DOCTOR OF LAWS
Executive Director
General Counsel |

Read biographies online at:
www.grosvenor.com/britain-ireland-board

Grosvenor Americas



Delivering our developments

1645 Pacific Avenue, San Francisco, California

Inspired by the pre-war design aesthetic of Pacific Heights, this boutique building with 39 residences, sweeping rooftop views, three retail spaces and unique commissioned art installations was delivered in 2014 and demonstrates that a building's design can have ambition, yet still blend into its surroundings.



Grosvenor Americas (continued)

Grosvenor Americas

Business objective

Our aim is to become a market leader in select geographical areas and sectors in Canada and the USA through focused, strategic expansion. We use our knowledge of the cities we work in and our property skills to develop projects that contribute to the vibrancy of those communities.

Key achievements

- Increased revenue profit from C\$38.3m in 2013 to C\$62.1m in 2014.
- Sold all homes at **1645 Pacific Avenue** in San Francisco in eight weeks.
- Completed **15 West** in North Vancouver with development partner Citimark, and completed Millennium VI at Annacis Island, Delta, British Columbia.
- Acquired three development sites, commenced construction of two residential developments and sold three apartment buildings.
- Expanded the multi-family apartment portfolio to Washington, DC.
- Originated structured development loans in key markets: C\$10.2m in the USA and C\$23.0m in Canada.

Revenue profit	Total return	Assets under management
C\$62.1m <small>(2013: C\$38.3m)</small>	9.7% <small>(2013: 10.5%)</small>	C\$3.0bn <small>(2013: C\$2.6bn)</small>

Grosvenor's share of property assets



1 Retail	C\$582.1m	36.6%
2 Residential	C\$545.8m	34.3%
3 Office	C\$270.1m	17.0%
4 Industrial	C\$174.2m	11.0%
5 Hotel	C\$17.0m	1.1%



1 USA	C\$1,118.5m	70.4%
2 Canada	C\$470.7m	29.6%



1 Investment	C\$1,379.8m	86.8%
2 Development	C\$209.4m	13.2%

Number of assets by city

Canada:		USA:	
Calgary	6	Chicago	1
Vancouver	7	Los Angeles	1
Victoria	1	San Francisco	11
		San Jose	2
		Seattle	8
		Washington, DC	14

Like-for-like energy consumption MWh

-6%	2013	34,506
	2014	32,602

Like-for-like water consumption m³

-7%	2013	329,638
	2014	307,039

Consistent performance

In last year's Annual Review, I suggested that 2014 would be much like 2013 for Grosvenor Americas. And it was. 2014 saw a continued focus on project delivery, making strategic acquisitions and disposals, adding value to our existing properties, increasing our structured development finance activity, engaging with our local communities, and delivering robust results across our six active North American markets: Calgary, Los Angeles, San Francisco, Seattle, Vancouver and Washington, DC. This year, we also implemented a new senior management structure, appointing Ryan Beechiner as Chief Operating Officer, James Patillo as Chief Development Officer and James Delmotte as Chief Co-Investment Officer.

Revenue profit was up at C\$62.1m (2013: C\$38.3m) due to strategic disposals and total return was down to 9.7% (2013: 10.5%) due to property acquisitions for future development in Vancouver and San Francisco. Assets under management increased to C\$3.0bn (2013: C\$2.6bn) due to some key acquisitions. Occupancy rates remained consistently high at 94.6% (2013: 94.6%).

Smart developments

We programme our development activity in line with the market cycle to maximise returns. At the beginning of the economic recovery in North America, we assembled a number of development sites in each of our primary markets. This continued through 2012 and 2013, as we sought planning approval for these sites, expanding our pipeline of projects at different stages of development. 2014 was a year of execution: we completed construction of two residential mixed-use projects and now have 10 projects in various stages of development in North America.

1645 Pacific Avenue (see cover and pages 34-35), marks a successful introduction to our residential development programme in the San Francisco Bay Area. Our six-storey 39-unit LEED Silver certified condominium located at the nexus of three historic San Francisco neighbourhoods - Pacific Heights, Nob Hill and Russian Hill - launched in June and all homes were sold in eight weeks.

The first phase of the pre-sales campaign is ready to begin at **Grosvenor Ambleside** (see caption 6 on page 2 and caption 2 on page 13), in West Vancouver's most charming seaside village. Two terraced buildings will house 98 luxury condominiums, 3,250m² of ground-floor retail space and a 650m² glazed public galleria with a walking route from Marine Drive to Bellevue Avenue and open views to the ocean. We have commissioned sculptural pieces by Douglas Coupland and paintings by Gordon Smith - who are both West Vancouver residents and Order of Canada recipients - for all to enjoy. Grosvenor Ambleside will infuse new life into a 100-year old neighbourhood.

Construction of **15 West** - an 18-storey condominium tower with 120 modern homes - completed in June. All 120 homes sold and residents will enjoy the vibrant setting of Central Lonsdale in the heart of North Vancouver. Just 20 minutes from downtown Vancouver, the building features green roofs and a water-efficient irrigation system and has been submitted for LEED Silver certification. We designed five of the homes for wheelchair access and gifted them to the Vancouver Resource Society, a non-profit organisation that provides accessible housing with support services to people with disabilities.

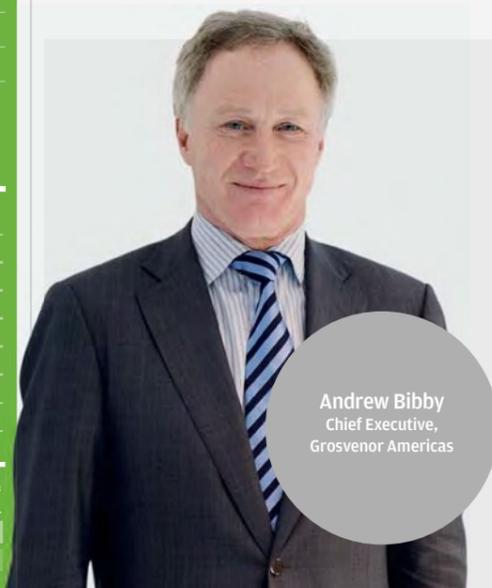
Our commitment to developing high-quality residential projects in Calgary's urban core continued in 2014. In July, we began construction on the first phase of **Avenue** (see caption 1 below), a two-tower condominium complex located a block from Calgary's waterfront with views across the Bow River (towards Kensington) and of the downtown city skyline. Sales began in August 2013 and are progressing, with over 65% of homes sold to date.

Smith (see caption 1 on page 27), located just off trendy 17th Avenue in Calgary, offers a mix of studio, one-bedroom and two-bedroom condominium homes with sophisticated interiors designed to appeal to the growing number of young professionals in the city. With efficient unit layouts and services such as a concierge and a bike share programme, Smith promotes sustainable urban living along the vibrant Beltline.

Since launching the pre-sales programme in March 2014, Smith is now 50% sold and construction started on-site in November 2014. Smith follows from the success of **Drake**, our first residential tower in Calgary, which is located further down the street.

In Washington, DC we are helping to transform the Capitol Riverfront neighbourhood with **Ball Park Square** (see caption 2 below): a full block, mixed-use development, across from the Nationals Park baseball stadium, which will commence construction in 2015. The development, located at First and M Streets, will offer 325 rental apartments, a 170-room hotel, over 2,300m² of retail space and an exterior, rooftop amenity space with a unique view of the field at Nationals Park. Residents will have easy access to numerous parks and entertainment venues, new restaurants and Metrorail. Ball Park Square is less than a mile from Capitol Hill.

8415 Fenton Street in downtown Silver Spring, Maryland, is located steps from the Metro Station, which provides a 15-minute commute to downtown Washington, DC. Our 21,740m² mixed-use development will offer 244 residential rental units above 1,720m² of retail space, and will complement and enhance the surrounding neighbourhood through innovative design, residential amenities and an eclectic retail offering.

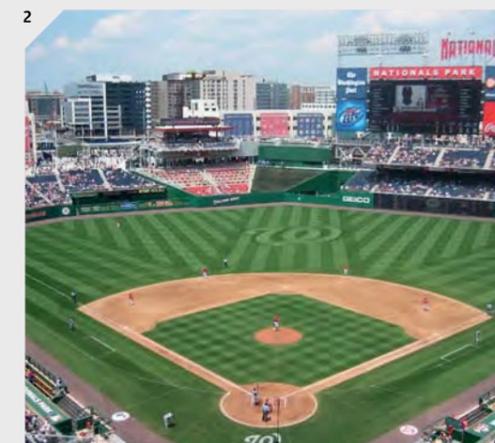


Andrew Bibby
Chief Executive,
Grosvenor Americas

1 Avenue
In July 2014, we broke ground on phase one of Avenue, located in the West End of downtown Calgary. Over 125 homes have sold to date.



2 Ball Park Square
Residents of this development in Washington, DC will have access to an exterior rooftop amenity space that will offer a pool, cooking stations and an outdoor theatre with stadium seating and a view of the field at Nationals Park.



Grosvenor Americas (continued)

Strategic opportunities

Before acquiring property, we consider community vibrancy and neighbourhood appeal. In 2014, we identified some unique opportunities to expand our business in the high-growth centres where we are active. We acquired three assets for redevelopment and one existing property in 2014.

Following on the established platform of boutique mixed-use development in San Francisco, we acquired two sites in prominent parts of the city: Jackson Square and Nob Hill. In May, we purchased **240 Pacific Avenue**, located in a historic neighbourhood known for its high-end art and antique retailers, award-winning restaurants and unique specialty shops. In September, we purchased **875 California Street**, located near the top of Nob Hill, one of the most iconic neighbourhoods in San Francisco.

We also acquired our first multi-family property in the Washington, DC area. **Wheelhouse at Fair Oaks** is a 491-unit rental apartment community in Fairfax, Virginia.

We marketed and sold three residential properties in the Puget Sound region in Washington: **Borgata Apartments**, **Northshore Townhomes** and **BluWater**.

Grosvenor bought **Annacis Island** on the Fraser River in Delta, British Columbia, over 60 years ago; it was our first major acquisition in North America. Today, Annacis Business Park is a preferred hub for local distribution. We completed construction of a new 15,000m² Tier-1 distribution centre called **Millennium VI** (see caption 5 below) at 1005 Derwent Way in October.

We acquired **1380-1382 Hornby Street** in downtown Vancouver, a rare 1,400m² development site where a 125-year old heritage home will be preserved.

Community involvement

We begin the development process by listening carefully to the community, encouraging one-on-one meetings through all stages of design and construction.

Our 0.8-hectare full-block assembly located in **Edgemont Village** (see caption 4 below) is one of North Vancouver's most popular village centres. We met hundreds of residents and, with their input and collaboration, have proposed a mixed-use development for Edgemont Village: new condominiums will provide much-needed housing for the neighbourhood, and an expanded grocery store has been designed to retain a village scale and local feel. New merchants will enhance the village shopping experience and complement the current retailers.

In April 2014, we donated C\$1.0m to forge a 10-year partnership with the Kay Meek Centre for the Performing Arts, located in West Vancouver. Our sponsorship will allow the main theatre - the renamed **Grosvenor Theatre** (see caption 5 on page 4) - to establish an endowment to finance youth initiatives and to support programming that delivers artistic excellence, creativity and community engagement.



3 Michael Ward
Michael Ward, Senior Vice President, Development and General Manager of Grosvenor's Vancouver office, was named one of the Urban Land Institute's '40 under 40' top global land use professionals and one of *Business in Vancouver's* '40 under 40' in 2014. He is currently overseeing the development of **Grosvenor Ambleside** (see caption 6 on page 2 and caption 2 on page 13), one of our highest value developments to date and an exemplar for sustainable place-making.

We also initiated the sponsorship of a Chair at the Sauder School of Business at the University of British Columbia. Dean Robert Helsley, who holds the title of Grosvenor Professor of Cities, Business Economics and Public Policy (see quote to the right), has been researching what makes cities economically sustainable and successful - most recently publishing a paper on 'Coagglomeration, Clusters, and the Scale and Composition of Cities', in the *Journal of Political Economy*.

Active management

We actively manage our assets and renovate as required to improve our existing properties and to meet our occupiers' needs. In 2014, our refurbishment programme exceeded C\$300.0m - encompassing residential, retail and office buildings.

In September, **Broadmead Village** received a 2014 Maple Leaf Silver Award at the Canadian Shopping Centre Awards in Toronto for outstanding achievement in design and development. Our sustainability-focused renovation improved access and seating, encouraging visitors to stay longer at this sophisticated, open-air, grocery-anchored neighbourhood shopping centre on Vancouver Island.

Since acquiring the office building at **1701 Pennsylvania Avenue** (see image 9 on page 56), located close to the White House in Washington, DC in 1986, we have spent US\$19.2m modernising its building systems. In August, we commenced the first stage of what will be a US\$7.5m whole-building heating, ventilating and air-conditioning upgrade, and have attracted two new tenants.

Providing flexibility with structured finance

In 2014, we expanded our structured development finance programme (see caption 6 below) to all six of our active North American markets. Teams have been established in Washington, DC, San Francisco and Vancouver, and they are actively pursuing lending opportunities. The programme offers developers a flexible alternative to traditional financing.

A forward look

Economic recovery in the USA hit its stride this year, especially in San Francisco. We may now be closer to the end of the cycle than the beginning, so we will continue to focus on the cities where we are established and be selective about our investments to protect the progress we have made.

Andrew Bibby
Chief Executive, Grosvenor Americas
26 March 2015

"The funds provided by the Grosvenor professorship made it possible for three undergraduate students to help fund their education by conducting research on the growth of the high technology sector in Vancouver."



Dean Robert Helsley
Grosvenor Professor of Cities, Business Economics and Public Policy
University of British Columbia

"The integrity of the team, industry relationships and knowledge of real estate development are key reasons we continue to partner with Grosvenor."



Dan Miller
Vice President, Capital
Intracorp USA

4 Edgemont Village

We hosted a series of community events and listened to hundreds of residents throughout 2014. Our proposed development in Vancouver has been designed to preserve the village's charm while meeting future needs.



5 Millennium VI

This new Tier-1 distribution centre is located in Annacis Business Park in the geographic centre of Metro Vancouver.

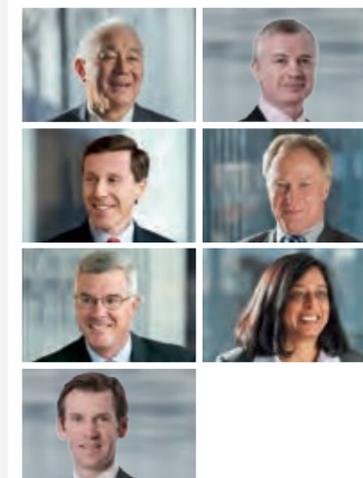


6 Structured development finance

We originated over C\$30.0m in structured development loans in key markets during 2014.



Grosvenor Americas - Board of Directors as at 26 March 2015



- Brandt C. Louie** OBC,LLD,FCA
Chairman and Non-Executive Director
- James E Hyman**
Non-Executive Director
- John T Roberts**
Non-Executive Director
- Mark Preston** FRICS
Non-Executive Director
Group Chief Executive
- Nicholas Scarles**
FCA ATTORNEY AT LAW
Non-Executive Director
Group Finance Director
- Andrew Bibby**
Executive Director
Chief Executive
- Rekha Patel** CPA
Executive Director
Finance Director

Read biographies online at:
www.grosvenor.com/americas-board



Property and partnership

20th Anniversary Event, Shaw Studios, Hong Kong

Grosvenor has now been active in the Asia Pacific region for 20 years. To mark this anniversary and to recognise the many individuals and companies we have partnered with over the years, we hosted an evening in November at Shaw Studios in Hong Kong. The choice of venue, a movie studio owned by the Shaw family, was fitting: the Shaws were our first joint venture partners in Asia.



Grosvenor Asia Pacific (continued)

Grosvenor Asia Pacific

Business objective

We are positioning ourselves for the long term in Asia, with three distinct aims. First, we are building a luxury residential brand under the Grosvenor banner, differentiated by the quality of design and exceptional finishes; secondly, we are growing a diversified portfolio of core investments in the residential and office sectors; and thirdly, looking further ahead, we are seeking to develop best-in-class buildings in the central business districts of Shanghai and Hong Kong as high-quality long-term investments through co-investment partnerships.

Key achievements

- Marked the 20th Anniversary of Grosvenor Group in Asia.
- Secured Benjamin Cha as successor to Chief Executive Nicholas Loup.
- Recorded significant value growth at the Opus Arisugawa Terrace and Residence in Tokyo.
- Achieved record sales prices for a residential refurbishment project in Tokyo with **The Westminster Roppongi**.
- Established our latest development partnership in Tokyo and secured the first investment.

Revenue profit	Total return	Assets under management
HK\$83.1m <small>(2013: HK\$54.8m)</small>	9.1% <small>(2013: 5.4%)</small>	HK\$8.3bn <small>(2013: HK\$8.9bn)</small>

Grosvenor's share of property assets



Number of assets by city

China:	Japan:
Beijing 1	Osaka 1
Hong Kong 2	Tokyo 4
Shanghai 1	

Like-for-like energy consumption ^{mwh}

-1%	2013	4,508
	2014	4,477

Like-for-like water consumption ^{m³}

-7%	2013	14,476
	2014	13,462

Solid returns

We delivered solid results in 2014. Our trading income was up this year, reflecting strong sales at **The Westminster Roppongi** in Tokyo. Revenue profit increased from HK\$54.8m in 2013 to HK\$83.1m and total return was also up at 9.1% (2013: 5.4%). Assets under management decreased to HK\$8.3bn (2013: HK\$8.9bn) due to some strategic project disposals. Occupancy rates were down from last year (2014: 90.8%; 2013: 96.6%) due to renovation-led vacancies.

A milestone

2014 marked the 20th anniversary of the Grosvenor Group in Asia (see pages 40-41 and back cover), having opened offices in Hong Kong in 1994, Tokyo in 2001 and Shanghai in 2004. We have completed a number of award-winning residential projects, establishing 'The Grosvenor' residential brand name across each of our markets, 'The Westminster' name in Hong Kong and Tokyo, and 'The Belgravia' in Shanghai and Tokyo. Today, with well-established local teams in each city, we continue to position ourselves for the long term as the region's economic influence, led by China, continues to grow.

Strong relationships

Working closely with strong local partners in the markets in which we operate has been an important factor in our growth.

In April 2014, we formed our newest development partnership vehicle in Asia with a Malaysia-based investment group and a Hong Kong property company that has previously invested with us in **The Westminster Roppongi**, Tokyo (see caption 1 to the right and caption 1 on page 2).



Nicholas Loup
Chief Executive,
Grosvenor Asia Pacific



1 1303
In Tokyo, 1303 - **The Westminster Roppongi**'s newest show flat - features bespoke furniture and art pieces.

2 Benjamin Cha
Benjamin Cha joined Grosvenor in September 2014 as Managing Director of Grosvenor Asia Pacific and succeeds Nicholas Loup as Chief Executive on 1 April 2015 (see quote on page 14).



3 Tokyo: the next London
This research paper, released in 2014, examines the drivers that could see Tokyo rivalling London as a global property investment hub as it works towards the 2020 Olympic Games.

That acquisition, made in 2011, reflected our positive view of the market cycle, and we are now seeing strong investor demand for exposure to the Tokyo property market. The new partnership focuses primarily on luxury residential value-add/development - as well as some exposure to Grade B office value-add - in the central Tokyo area. In December 2014, the partnership committed to its first investment - the acquisition of **Forest Nanpeidai** in the Shibuya district of Tokyo. The 52-unit high-end residence will be the latest property to sit within our Grosvenor-branded luxury residential portfolio.

The Westminster Roppongi has achieved prices beyond comparable new-builds, a first for a refurbishment project in Tokyo. There has been significant interest from overseas, with around 40% of units being sold to foreign buyers, mostly from Hong Kong or Taiwan. In September 2014, we launched a new show flat in collaboration with Atelier Ikebuchi, our interior designer for a previous development, **The Westminster Terrace**, in Hong Kong. Elsewhere in Tokyo, Opus Arisugawa Terrace and Residence, acquired in December 2013, led strong value growth for our assets in Japan.

Renovation works were undertaken at both **The Belgravia Azabu** in Tokyo (see caption 3 on page 14) and **China Merchants Tower** in Beijing, with the latter having lift and lobby spaces upgraded.

Foundation work commenced at the site of **Monterey Court** in Hong Kong in November 2014, and should be completed by the end of 2015. The new development will also sit within our branded portfolio under 'The Grosvenor' name, our highest mark.

People and progress

We have established strong teams in Hong Kong, Shanghai and Tokyo with a breadth and depth of skills. Since 2008, we have worked with the Strategic Thinking Group to develop our leadership skills and attributes to create a constructive and cohesive culture across the region.

I am pleased that we have made two new senior management appointments. First, Benjamin Cha (see caption 2 and quote on page 14), who joined Grosvenor Asia Pacific as Managing Director in September 2014 from UBS and previously HKR International, and will succeed me as Chief Executive in the region in April 2015. I wish Ben every success in taking Grosvenor forward to expand the business over the coming years.

Second, Ian Mair joined us as Finance Director in June from Grosvenor Britain & Ireland's London office, also joining the Board. William Lo, Chief Operating Officer and Board member, left us to pursue his next opportunity. William was responsible for driving performance and operational efficiencies across Grosvenor Asia Pacific and was previously Finance Director. I would like to thank William for his significant contribution to our Board and executive team.

A forward look

We are now well placed to grow our activities through Grosvenor-branded residential developments and commercial developments for medium or long-term ownership for years to come.

Nicholas Loup
Chief Executive, Grosvenor Asia Pacific

Grosvenor Asia Pacific - Board of Directors as at 26 March 2015



- | | | | |
|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Keith Kerr
Chairman and
Non-Executive Director | Norman Lyle <small>DBE</small>
Non-Executive Director | Nicholas Loup
Executive Director
Chief Executive | Ian Mair
Executive Director
Regional Finance Director |
| Kensuke Hotta
Non-Executive Director | Mark Preston <small>FRICS</small>
Non-Executive Director
Group Chief Executive | Benjamin Cha
Executive Director
Managing Director | Yu Yang
Executive Director
Managing Director,
Investment (Greater
China) |
| Michael Lee
Non-Executive Director | Nicholas Scarles <small>FCA ATTORNEY AT LAW</small>
Non-Executive Director
Group Finance Director | Koshiro Hiroi
Executive Director
Managing Director,
Development (Asia Pacific);
Chief Representative Japan | |

Read biographies online at:
www.grosvenor.com/asia-pacific-board

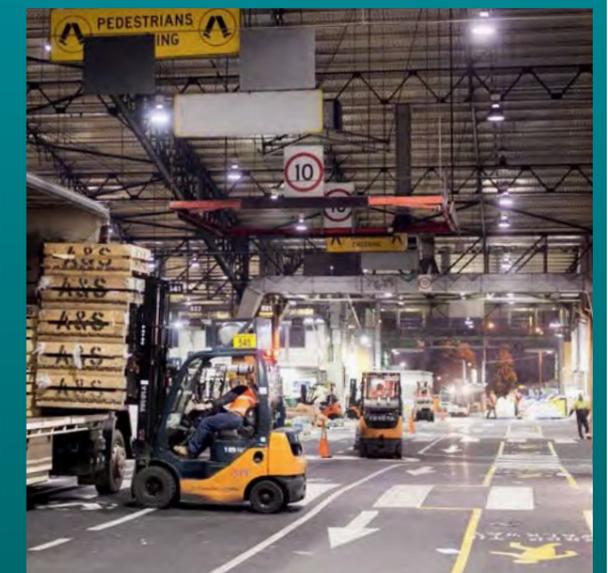
Indirect



Expanding our knowledge

Melbourne Market relocation, Melbourne, Australia

In July 2014, the Propertylink Australian Investment Partnership, our first indirect investment in Australia, agreed to forward fund the development of the warehouse facilities surrounding the new Melbourne Market. The wholesale fruit, vegetable and flower market is being relocated from central Melbourne to a new, more sustainable site to the north of the city, and will open in 2016.



Indirect (continued)

Indirect

Business objective

The role of the Indirect Investment business is to enable the Group to diversify further its property investment portfolio and achieve strong risk-adjusted returns by exposure to sectors, countries and specialist managers which its direct property activities do not provide. We achieve this by investing in Grosvenor Fund Management investment vehicles, and increasingly by investing with specialist third-party managers with specific geographic or sector expertise.

Key achievements

- Doubled our total equity commitment to Propertylink's Australian industrial investment programme to AUS\$60.0m.
- Completed the first phase of our £30.0m UK industrial investment programme with '10'.
- Sonae Sierra confirmed its first development in Morocco and announced a joint venture to develop a designer outlet in Southern Spain.
- Closed a €20.0m co-investment in Grosvenor Fund Management's new investment vehicle: Urban Retail Fund V.
- Invested SEK190.0m in Skärholmen Centrum shopping centre in Sweden: an acquisition by Grosvenor Fund Management.

Revenue profit
£23.4m
(2013 restated: £39.1m)

Total return
8.7%
(2013: 3.6%)

Equity invested
£527.7m
(2013: £532.1m)

Portfolio analysis



1 Retail	£1,084.4m	85.6%
2 Office	£89.1m	7.0%
3 Industrial	£60.9m	4.8%
4 Other	£33.5m	2.6%



1 Continental Europe	£727.7m	57.5%
2 UK	£258.9m	20.4%
3 Brazil	£163.9m	12.9%
4 USA	£51.6m	4.1%
5 Australia	£37.0m	2.9%
6 China	£23.1m	1.8%
7 Other Asia	£5.7m	0.4%



1 Investment	£1,194.3m	94.2%
2 Development	£73.5m	5.8%

Number of investments by country

Australia	1	UK	3
Brazil*	1	USA	3
China	1	International	2
Continental Europe	6		

*Exposure to Brazil is through the investment in Sonae Sierra which is also categorised here within Continental Europe.

Strong total return

At the close of 2014, our Indirect Investment portfolio of £1.3bn represented 21.0% of the Group's capital (2013: 25%); our revenue profit decreased to £23.4m (2013: £39.1m). The reduction in capital and profits is primarily a result of the sale of a fund investment together with asset sales and development provisions in Sonae Sierra. Total return increased to 8.7% (2013: 3.6%), reflecting strong capital growth, particularly in the UK and Sonae Sierra.

The Grosvenor investor supporting Grosvenor Fund Management

In our role as 'the Grosvenor investor', the Indirect Investment team continues to co-invest in the majority of the vehicles managed by Grosvenor Fund Management, under supervision of the Grosvenor Group Board. This helps the Group achieve its objectives of diversification of investment returns, while aligning us well with Grosvenor Fund Management's third-party investors. The return on our investments in vehicles managed by Grosvenor Fund Management in 2014 increased to 11.7% (2013: 6.7%), with the performance of the UK funds particularly strong, driven by increased valuations in the UK office and retail investments.

In February 2014, we committed £15.0m to a global logistics mandate with the specialist securities team within Grosvenor Fund Management. This investment delivered a return of 12.0% in 2014.



Chris Taite
is Group Investment Director, managing the Indirect Investment portfolio and team.

In 2014, we also committed Grosvenor's investment in the Liverpool Fund (see caption 1 below) to a new long-term investment vehicle; we sold down £55.0m of a £95.0m share in the London Office Fund (retaining £40.0m for the longer term) to release capital for further investment diversification; we closed a €20.0m co-investment in Grosvenor Fund Management's new European retail investment vehicle, Urban Retail Fund V, with a large North American investor; and, in January 2015, we committed to a SEK190.0m investment in **Skärholmen Centrum** shopping centre in Sweden alongside an Asian and a European investor.

Backing specialist third parties

When we research third parties to invest with, we target organisations that offer us something we cannot achieve through our proprietary activities: be it a new sector, a new geography or a particular skill set. We look for deep specialist expertise with a culture and management style that not only aligns with our values and business principles, but is uniquely well positioned to identify and exploit local market opportunities. Finding this robust combination in the third parties we seek to back is a constant challenge.

Through our investment in **Sonae Sierra** we have exposure to 36 shopping centres in Continental Europe and a further 10 in Brazil. As well as managing its own assets, Sonae Sierra has a growing services business providing retail leasing, property management and development services to third parties.

2014 was a good year for Sonae Sierra. Grosvenor's share of revenue profit (excluding development provisions) was £27.5m, down from £31.4m in 2013 due to asset sales and a weaker Euro; on a like-for-like basis revenue profit improved. At the same time, revaluation gains of £36.0m contributed to a share of profit before tax of £54.3m compared with £8.5m in 2013. Like-for-like tenant sales increased by 3% across Sonae Sierra's European portfolio, and by 7.8% in Brazil; meanwhile, average occupancy for the overall portfolio reached 95.5%. Sonae Sierra outperformed the retail sales index in most of its markets, indicating that these results not only reflect improving macro-economic conditions, but also the quality of Sonae Sierra's assets and its management approach.

Sonae Sierra continued its strategy to extract maximum value from its existing assets. Significant expansion and refurbishment projects were progressed at two of the Brazilian shopping centres, capitalising on tenant demand for prime assets in prime locations. In addition, as part of its efforts to re-energise shopping centres and enhance their tenant mix, refurbishment works were underway at four shopping centres in Portugal, Spain and Germany.

The sale of La Farga in Spain is consistent with Sonae Sierra's objective to sell down ownership of its non-core assets. In Italy, **Le Terrazze** was performing ahead of expectations and the strengthening investor sentiment presented an opportunity to sell a majority stake while maintaining a smaller interest in the property as well as responsibility for its property management.

Both transactions enabled the release of capital for new developments and acquisitions in the context of improving market conditions.

Construction continued on the development of **ParkLake Plaza** (see caption 2 below) in Romania, which is due to be completed in 2016 and already has 70.0% of the gross lettable area committed. In May, Sonae Sierra confirmed its first development in Morocco: **Zenata Shopping Centre** (see caption 3 on page 48). This is a €100.0m joint venture in which Sonae Sierra is a minority partner, providing development, leasing and property management services. This investment demonstrates how Sonae Sierra's strategy of expanding into emerging markets via its professional services business has borne fruit.

Other significant achievements include an agreement with McArthurGlen to create a designer outlet, adjacent to Plaza Mayor in Málaga, Spain. Delivering specialist retail services to third parties in new markets enables Sonae Sierra to share its market knowledge, access and contacts across a much broader geographic base, enhancing its specialism further.

Sonae Sierra's services business continued to grow in 2014 with over 41 new contracts in established markets in Turkey and North Africa, and the entry into strategically important new markets including China.

1 Liverpool ONE
In the Grosvenor Liverpool Fund, Liverpool ONE increased its footfall in 2014 by 5.0% over 2013 by continuing to meet the needs of its visitors. Brands like Browns Brasserie and Byron Burger were introduced.



2 ParkLake Plaza
This shopping centre in Bucharest, Romania - a joint venture between Sonae Sierra and Caelum Development - represents a €180.0m investment, and will offer around 200 shop units within 70,000m² of gross lettable area to a primary catchment area of 500,000 people. (CGI)



Indirect (continued)

Sonae Sierra further improved the operational and environmental efficiency of its shopping centres in 2014, making good progress towards its long-term environmental performance goals, contributing to a reduction in service charges by 2.3% and saving utility costs of around €18.7m. The quality of Sonae Sierra's sustainable business practices was acknowledged again in 2014 through its high Global Real Estate Sustainability Benchmark ranking: it maintained its 'Green Star' designation, was ranked third place in the European retail sector and was in the top 3.0% of participants worldwide.

For more information, see www.sonaesierra.com

Our investment programme with **IO Asset Management LLP**, the UK industrial real estate partnership that we have backed since 2012, remains in line with our original business plan with projected net returns in excess of 15% per annum. IO was not only attractive to us because of its deep industrial expertise, but also because of its approach: IO views each self-contained industrial unit within an estate as an individual property in its own right to be valued and marketed as such. This approach brings with it an almost forensic attention to individual tenants' needs - both existing and prospective.

Understanding and meeting these needs is rewarded with growing occupancy and successful unit sales. To date, IO's unit sales programme has achieved an average profit on cost of 32.0% and it has completed 26 new lettings inside two years with a team of only four people.

For more information, see www.ioam.co.uk

Our industrial and logistics fund investment with **High Street Equity**, a private equity real estate investment management company in the USA, focuses exclusively on institutional quality industrial assets in major markets in the USA. To date, the investment programme is progressing in line with strategy, having acquired 43 assets in four regional markets across the Eastern USA with a total gross asset value of US\$240.0m. With a senior team consisting of career industrial specialists, High Street Equity's ability to identify and exploit mispricing opportunities across its core markets is what sets it apart. As well as the short-term ability to buy well, the investment in this sector will benefit from longer-term market changes: not only through the growing demand for logistics (as the move to online retail continues), but also from the widening of the Panama Canal, which is expected to fuel demand for East Coast industrial property.

For more information, see www.hsequity.com

Propertylink provides an excellent combination of specialist market knowledge with a depth of experience and expertise, which has proven very well suited to the challenges of exploiting the market opportunity within the Australian industrial and logistics sector. We succeeded in our strategy to re-invest in Australia by completing the investment with Propertylink in February 2014. Since then, Propertylink has assembled a portfolio with a gross asset value of close to AUS\$500.0m in 26 assets yielding just under 9.0% per annum. The pace and success of its acquisitions programme (in joint venture with Goldman Sachs) led us to double our original equity commitment from AUS\$30.0m to AUS\$60.0m in September 2014. Propertylink's development of warehouse facilities for the new **Melbourne Market** (see pages 44-45) is expected to drive huge efficiencies and environmental benefits. Its location close to Tullamarine airport and arterial roads allows for more efficient transport of produce and the design of the facility reduces the environmental impact of the site and delivers higher standards of health and safety.

For more information, see www.propertylink.com.au

"The combination of our sector-specific experience and our regional network of agents and industrial property owners ensures that the IO team is well placed to source and execute transactions in a competitive marketplace."



James Allen
Partner
IO Asset Management LLP

"An extensive network of relationships with investment sales and leasing brokers, and a strong reputation as a reliable buyer gives High Street a significant advantage in competing for acquisition opportunities for our investors."



Andrew Zgutowicz
Chief Investment Officer
High Street Equity

"Like Grosvenor, we pride ourselves on our ethical and trustworthy approach and strong relationships. Our track record in executing on deals gives vendors the comfort to deal exclusively with Propertylink."



Peter McDonald
Executive Director,
Head of Property
Propertylink

A forward look

It remains challenging to find good opportunities for indirect investment in an increasingly competitive market, but through both our Grosvenor Fund Management co-investment programme and our growing investment with third-party specialists, we are positioning ourselves well to achieve this.

As we are only four people in the Indirect Investment team, we rely heavily on shared services across the Group. In particular, we rely on Grosvenor's in-house legal, finance and tax specialists (see caption 4 below) to support the growth of the Indirect Investment business - balancing innovation with compliance.

In 2015, our co-investment with third parties in Grosvenor Fund Management-led vehicles will be predominantly European retail and office led investments. With specialist third parties, we will continue the focus on our largest single third-party specialist - Sonae Sierra - as well as supporting IO Investments, High Street and Propertylink with the delivery of their business plans.

We are optimistic about Sonae Sierra's prospects for the year ahead. Following some yield compression in Portugal and Spain we expect values to continue to improve as more investors return to the market, especially for more prime assets.

Sonae Sierra will continue to focus on improving occupancy rates, rental income and tenant sales, and it will progress its programme of expansion and refurbishment works to enhance the value of the existing portfolio.

Sonae Sierra will also continue to look for opportunities to recycle capital and reinforce its development pipeline, while focusing on growing market share for its services business. In Brazil, Sonae Sierra's strategy is to take an opportunistic approach to developments and acquisitions in prime locations to strengthen the portfolio, and to focus on the redevelopment of key assets with value creation potential, focusing on first tier cities such as São Paulo and Rio de Janeiro where Sonae Sierra wants to increase its exposure.

In our backing of new third parties, we will maintain our focus on the industrial and logistics sector, but we will also be seeking to back existing and new areas of real estate expertise - both sector and geographical (including, potentially, our first investment in Sub-Saharan Africa) - which are not currently accessible in Grosvenor Group's direct businesses. This includes opportunities in real estate companies and associated services that help improve environmental performance. Through these activities, we aim to deepen our growing expertise as well as provide an increasing contribution to the Grosvenor Group.

Chris Taite
Group Investment Director
26 March 2015



3 Zenata Shopping Centre
Adjacent to highway A3 that connects Rabat to Casablanca in Morocco, this 90,000m² shopping centre will offer 250 shops to a catchment area of 5.9 million people. The shopping centre is planned to open in 2017, creating 4,500 jobs for the local community. (CGI)



4 Specialist in-house support
Grosvenor's in-house legal, tax and finance specialists support our Indirect Investment team as it works to diversify the Group's property investment portfolio. Pictured is Rachel Heslehurst, Legal Counsel.



5 Hovefields Court
IO Asset Management LLP's refurbishment of this 5,390m² estate in the well established industrial area of Basildon, UK, helped the facility achieve full occupancy within three months.



Focusing on what we do best

Skärholmen Centrum Shopping Centre, Stockholm, Sweden

We acquired Skärholmen Centrum just after the year-end on behalf of our Retail Centres V (Sweden) fund, bringing the total number of Swedish shopping centres we manage to six. Situated in one of Sweden's growing regions, it is ranked in the top four shopping centres in the country by footfall, with 14 million visitors a year. Its exceptional community facilities set it apart as a social hub for the local catchment area of more than 600,000 people.



Grosvenor Fund Management (continued)

Grosvenor Fund Management

Business objective

We aim to create value for investors, Shareholders and staff by creating compelling investment strategies that are expertly implemented. Building on our recognised skills and track record, we focus on urban property, often mixed-use and with a retail focus, in cities and locations whose vibrancy will endure. We select high-quality assets and manage them vigorously. We treat our tenants, as well as our investors, as partners, building close and mutually beneficial relationships that draw on Grosvenor's long experience in real estate. We work best with clients who, like Grosvenor, have a long-term view of investment while being alert to the potential of short-term opportunities to enhance returns.

Key achievements

- The acquisition of the fourth largest shopping centre in Sweden.
- The acquisition of 10 Grosvenor Street in London.
- Investments with three new investors.
- The creation of our fifth European urban retail platform with a major North American investor.
- Outperformance of INREV benchmarks.

Assets under management	Fee income	Disposals made	Acquisitions made
£3.0bn <small>(2013: £3.2bn)</small>	£15.3m <small>(2013: £17.7m)</small>	£0.5bn <small>(2013: £1.1bn)</small>	£0.1bn <small>(2013: £0.2bn)</small>

Portfolio analysis



1 Retail	£2,229.7m	74.1%
2 Office	£652.1m	21.7%
3 Other	£126.2m	4.2%



1 Funds	£2,008.8m	66.8%
2 Separate accounts	£594.2m	19.8%
3 Clubs	£405.0m	13.4%



1	Liverpool
2	London
3	Lyon
4	Shanghai
5	Stockholm

Number of assets by region

Asia	1
Europe	99
USA	12

Like-for-like energy consumption mwh

-9%	2013	67,937
	2014	61,665

Like-for-like water consumption m³

-2%	2013	325,299
	2014	318,402

Continued focus

The activities and transactions we undertook in 2014 were very much in line with our refreshed strategy. We focus our investments on what we do best: retail-led properties in European urban environments as well as offices in London. This allows us to best use our property skills to grow income and value, which drives performance for our investors. We continue to develop our strategy in the USA, which will follow a similar theme.

This focus has generated excellent returns across our partnerships. Several significant acquisitions have been made and a very healthy pipeline of investments is in place. Fee revenue for management services amounted to £15.3m (2013: £17.7m).

Assets under management at the end of 2014 were £3.0bn (2013: £3.2bn). Total acquisitions were £0.1bn, but including the **Skärholmen Centrum** shopping centre transaction which completed in February 2015, were £0.4bn. Our revenue was in line with our forecast.

Our strategy in action

Europe remains the dominant part of our business and there is strong momentum in all of our chosen investment strategies.

For European Urban Retail, we created our fifth platform – this one with a major North American investor and Grosvenor – and obtained exclusive positions on two city-centre retail properties, one in London and one in Milan, both of which were subsequently completed after year end.



James Raynor
Chief Executive, Grosvenor
Fund Management

For our other key European strategy, retail shopping centres, we acquired **La Visitation**, a shopping centre in Rennes, for a new French client (see caption 3 on page 54) and just after the year-end (as detailed in caption 4 on page 14 and pages 50-51), we acquired **Skärholmen Centrum** shopping centre in Sweden on behalf of our Retail Centres V (Sweden) Fund, backed by two major new investors and Grosvenor. This transaction represents the sixth shopping centre that we have acquired in Sweden and means that we are now well established in the Scandinavian market.

The Grosvenor London Office Fund, which invests in Central London offices, raised £95.0m of new capital from existing third-party investors, purchased the other 50% of **10 Grosvenor Street** (see caption 4 on page 54) at below valuation and refinanced its debt at extremely attractive rates.

In the USA, we are working side by side with our colleagues in Grosvenor Americas to develop strategies that will bring to the fore the best expertise that exists within the Group and allow us to provide urban investment opportunities in the cities that we focus on, in this strong and growing market.

In Asia, our focus is to continue to improve and consolidate the **Parkside Plaza** shopping centre in Shanghai. Under Brenda Chung, Director, Asset Management (see quote to the right), there has been excellent progress in improving both occupancy and tenant quality.

In 2014, we also made a number of sales for our investors, with our Grosvenor Retail European Properties Fund disposing of the Verano portfolio at significantly above valuation. The same result was achieved with the sales of the last two assets for the IGPT Fund – shopping centres in Barcelona and California. We also completed the sales of the assets for the Grosvenor Office & Retail Fund in Japan, delivering above target prices to our investors.

We pride ourselves on a very active approach to property and asset management and aim to improve all of the properties under our stewardship for the benefit of our investors, our tenants and the environments in which they sit.

During 2014, there were nearly 400 leasing events across the portfolio, allowing us to introduce new tenants, accommodate the growing needs of existing tenants and generally continue to improve our buildings.

We are particularly pleased to have provided rental units to leading brands such as **Michael Kors** (see caption 1 below) in **Liverpool ONE**, Nike in Heron Park in Lille, Swarovski in Lyon and the **LEGOLAND® Discovery Center** (see caption 2 below) at **Parkside Plaza** in Shanghai and to have provided more space to existing tenants H&M and Zara.

The refurbishment of our malls in Sweden and France advances well and is providing an enhanced consumer experience to our customers.

This year, **Väsby Centrum** (see caption 5 on page 54), in Northern Stockholm, underwent a vibrant programme of renovation and rebranding. The central square, malls and entrances were all upgraded in a modern and customer-friendly style. Unveiled in late October, the improvements led to an increase in footfall this December of 7.6% compared to 2013 and an increase in hits on social media of 31.7%.

Investment performance

The performance of our investment vehicles in 2014 was strong, reflecting the benefit of concentrating our resources on those funds which meet the criteria of our more focused strategy and addressing the weaker performers. The overall weighted return was 15.0% (2013: 7.3%).

The performance of our absolute return fund, which invests in real estate equities, continues to be excellent. In 2014, net returns of 16.0% were achieved with less than half of market volatility. The Fund was nominated for a EuroHedge Award in 2014.

“At Parkside Plaza in Shanghai, our active asset management focusing on key leading indicators has seen footfall increase by 13.2% and sales turnover for tenants increase by 13.4%; this is now flowing into higher rents on new lettings.”



Brenda Chung
Director,
Asset Management
Grosvenor
Fund Management



1 Michael Kors
In October 2014, Michael Kors opened a Michael Kors lifestyle store, which carries a mix of accessories, at Liverpool ONE – the first of its kind in North West England.



2 LEGOLAND® Discovery Center
The first LEGOLAND® Discovery Center in China will be at Parkside Plaza in Shanghai, part of the repositioning of the centre as a leading family shopping and entertainment destination. (CGI)

Grosvenor Fund Management (continued)



3 La Visitation Shopping Centre
In February 2014 we acquired La Visitation, a shopping centre gallery with 17 tenants in Rennes, France, on behalf of a French institutional investor.

Finance

We manage £1.2bn of debt on behalf of our clients. One quarter of this was put in place during 2014. This runs across 20 separate loans. Our average loan to value is low at 41.0%, in line with our prudent approach to financial planning.

We are grateful to our 20 relationship banks for their support.

Managing key relationships

We work with 59 investors with interests in 21 investment vehicles. The quality of the relationships we forge with our clients is fundamental to our business, hence the formal and informal channels through which we conduct these relationships.

We have established a good reputation for a prudent and long-term approach to investment and our ability to add value to the properties we own and manage, particularly in the London market.

Recently, we have become better known for our specialist focus elsewhere in Europe and we aim to demonstrate, through our actions and our communication, our credentials as a leading specialist management partner.

Supporting the industry

We seek to punch above our weight in terms of our contribution to the wider industry. We play an active role in INREV (see middle quote opposite), the association responsible for European non-listed real estate vehicles, particularly in relation to its commitment to training and education.

We also support wholeheartedly INREV's recommendations on best practice in our industry. The fund management industry is changing and we want to help lead that change.

Living cities

We recognise the increasingly vital role that cities have in the world and how long-term economic growth and urbanisation are intertwined. Sustainable and well-conceived urban environments and infrastructures have a huge impact on a city's development.

Having an intimate knowledge of the cities in which we operate, and how assets fit into those cities, is fundamental to our business. It is crucial that global cities and the properties within those cities operate in a more sustainable way.

We aim to use our knowledge and skills to invest in and develop buildings that are integrated into the cities where they are located, will contribute positively to the environments in which they sit and will generate strong long-term returns.

We improved the energy efficiency of our held portfolio by 9.0% in 2014 due to working closely with our property managers to reduce energy usage and bills. We also, once again, achieved 'Green Star' status in the Global Real Estate Sustainability Benchmark.

"We are delighted to have made our first acquisition alongside Grosvenor. They are an aligned, long-term partner with a strong retail expertise that we hope will drive the value of our investment."



Ilkka Tomperi
Investment Director
Varma Mutual Pension Insurance Company

"INREV's objective to further transparency of non-listed real estate vehicles will only be achieved by having a set of relevant global standards developed with the input and support of our members for the entire industry."



Matthias Thomas
CEO, INREV

"We manage our portfolios to protect and grow the streams of income that the assets produce. Through attentive and creative asset and property management, we ensure the best value for our investors by clearly and consistently communicating our objectives with all our stakeholders."



Nick Preston
Managing Director, Portfolio
Grosvenor Fund Management

Research

During the year, Graham Parry took over as Group Research Director. Graham and his team have a fundamental role in helping shape our investor strategy, ensuring that we are equipped with the best insights and forecasts so we can underwrite accordingly and rapidly.

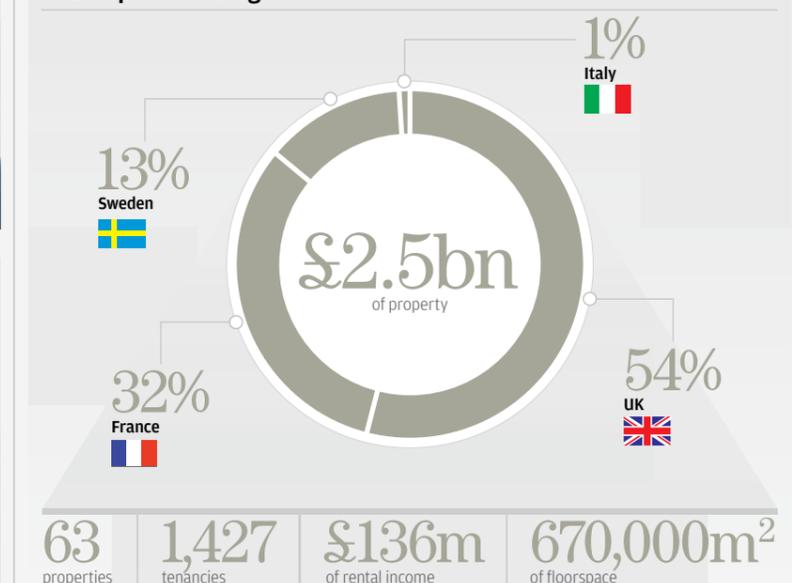
Graham will continue the work on upgrading our research outputs that began this year with the quarterly publication of our 'house view'.

The competitive landscape

The opportunity for Grosvenor Fund Management is considerable. An increasing number of private and institutional investors are seeking to invest in property. Although competition is strong, these requirements, combined with investors' demand for well-financed, prudent and long-term managers, play well to our strengths. We believe that we have in place an infrastructure capable of delivering a high level of service and performance to a wider group of investors. I am looking forward to continuing to grow the business in line with our strategy and serving all our stakeholders.

James Raynor
Chief Executive, Grosvenor Fund Management
26 March 2015

In Europe we manage:



4 10 Grosvenor Street
In September 2014, we acquired the final 50.0% of 10 Grosvenor Street on behalf of our London Office Fund, following our strategy to invest in large, high-quality office buildings in central London.



5 Väsby Centrum
In 2014, Väsby Centrum, in Northern Stockholm, Sweden, underwent a vibrant programme of renovation and rebranding, upgrading the central square, malls and entrances.



Grosvenor Fund Management - Board of Directors
as at 26 March 2015

	Mark Preston FRICS Chairman and Non-Executive Director; Group Chief Executive		Bruce Ambler Executive Director Regional Director, Americas
	Nicholas Scarles FCA ATTORNEY AT LAW Non-Executive Director Group Finance Director		Alexia Gottschalch Executive Director Global Head of Capital Markets
	James Raynor Executive Director Chief Executive		Matthew Norris Executive Director Real Estate Securities Portfolio Director
	Robert Davis Executive Director Chief Operating Officer		Giles Wintle Executive Director Regional Director, Europe

Read biographies online at:
www.grosvenor.com/fund-management-board

Our history

Continuing stewardship

The family and the land 1677

The Grosvenor family history stretches back almost 1,000 years, to the time of William the Conqueror.

However, the origins of the property business lie in the land in London that came into the family in 1677 with the marriage of Mary Davies (see image 1 below) and Sir Thomas Grosvenor (see image 2 below) – 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.

Mayfair, London 1720s

Mayfair, the northern part of this land, took its name from the fair held there 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 (see images 3 and 4 below).

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.

Belgravia, London 1820s

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, including Belgrave Square (see image 5 below), 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 (see image 6 below) and, on the periphery, modern offices.

International expansion 1950s

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 world.

Our business expanded, successively, into the Americas (from the 1950s with a development at Annacis Island, Vancouver, our first international project – see image 7 below), Australia (from the 1960s), Asia Pacific (from the early 1990s) and Continental Europe (later that decade). Many projects were undertaken in partnership with other investors, leading us gradually into fund management.

Corporate structure 2000

Grosvenor’s corporate governance has evolved with the maturing of the Group. In April 2000, when we moved into new London offices (see image 8 below), we adopted a corporate structure as a Group of regional businesses and published our first full Annual Report and Accounts. In 2005, our international fund management business was formalised as a discrete entity. In 2011, we brought all our indirect investments in property together, creating the present structure of direct proprietary activities; indirect proprietary activities; and fund management.

 [Read more online about Grosvenor at: www.grosvenor.com](http://www.grosvenor.com)

Today, we have 17 offices in 11 countries and assets in 16 countries (see 1701 Pennsylvania Avenue NW in Washington, DC in image 9 below).

Ownership 2015...

Grosvenor remains privately owned. Our Shareholders – the Trustees of the Grosvenor Estate – hold the shares and other assets 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.

 [Read more online about the Grosvenor Estate at: www.grosvenorestate.com](http://www.grosvenorestate.com)



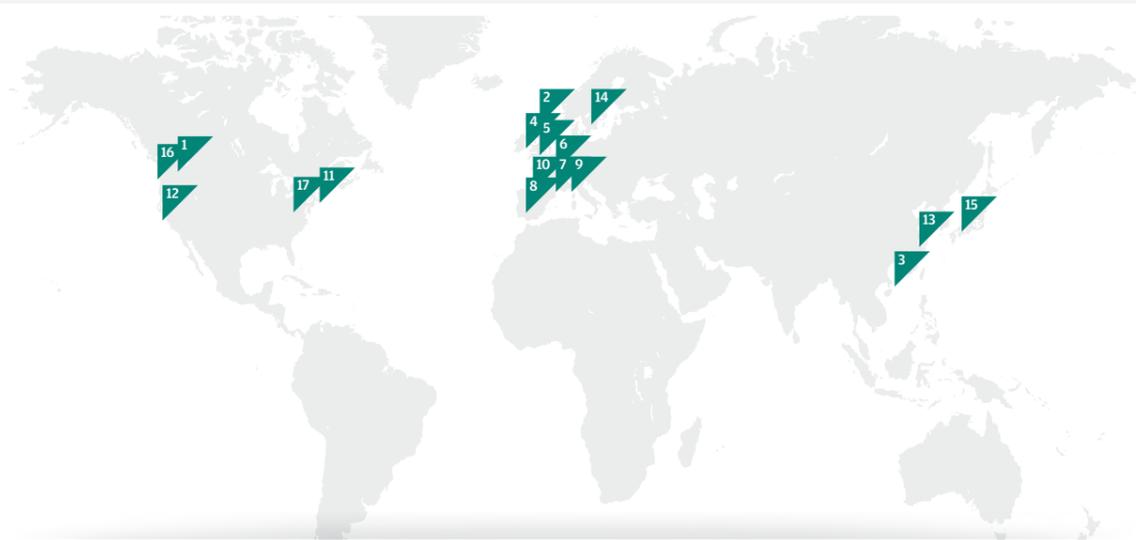
Grosvenor Asia Pacific celebrated its 20th Anniversary in November 2014 with an event at Shaw Studios in Hong Kong. The entertainment during the evening was inspired by Grosvenor’s presence in our key Asian cities: Hong Kong, Shanghai and Tokyo. Pictured on the back cover is one of the ‘shadow dancers’ from Shanghai.

Image on back cover
© Lusher Photography

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

The financial information set out on page 23 does not constitute the Group’s statutory financial statements for the year ended 31 December 2014 and 2013, but is derived from those accounts. Statutory financial statements for 2013 and 2014 have been delivered to the Registrar of Companies. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

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Glossary

Area
All figures given are for the gross area.

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

CGI
Computer-generated image.

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

Condominium
A form of property where a specified part of real estate (usually a multi-family property) is individually owned while use of and access to common facilities are controlled by an association of owners.

Conservation Area
An area considered worthy of preservation or enhancement because of its special architectural or historic interest.

Currency
Financial information is presented in Sterling, with the exception of the Operating Company-specific sections on pages 28-49, where it is presented in the principal currency of the respective Operating Company.

Development exposure
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 pipeline
The development programme, including proposed projects that are not yet committed but are likely to proceed.

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.

ERV (estimated rental value)
The estimated market rental value of the total lettable space in a property, calculated by the Group's valuers. This will usually be different from the rent being paid.

Financial capacity
Wholly owned unrestricted cash and undrawn committed facilities.

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.

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

Group
Grosvenor Group Limited and its subsidiary undertakings.

Holding company
Grosvenor Group Limited.

IFRS
International Financial Reporting Standard(s).

Impairment
A reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

Indirect investment
Proprietary investment managed by Grosvenor Fund Management or third-party managers.

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 controls jointly with the other investors.

LEED
Leadership in Energy and Environmental Design.

Like-for-like
A portfolio of assets that has been in our management control for two years or more, also known as the 'static' portfolio.

London estate
Grosvenor's portfolio of properties in the Mayfair and Belgravia areas of London's West End.

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.

MWh (Mega Watt hours)
Equal to 1,000,000 watts of electricity used continuously for one hour.

Occupancy rate
The average occupancy by floor area for the relevant year.

Operating Companies
Grosvenor's regional investment and development businesses and Grosvenor Fund Management.

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

Presentational changes and restatements
Changes to IFRS on accounting for joint arrangements, which have been implemented in 2014, have resulted in a significant change to the published results of Sonae Sierra, a joint venture. While there is no impact on Grosvenor's primary financial statements, revenue profit (which is our chosen method of measuring underlying performance) and Grosvenor's share of property assets, both of which incorporate the underlying accounting of our joint arrangements, are affected. In order to better reflect the underlying results of the Grosvenor Group, Sonae Sierra's results have been incorporated on a management accounts basis rather than an IFRS basis, reflecting Sonae Sierra's proportionate share of its underlying investments. All prior years have been restated accordingly. Shareholders' funds and the Group's profit before tax are unaffected by this restatement.

Property assets
Investments in property and property-related instruments: comprises investment properties, development properties, trading properties, mezzanine loans and equity investments in property companies.

Proportional
The total of the Group's wholly owned and its share of jointly owned property assets or net debt as accounted for on an IFRS basis.

Proprietary
Relating to Grosvenor's share of investments in property assets. Proprietary assets are direct or indirect: see structure diagram on the inside front cover.

Rack-rented
The term used to describe when the contracted rent is in line with the estimated rental value (ERV), implying a nil reversion.

Resilience (in the context of gearing)
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 reaches ERV; calculated as ERV as a percentage of the value of investment properties.

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

Separate account
A private real estate portfolio managed by Grosvenor Fund Management on behalf of a third party.

Shareholders' funds
The balance sheet value of the Shareholders' interest in the Group.

Structured development finance
Lending to property developers that is subordinated to senior lending in return for a profit share in the completed development.

Total return
Total return on property assets is revenue profit before financial expenses but after major refurbishments, plus the net gain on revaluation and sale of investment properties and other investments and including fair value adjustments and exchange movements recognised in reserves, as a percentage of average property assets (before current year revaluations) and cash. Joint ventures and associates are treated proportionally for the purposes of this calculation.

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

Value-add
Above-market increase in value as a result of active management (i.e. change of use or refurbishment).

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.

