Living cities

www.grosvenor.com

GROSVENOR

Annual Review 2015

Evolving and growing

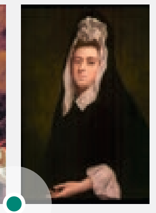
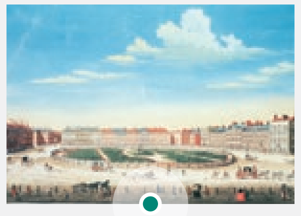
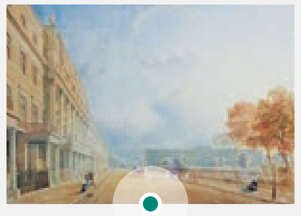
At Grosvenor, we understand cities and the way they evolve. We have been actively managing our London estate since 1677 through numerous economic cycles, conflicts, the industrial revolution, technological change and globalisation. As a business too, we have continued to adapt to a changing world: since the 1950s we have expanded internationally to 60 cities, with offices in 17 of them.

60
cities we are active in across the Americas, Europe and Asia Pacific.

1,550
properties currently in our direct investment portfolio managed to minimise our environmental impact.

567
people worldwide expressing the same set of values.

31
projects in our development pipeline as we look to the next property cycle.


1677 | 1720s | 1820s | 1950s | 2000 | Today | Tomorrow…

The family and the land

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 and Sir Thomas Grosvenor: 500 acres of swamp, pasture and orchards to the west of the City, of which 300 acres remain with the family today as Grosvenor's London estate.

Mayfair, London

Mayfair, the northern part of this land, took its name from the fair held there each May until well into the 19th century. In 1720, the family began developing the land into a fashionable residential area, centred on Grosvenor Square.

The area's character continued to evolve through subsequent redevelopment. In the 19th century, shops and, later, embassies and diplomatic residences moved in. Social housing was introduced around Brown Hart Gardens. During the 20th century, it saw the westerly migration of office users from the war-damaged City of London.

Belgravia, London

Belgravia, which lies south-west of Mayfair, was originally part of the 'Five Fields' - open land between Hyde Park and the River 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, Thomas Cundy, the family's surveyor, created a masterplan for what was to become Belgravia. Together with master builder Thomas Cubitt, Cundy (and his successors as Estate Surveyor), oversaw the creation of an elegant estate in the classic Regency style of squares overlooking private gardens, streets and crescents.

International expansion

During the second half of the 20th century, Grosvenor began to apply its estate management skills of investment, development and asset management elsewhere in the world.

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

Corporate structure and ownership

Grosvenor's corporate governance has evolved with the maturing of the Group. In April 2000, when we moved into new London offices, 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 investment activities; indirect investment activities; and fund management.

More information on ownership
See pages 6 and 56

'Living cities'

Grosvenor remains privately owned, and we continue to be concerned about what we can do to make a lasting contribution to the communities and the environments in which we are active.

Our 'Living cities' philosophy supports our strategy, guiding us to create, invest in and manage properties and places that contribute to the enduring success of cities.

More on our 'Living cities' philosophy
See page 2

In this year's review

We highlight examples of our 'Living cities' philosophy in practice, report on our strategic objectives and review progress from the perspective of the Group and its constituent businesses.

For more information:
www.grosvenor.com/performance

Annual Financial Statements 2015
Our full financial statements for the 2015 financial year are available at:
www.grosvenor.com/financialstatements2015

Annual Non-financial Data Report 2015
The details behind our 2015 socio-economic and environmental metrics are available at:
www.grosvenor.com/nonfinancialdata2015

You will find information about Grosvenor's history under this flap.

Welcome to Grosvenor

Three centuries of stewardship of property as a private company gives us a sense of perspective and enables us to make informed long-term decisions.

The decisions we make today will affect people and communities in the future and it is this long-term impact of what we do that drives us at Grosvenor.

Our 'Living cities' philosophy, which supports our strategy, guides us to create, invest in and manage properties and places that contribute to the enduring success of cities.

On the following pages, you can find out more about the work we are doing to make a lasting contribution though our projects, investments and other initiatives. You will also see how we are exploring ways to quantify this, working closely with local communities, businesses and civic authorities, and with our partners, consultants and other developers.

‘Living cities’

Our ‘Living cities’ philosophy in action

Put simply, we strive to create, invest in and manage properties and places that contribute to the enduring success of cities.

Our philosophy

Grosvenor, one of the world’s largest private property groups, works in some of the most dynamic cities around the globe.

Urbanisation is recognised as one of the defining forces of the modern world. With 300 years’ experience as steward of our London estate, we believe we can help cities grow and evolve in ways that are socially, economically and environmentally sustainable.

We aim to make a long-term contribution to the future success of the cities in which we work by using creative design, high-quality building materials and innovative environmental solutions in our development projects, and through intelligent management of our property assets. In doing so, we strive to create places in which people will want to live, work and enjoy their free time.

By taking a long-term approach, we are able to combine our global expertise with local knowledge and cultural understanding. We want our projects to reflect the spirit of the individual city and to foster thriving communities. We work closely with local communities, businesses and civic authorities, and with our partners, consultants and other developers to achieve this.

Grosvenor Hill

The internationally-renowned Gagosian Gallery opened its new space in **Grosvenor Hill**, Mayfair, London in October, with an exhibition of a series of paintings, sculptures and works by artist Cy Twombly. Our vision for this growing part of the West End is founded on our wish to see vastly improved public areas, leading architectural design and some of the best cultural and retail operators in the world.

World-class design
The gallery’s exterior is designed by award-winning architects TateHindle. The 2,000m² interior, incorporating double height, daylight-lit spaces, is designed by Caruso St John (designers of the Gagosian galleries in Rome and Paris).

2,000

District-wide improvement
As part of our continuing transformation of North Mayfair, nearby Mount Street has attracted some of the world’s leading fashion houses and designers. They include Oscar de la Renta and Roksanda, as well as up and coming British designers such as Christopher Kane and Nicholas Kirkwood.

Cultural quarter
The gallery draws on Mayfair’s art and design heritage and joins recent additions to the area including ‘Silence’, a water feature by Japanese architect Tadao Ando on Mount Street, and public art created by Neal French in nearby Bourdon Place.

“We looked for many years to open a flagship store in London, a city which is for me the most important metropole in the world. This cultural quarter around Bourdon Street is changing and we wanted to be here, contributing to the start of this evolution.”

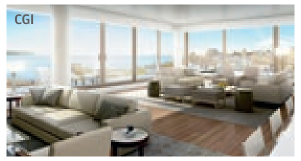
Hussein Chalayan, MBE
Fashion Designer and Owner, Chalayan

Better spaces and improved access
The upgraded public realm around Grosvenor Hill, funded by Grosvenor, was designed by international architectural practice BDP. New streetscapes include striped granite paving, street furniture, trees and lighting, and greater priority to pedestrians. An improved thoroughfare at Grosvenor Hill strengthens the connection between Bond Street, Berkeley Square and Mount Street.

'Living cities' (continued)

Grosvenor Ambleside

We launched the pre-sales campaign for **Grosvenor Ambleside** in Vancouver in March 2015 to an excellent response within the local market. Our mixed-use development will infuse new life into the waterfront community and the village shopping district of West Vancouver.



West Coast modernism
Grosvenor Ambleside's two terraced buildings have been designed to meet LEED Gold standard. Residences will contain state-of-the-art technology and will sit above street-level specialty shops, cafés and restaurants. Locally sourced materials will be used in its construction.

75%

Improving the land
The development's contaminated brownfield site, once home to a petrol station, has undergone an environmental cleanup for the building of Grosvenor Ambleside. Our goal is to divert 75% of construction waste from landfill to recycling facilities.

New connections
A 650m² glazed galleria will cover the new pedestrian route from Marine Drive to Bellevue Avenue, opening up views and providing covered access to the beach, seawall and waterfront.

"Commissioned artworks by renowned residents and Order of Canada recipients – Douglas Coupland and Gordon Smith – will celebrate West Vancouver's remarkable environment from mountains to shore."

Alison Keller
Fine Art Consultant

Listening to the community
Hundreds of West Vancouver residents helped us develop and refine the distinctive design. Ideas fairs, public meetings and co-design sessions with Stanley King have guided the process.

5

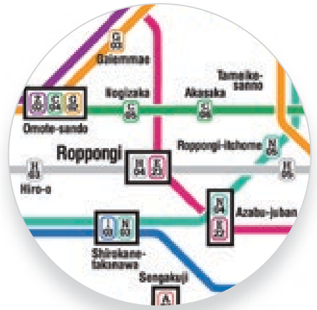
Public art pieces
Five public art pieces will be situated in and around the property.

The Westminster Roppongi

The Westminster Roppongi is a 99-unit apartment building located next to Roppongi Hills in Tokyo. Rather than demolish and redevelop the existing building following its acquisition, we undertook extensive refurbishment of the property with architects PDP London, using the highest-quality materials. By doing this, we created high-end apartments in a more sustainable way. We sold the last units in 2015.

"Grosvenor's commitment to design and quality was evident throughout our partnership on The Westminster Roppongi, and its success in the market demonstrates the benefits that such an approach can bring."

Kenneth Koo
Group Chairman and Chief Executive Officer
TCC Group



Well connected
The Westminster Roppongi lies at the centre of one of Tokyo's most connected districts, within walking distance of Tokyo Midtown and both Azabu Juban and Roppongi train stations.

'Smart' city living
We have supplied electric Smart cars to residents of the property to rent seven days a week, providing them with a convenient and low-carbon way of travelling within the city.

Part of the neighbourhood
The project incorporated an artist-in-residence programme to complement Roppongi's numerous existing art galleries and museums, hosting four artists in its first year.

4

Industry recognition
The Westminster Roppongi project won the MIPIM Asia Gold Award for 'Best Refurbished Building' in 2015.

Our business

How we work

We run the Group through a devolved structure, enabling decisions to be taken locally wherever possible.

GROSVENOR ESTATE

Trustee requirements

The Grosvenor Estate

The Grosvenor Estate represents all the business activities of the Grosvenor family, headed by the Duke of Westminster. There are three key elements to it:

Grosvenor Group Limited
An international property company that creates, invests in and manages property and places that contribute to the enduring success of cities.

Wheatsheaf Investments Limited
Operates and invests in companies that contribute towards the long-term challenges of securing sustainable food and energy supplies.

Family Investment Office
Manages other interests, including rural estates in the UK and Spain, a charitable foundation, fine art collection and historic archive.

The Shareholders are the Trustees of the Grosvenor Estate, who hold the shares in Grosvenor Group Limited 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.

The Trustees require the Group to fulfil defined business and financial objectives, including the delivery of long-term returns, subject to appropriate levels of operational risk. They also require that a defined approach to conducting business be applied, which includes social, environmental and reputational behaviours, and which has led to the development of the values that we share across the Group – loyalty, integrity, expertise and long-termism.

GROSVENOR

Strategy to fulfil the requirements

Grosvenor Group Limited

Our strategy is to grow a private, diversified property group, active internationally in several sectors, with a long-term view of markets and our commitments. We create value by developing and managing property, and investing in property-related businesses, in cities around the world. The Group benefits from a shared set of values and a consistent overall strategic business approach and risk appetite, while our devolved businesses use their local expertise to develop and execute local strategies, and benefit from a number of key common services. This approach positions us to operate efficiently across international markets, while remaining focused on strategies which suit local conditions and skills.

The Group has three strategic objectives:

1 To deliver attractive long-term returns See page 8

2 To develop and co-ordinate an internationally diversified property group See page 10

3 To uphold Grosvenor's reputation for quality, integrity and social responsibility See page 12

Benefits of our Group structure:

- Group-wide strategic objectives
- Shared brand, values and heritage
- Strategic capital allocation
- Economies of scale
- Attracting, retaining and developing people
- International lender and partner relationships
- Global research capability
- Common pool of resources and expertise
- Shared support services

Implementation of our strategy

Our businesses

We believe that decisions about property are best made on the ground, by local people who know their markets.

To help meet our Group strategic objectives, we have adopted a devolved structure. Each of our businesses is responsible for developing its own operational strategy, drawing on its assessment of opportunities and its market skills, local experience of what makes for success in urban environments, and the creativity and know-how of specialists around the Group.

Benefits of our devolved structure:

- Deep understanding of local challenges and opportunities
- Responsible, responsive decision-making
- Empowered people
- Specialist approach for our local communities, customers and partners
- Tailored research and strategies

We allocate our capital across three areas of business:

Direct investment

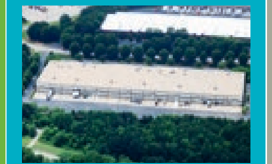
Our regional Operating Companies are wholly-owned companies through which Grosvenor makes direct investments in real estate. Together they invest 81% of Grosvenor's capital.

Grosvenor Britain & Ireland
See page 28

Grosvenor Americas
See page 34

Grosvenor Asia Pacific
See page 40

Indirect investment



Our Indirect Investment business invests in real estate through co-investments in Grosvenor-managed funds and investments with other non-Grosvenor managed specialist companies. It invests 19% of Grosvenor's capital in Asia, Australia, Brazil, Europe and the USA.

Indirect Investment
See page 44

Fund management

Our international fund management business operates mainly across Europe and manages investments on behalf of 48 investors, including Grosvenor.

Grosvenor Fund Management
See page 50

The 'Living cities' philosophy which supports our strategy

'Living cities'

At Grosvenor, we hope to make a lasting contribution to the communities in which we are active, and to the environment, taking advantage of the property skills and the long-term perspective that we have developed over many generations as a private company.

'Living cities' is the philosophy which supports our strategy, guiding us to create, invest in and manage properties and places that contribute to the enduring success of cities.

More on our 'Living cities' philosophy
See page 2

Benefits of our 'Living cities' philosophy:

- A consistent, holistic approach
- A long-term partner, contributing to the success of cities

To help us put our 'Living cities' philosophy into practice, we have identified eight attributes that, in our opinion, help cities thrive in the long term. They are:

- Climate resilient
- Economically resilient
- Healthy environment
- Strong community
- Connected
- Good governance
- High-quality place
- Sustainable resources

Overview

Our business (continued)

Strategic objective 1

To deliver attractive long-term returns

Our strategy

We strive to grow revenue profit 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.

Highlights for 2015

9.0%
Total return
(2014: 13.1%)

£4.4bn
Shareholders' funds
(2014: £4.0bn)

27.1%
Economic gearing
(2014: 23.0%)

£83.3m
Revenue profit
(2014: £80.1m)

£526.6m
Profit before tax
(2014: £681.8m)

£0.9bn
Financial capacity
(2014: £1.1bn)

Revenue profit

Revenue profit is the measure by which we identify our underlying performance, as it excludes market movements. Revenue profit of £83.3m in 2015 continued the upward trend that we have seen since 2010. As a result of our increasing focus on development activity, we anticipate revenue profit being markedly lower in 2016.

Total return

We measure total return to show how our property portfolio has performed, including both income and capital returns. 2015's total return of 9.0% reflects another strong performance by the Group.

Shareholders' funds

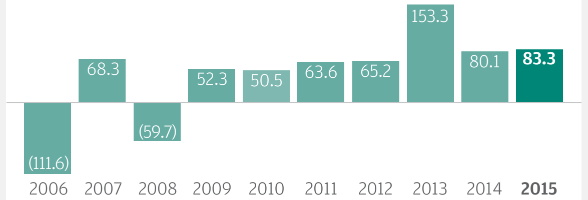
As a result of this good return, Shareholders' funds grew for the sixth consecutive year to £4.4bn.

Compound annual growth rate

Over the past 10 years, revenue profit (adjusted for exceptional items) has increased at a compound annual growth rate of 5.0% and Shareholders' funds at 7.6%.

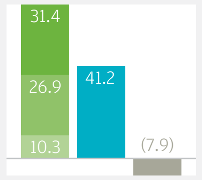
Revenue profit

£83.3m (2014: £80.1m)



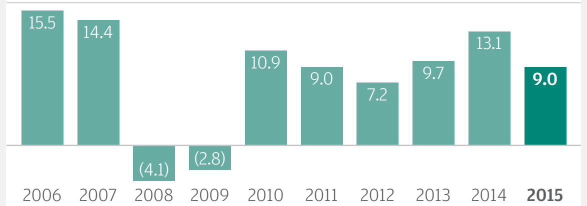
Direct investment

Grosvenor Britain & Ireland	£31.4m
Grosvenor Americas	£26.9m
Grosvenor Asia Pacific	£10.3m
Indirect Investment	£41.2m
Grosvenor Fund Management	(£7.9m)



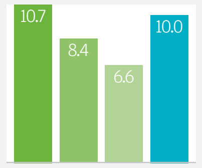
Total return

9.0% (2014: 13.1%)



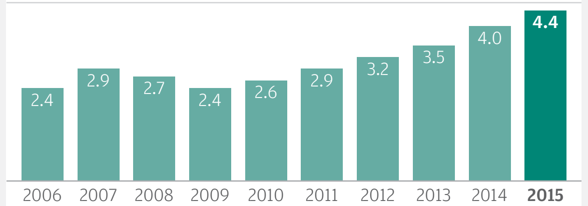
Direct investment

Grosvenor Britain & Ireland	10.7%
Grosvenor Americas	8.4%
Grosvenor Asia Pacific	6.6%
Indirect Investment	10.0%



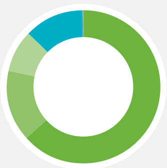
Shareholders' funds

£4.4bn (2014: £4.0bn)



Direct investment

Grosvenor Britain & Ireland	£2,755.8m
Grosvenor Americas	£649.7m
Grosvenor Asia Pacific	£389.4m
Indirect Investment	£550.9m
Grosvenor Fund Management	£0.2m



Financial statements (£m)

Income statement – proportional*	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Net rental income	138.3	144.3	172.6	201.1	184.4	195.8	195.6	172.2	175.3	**186.7**
Fees and other income and expenses	70.1	68.4	58.7	63.6	75.7	60.5	58.5	63.1	63.9	**58.7**
Net gains/(losses) on trading properties	(175.2)	2.7	(100.8)	(2.8)	(3.6)	2.5	4.7	115.2	30.7	**27.5**
Administrative expenses	(105.4)	(114.4)	(124.0)	(125.7)	(123.8)	(120.5)	(118.8)	(128.6)	(127.3)	**(133.9)**
Net financing costs	(39.4)	(32.6)	(66.3)	(83.9)	(82.2)	(74.7)	(74.9)	(68.6)	(62.5)	**(55.7)**
Group revenue profit/(loss)	**(111.6)**	**68.3**	**(59.7)**	**52.3**	**50.5**	**63.6**	**65.2**	**153.3**	**80.1**	**83.3**
Net gains/(losses) on revaluation and sale of investment properties	640.7	475.6	(491.7)	(266.1)	386.6	329.5	320.1	380.9	638.0	**478.9**
Other	4.8	5.5	(47.2)	(23.6)	(16.4)	(67.4)	(11.9)	(20.9)	(15.8)	**(18.5)**
Tax and non-controlling interests in joint ventures	(25.3)	(25.4)	4.7	1.3	(25.9)	(10.7)	(5.6)	(6.4)	(20.5)	**(17.1)**
Profit/(loss) before tax	**508.7**	**524.0**	**(593.9)**	**(235.8)**	**394.8**	**315.0**	**367.8**	**506.9**	**681.8**	**526.6**

Balance sheet – proportional*	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Total property assets including share of joint ventures	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	**6,674.6**
Net debt	(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)	**(1,298.6)**
Deferred tax	(659.0)	(765.2)	(585.9)	(473.2)	(382.1)	(593.5)	(491.1)	(665.0)	(739.3)	**(764.0)**
Other assets and liabilities	(519.3)	(700.0)	(195.0)	(220.6)	(305.2)	(195.9)	(217.0)	(144.9)	(175.6)	**(150.7)**
Net assets	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	**4,461.4**
Minority interests	148.9	175.1	186.2	156.5	126.6	107.8	86.4	85.8	88.3	**87.2**
Shareholders' funds	**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**	**4,374.2**

* Non-statutory basis. Incorporates both Grosvenor-controlled activities and share of joint ventures and associates.

Overview

Strategic objective 2

To develop and co-ordinate an internationally diversified property group

Our strategy

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

Highlights for 2015

£6.7bn
Property assets
(2014: £6.0bn)

95%
Occupancy
(2014: 95%)

10
currencies in which we operate

£13.1bn
Assets under management
(2014: £11.4bn)

60
cities we are active in

12
countries from which we operate

Diversified portfolio

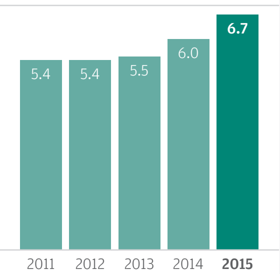
We achieve a diversified portfolio through our three regional Operating Companies (Grosvenor Britain & Ireland, Grosvenor Americas and Grosvenor Asia Pacific); via indirect property investments, backing managers with specialist skills and investing in new markets (Indirect Investment team); and through our property fund management business (Grosvenor Fund Management).

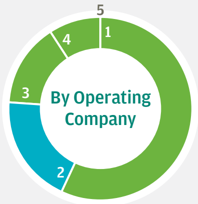
Diversification of our property portfolio is achieved by investing in property, both directly and indirectly, and across various currencies, geographical locations, sectors, activities and management teams. Our exposure is measured in terms of our share of property assets held on the balance sheet and assets under management (which includes property assets that we manage on behalf of third parties).

During 2015, Grosvenor's share of property assets grew 11.3% to £6.7bn and assets under management grew 14.3% to £13.1bn, reflecting the valuation increases and investments made in both our direct and indirect investment businesses, together with increased assets under management in Grosvenor Fund Management.

Property assets

£6.7bn (2014: £6.0bn)





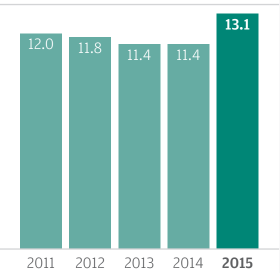
1	Britain & Ireland	£3,806m	57.0%
2	Indirect Investment	£1,284m	19.2%
3	Americas	£982m	14.7%
4	Asia Pacific	£601m	9.1%
5	Fund Management	£2m	0%

1	Retail	£2,444m	36.6%
2	Residential	£1,927m	28.9%
3	Office	£1,917m	28.7%
4	Other	£263m	3.9%
5	Hotel	£124m	1.9%

1	Investment	£6,252m	93.7%
2	Development	£423m	6.3%

Assets under management

£13.1bn (2014: £11.4bn)



1	Britain & Ireland	£5,711m	43.7%
2	Fund Management	£3,508m	26.8%
3	Americas	£2,218m	17.0%
4	Indirect Investment	£922m	7.1%
5	Asia Pacific	£709m	5.4%

1	Retail	£5,572m	42.7%
2	Residential	£3,619m	27.7%
3	Office	£3,274m	25.0%
4	Other	£377m	2.9%
5	Hotel	£226m	1.7%

1	Investment	£12,174m	93.2%
2	Development	£894m	6.8%

Indirect and fund management portfolios

Our Indirect Investment team invests in real estate through co-investments in Grosvenor-managed funds and investments with other specialist companies. We currently have investments in Asia, Australia, Brazil, Europe and the USA and, from 2016, in Africa.

Our Europe-focused fund management business manages investments on behalf of 48 investors, including Grosvenor itself.

Indirect Investment – Property assets

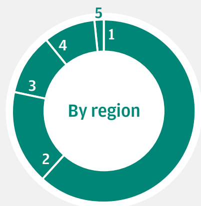
1	Sonae Sierra	£779m	60.5%
2	Managed by Grosvenor Fund Management	£364m	28.4%
3	Managed by third parties	£143m	11.1%

1	Retail	£996m	77.4%
2	Industrial	£122m	9.5%
3	Office	£118m	9.2%
4	Other	£50m	3.9%

Grosvenor Fund Management – Assets under management

1	Retail	£2,637m	75.1%
2	Office	£707m	20.2%
3	Other	£164m	4.7%

Economic property interests by location



		2014	2015
1	United Kingdom	61.6%	61.9%
2	North America	15.9%	16.6%
3	Australia/Asia Pacific	10.3%	10.9%
4	Continental Europe	10.0%	9.1%
5	South America	2.2%	1.5%

United Kingdom	2014	2015
West End, London	52.6%	**53.9%**
Liverpool	2.9%	**1.5%**
Other London	3.3%	**3.3%**
Other UK	2.8%	**3.2%**

North America	2014	2015
Washington, DC	3.3%	**3.9%**
Vancouver	3.3%	**2.8%**
San Francisco	2.6%	**2.8%**
Seattle	2.8%	**2.2%**
Calgary	1.1%	**1.1%**
Other USA	2.7%	**3.7%**
Other Canada	0.1%	**0.1%**

Australia/Asia Pacific	2014	2015
Hong Kong	4.8%	**4.5%**
Tokyo	2.2%	**3.1%**
Beijing	1.5%	**1.5%**
Australia	0.6%	**1.3%**
Shanghai	0.7%	**0.4%**
Osaka	0.4%	**0.0%**
Other Asia	0.1%	**0.1%**

Continental Europe	2014	2015
Lisbon	1.6%	**1.6%**
Germany	1.4%	**1.1%**
Porto	1.2%	**1.1%**
Spain	1.1%	**1.0%**
France	0.7%	**0.7%**
Italy	0.9%	**0.7%**
Sweden	0.3%	**0.7%**
Other Portugal	2.1%	**1.7%**
Other Europe	0.7%	**0.5%**

South America	2014	2015
São Paulo	1.4%	**1.0%**
Other Brazil	0.8%	**0.5%**

Strategic objective 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.

Highlights for 2015

For this third objective, we have introduced new socio-economic metrics that reflect the activities that are material to our business and that quantify our wider contribution beyond purely financial measures. As quality, integrity and social responsibility underpin everything we do, we found it most useful to group the metrics into the three areas below.

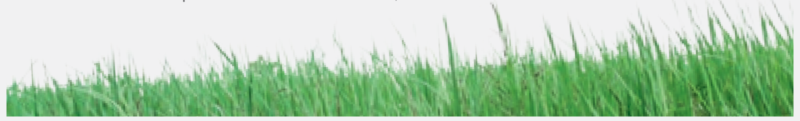
We will continue to track all of these metrics, but we expect our approach to evolve as we continue to identify insightful metrics that reflect our business activities and aspirations.

For a more detailed methodology, see our Non-financial Data Report online at **www.grosvenor.com/nonfinancialdata2015**.

Investing in our portfolio

£3.9m
spent improving the public realm over and above planning requirements. £22.4m spent since 2010.

116
hectares of green space under management in our global portfolio, equivalent to the size of 4,458 tennis courts.

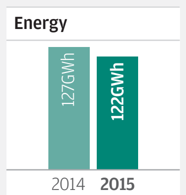


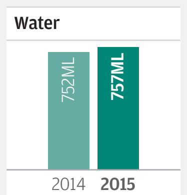
10
industry awards received this year, including a 'Built for Life' award for our large mixed-use development at Trumpington Meadows, Cambridge.

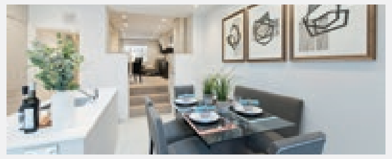
91
energy-efficient retrofits completed, bringing the total since our recent investment programme began in 2013 to 207 properties.

1,495
buildings with a heritage listing conserved on our 120-hectare London estate, including some historical and architectural landmarks.

4%
reduction in our energy consumption, equivalent to saving the typical use by 261 homes. 1% increase in our water consumption compared to 2014.







5
properties in conservation areas achieving 'EnerPhit Passivhaus' standard, including the first 'market-let' properties to achieve this energy-efficiency level in London.

Developing our expertise

25
students gained experience internationally through our paid internships.

5
of our people seconded or relocated internationally to develop talent and share best practice across the Group. We also introduced an International Graduate Programme in 2015.

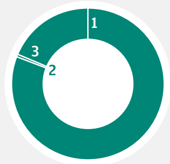
43
of our people supported in gaining a professional qualification.

70
of our people taking an active role across more than 100 industry boards and committees, to support market-wide progress.

19,590
hours spent by apprentices and trainees developing their careers at our properties through our repairs and maintenance pilot scheme with contractors on the London estate.

14,650
hours of in-house training delivered; an average of 26 hours per person.

1 Office-based training
2 Training accessed online
3 Training at a Swiss business school (IMD)



Working responsibly with local communities

£13.8m
charitable contributions in the year by the Grosvenor Estate.

- Paid to charitable causes by the Westminster Foundation
- Donation to the Westminster Foundation from Grosvenor Group
- Other charitable contributions by the Grosvenor Group

1,407
housing units let below the market rate on our London estate, with 111 'fair rent' units and 1,296 units let via housing associations.

40%
of new homes in Grosvenor Britain & Ireland's current development projects are affordable. Three out of four are built, or will be built, on our sites.

3,350m²
of retail and office space provided to more than 30 charities in the UK at 50% or less than the market rent.

360
volunteer days logged by our 567 people across the Group and a new two-day volunteering allowance introduced in the UK.

144
community events supported, including 77 that we organised.

£76.3m
of tax paid.

For a breakdown of tax paid by type and by location
See page 25

Chairman's statement

Looking to the long term

We continue to perform well as we prepare for leadership transition.

In summary

Good performance
Results in line with expectations, returning to trend.

Succession planning
Mark Preston to take on the role of Executive Trustee.

Social responsibility
Widespread activity and progress.

Megatrends
Grosvenor will play its part in tackling global issues, related especially to demographics and the digital economy.

Grosvenor Group Limited – Board of Directors
as at 17 March 2016

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 Newsum 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 Thomas Cook

Nicholas Scarles
FCA ATTORNEY AT LAW
Executive Director
Group Finance Director

Sir Philip Dilley
Non-Executive Director
Trustee, Arup

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

Continuity...

The Group continued to perform strongly and in line with the expectations set in 2014, with total returns in 2015 of 9.0%. Though below the results for the previous two years, we have returned to the smoother upward trend of the years prior to 2013, as we predicted.

This demonstrates the value of a long-term, international approach. We have again benefited from recovery in Continental Europe and market strength in the UK.

...and change

At the beginning of January this year, we announced important changes to the overall management of the Grosvenor Estate (of which Grosvenor Group forms one of three parts, alongside Wheatsheaf Investments Limited and the Family Investment Office). Jeremy Newsum will retire as Executive Trustee and from the Grosvenor Group Board on 1 January 2017 and Mark Preston will succeed him as Executive Trustee, while retaining his role as Grosvenor Group Chief Executive.

Jeremy has played a critical role in the success of the Grosvenor Estate over 32 years, as Chief Executive of Grosvenor Group from 1989 to 2008 and as Executive Trustee from 1993 to today. We all offer him heartfelt thanks for his immense contribution over that period.

As a result of Mark's additional responsibilities, there will be some further senior management changes within the Grosvenor Group which are covered in the Chief Executive's review.

In customary Grosvenor fashion, there is ample time for this change and for Mark to become familiar with his new broader portfolio – to which he will bring his characteristic vigour and application.

When reflecting on these changes, it is particularly pleasing that all these appointments are from our existing people. That is a sign of the depth and breadth of talent we have at Grosvenor and our continuing commitment to investing in our people for the long term. It is also a reflection of the importance of continuity and consistency of approach at Grosvenor.

Our role in society

Looking more broadly, Grosvenor has always had an explicit objective to make a positive contribution to the communities within which we operate. We do this directly through our work (examples of which can be found throughout this year's Annual Review) as well as indirectly through our charitable activity (see the Westminster Foundation website at www.westminsterfoundation.org.uk).

Having commissioned and completed an international market research study in 2015, we were reassured to see how positively we are perceived by our stakeholders around the world. But areas for improvement were also revealed – notably in telling our story ever more clearly and comprehensively.

Our straightforward approach to the way we communicate is embodied in this Annual Review and will continue.

Looking to the future

We are long term in our outlook. We are constantly thinking about what lies far ahead. We carried out our own research study last year into the 'megatrends' that will shape the property world over the coming decades. Particular findings related to the digital revolution and global demographics. While climate change and terrorism dominated the headlines last year, further ahead, mass urbanisation and huge population growth pose a continuing challenge to the property sector. Issues of city resilience and economic conflict are becoming more and more pressing. Grosvenor has a modest, but important, part to play in addressing many of these challenges and I look forward to us doing so.

Lesley Knox
Group Chairman
17 March 2016

Executive Trustee's reflections

A forty-year perspective

Jeremy Newsum, Executive Trustee of the Grosvenor Estate, talks to Mark Preston, who succeeds him on 1 January 2017.

Jeremy, you started your career with Grosvenor in 1976 as a graduate. What advice would you give to our new graduates about how they and Grosvenor should face up to such a changing world?

We all have to find a way to embrace change because it is constant, inside and outside the Grosvenor Estate. My approach is never to feel satisfied with the status quo, to think carefully about the future and to try to make continuous improvements. For me, this works as career advice as much as how to manage my relationship with a customer or make better investment decisions. I confess, I really like change.

I find it thrilling to think about how many stables there were on the London estate in 1890 and how our predecessors had to grapple with the vast ramifications of the motor vehicle; when I started work here, it was unthinkable that I had to type anything myself – and not all the typewriters were electric; £12 per square foot was the best rent you could expect for office space and that was a lot more valuable than residential. The next 25 years will be about intelligent machines as more and more professional tasks are handed over to 'robots'. If this gives a sense of the dramatic changes centred on technology, the changes in society will not be much less.

I do have advice for senior management: listen and learn from our younger people. They may yet lack some of the slick ways we find to engage easily in the business planning process but they have all the ideas we need.

We often talk about 'placemaking' at Grosvenor. What are the most important factors that contribute to the making of a place? How can our international experience inform us better?

Places can be defined physically, but they are made by the way people relate to them. We assess them instinctively by the degree to which they inspire. Think of the Grand Mosque in Abu Dhabi, Lan Kwai Fong in Hong Kong and Hyde Park in London – all very different and, of course, all part of larger places. The trap that developers can fall into is thinking about places with hard boundaries. Few of us operate on such a scale that complete places are involved. This means we must absorb and engage with outside influences. A wonderful place can be where people live or work or just pass through and it might even be 'ugly'. The inspiration can be stimulated by people alone but, more often, I think spaces and shapes are the catalyst and this means that design is important. We British have an embarrassing tendency to think we know the answers and can be a bit dismissive of 'foreign' influences and cultures. This is so wrong. Grosvenor gains enormously from working in so many successful places around the world, in cities that are regularly cited as among the best; cities like Vancouver, Stockholm and San Francisco.

How do you feel about the way Grosvenor Group's thinking on 'Living cities' has evolved?

First, I remind myself that 'Living cities' is essentially a strapline – but it is a great one for us. It is like a panoramic window from which we can see back to our heritage and our deep understanding of places, accumulated over hundreds of years; and can see forward to the way people want to live in cities and how we must help to shape their future. More than this, as cities must tread more lightly on our planet if they are to remain living for future generations, we can observe how we must improve building materials, design to promote health, use all resources more efficiently and so on. Those looking in through the window must see our commitment, must be able to trust us that these are not merely words. Stamping 'Living cities' on everything we do is very demanding on us. We have to earn others' trust and not just cloak ourselves in fine words. I have always believed that if we can satisfy our own high standards, we will have a good story to tell.

Why has it remained so unusual for property companies to attempt our international reach?

For me, the biggest underlying influence is the short-term outlook of investors (and, by the way, I would never say they were wrong from their perspective). The need for shorter-term certainty encourages specialisation.

Add to this there being no greater business challenge than to manage globally, and you can see why staying in one country has become a requirement for listed property companies. In our case, our Shareholders think long term and want diversification – not just the geographic dispersion of assets but the diversity of cultural influences and multiplicity of decision-making points around the world. We are not a single global business, we are an internationally diversified group of businesses.

By devolving all decision-making to local companies, I think we have found a way to combine short- and long-term thinking into our model.

What is long-termism and why is it so important to Grosvenor?

Long-termism is simply placing the long term ahead of the short term. It doesn't mean no interest in the short term but all decisions are easier when considered against the long-term objective. I think abstract notions like 'long-termism' can be dangerous and timescales should always be articulated. Ultimately, we are all stewards and our responsibilities are to the future, not to ourselves. This is the Grosvenor family philosophy and it is our business philosophy. Of all the things I could get evangelical about, this is the main one because I believe our places, our politics and our society would be better with more genuine respect paid to the long term. It's a great advantage for us to stick to our long-term view.

From left to right: Mark Preston and Jeremy Newsum

Consistent strategy, new projects

We have made progress against each of our strategic objectives. This year, we also began measuring our contribution to the community.

In summary

Managing expectations
Good returns and revenue profit reflect our predictions.

Being accountable
Transparency extends to new metrics and testing public opinion.

Global markets
We benefit from divergence between our markets.

Leadership changes
We bring on the next generation in our largest Operating Company.

Investing in Sub-Saharan Africa
In early 2016, our Indirect Investment team committed to invest in RMB Westport's Real Estate Development Fund II, targeting Sub-Saharan Africa.

Delivering our developments
In September 2015, we started construction on Central, a 21,500m^2 mixed-use development site in Silver Spring, Maryland, USA, that will offer 243 residential rental units with generous communal amenity space above 1,500m^2 of retail space.

Returns

Our first strategic objective is to deliver attractive long-term returns. In my statement last year, I said that we expected to produce total returns of around 8.0% per annum over the next several years. The return in 2015 of 9.0% is behind the result in 2014, but in line with that expectation, reinforcing the fact that our out-performance in 2014 was exceptional, due in large part to recovery in Continental Europe and strong valuation growth in Grosvenor Britain & Ireland.

The other primary metric we use is revenue profit, which measures our underlying performance, excluding market movements. At £83.3m, this result continued the upward trend we have seen since 2010.

Shareholders' funds grew to £4.4bn.

2015 was a year in which the strength of our various partnerships bore fruit. Partnerships lie at the heart of our Indirect Investment business and it was a very busy and productive year for this part of the Group. We extended our relationship with Propertylink and Goldman Sachs to acquire a combined office and industrial portfolio in Australia valued at over AUS$300m.

In Grosvenor Americas, we formed a partnership with Kingswood Capital and Nicola Crosby Wealth Management to invest in Grosvenor Americas' Structured Development Finance Programme, which provides flexible debt financing to residential and mixed-use developers across our markets in the region. The formation of this partnership has enabled Grosvenor Americas to quadruple its mezzanine lending and expand its reach across our key North American markets.

In December, joint venture partners the Grosvenor Trusts and The Hongkong and Shanghai Hotels, Limited – with Grosvenor Britain & Ireland as development manager – received planning consent for a new 190-room hotel, to be known as The Peninsula London, at 1-5 Grosvenor Place, Hyde Park Corner, Belgravia.

In Asia, Benjamin Cha has quickly established his authority as Chief Executive of Grosvenor Asia Pacific – getting to know the team, rejuvenating relationships with our partners and introducing new energy, contacts and ideas.

In December, Grosvenor Fund Management completed the refinancing of the Grosvenor Liverpool Fund, which owns the 250,000m^2 Liverpool ONE shopping centre. Once again, this would not have been achieved without the strong support of our lending partners.

Looking ahead, we expect lower returns in 2016 and probably for some time. Deflationary pressures have been building of late and not only due to cheap oil and other constraints. China's slowdown and the persistently over-indebted public sector threaten the fragile stability we have experienced since the global financial crisis. In the midst of all this lies the continuing transformation represented by the digital revolution. At Grosvenor, we have launched an in-depth strategy to understand what opportunities we can pursue in this revolution for our customers, our properties and our cities.

Meanwhile, we are committed to a series of development projects in both the UK and North America which will deliver in the next cycle.

Diversification

The benefits of our commitment to developing and co-ordinating an internationally diversified property group – the second of our strategic objectives – were evident in 2015. Unlike the period during the global financial crisis, when markets were broadly correlated, 2015 was a year of divergence with a struggling Brazil, China affected by structural reforms, a relatively strong USA and UK, and a recovery in Continental Europe. We do now face, however, the prospect of a second global downturn in the near future.

In the UK, the top end of the residential market in London has passed its peak, due in part to the recent changes to stamp duty, along with the strength of Sterling during 2015. This, I suggest, vindicates our decision to sell a part of our London residential portfolio in 2013 to provide funds for other developments.

In Continental Europe, we are seeing the benefits of the continuing recovery. We are in no doubt that the decision to refocus Grosvenor Fund Management's activities towards Europe was right given its strength and length of track record, and the opportunities now being unearthed there, including the two high street assets we acquired in 2015 on Via Torino – Milan's premier retail street – on behalf of our Urban Retail V Partnership.

Chief Executive's review (continued)

Helping to build a sustainable future
We sponsored the 2015 'Ashden Award for International Sustainable Buildings', which was won by The EcoCasa Programme, a Mexican initiative that helps unlock financing for housebuilders to build low-carbon social housing.

The Grosvenor Liaison Group
Our internal, international network responsible for sharing knowledge and innovation across the organisation (Grosvenor Liaison Group), welcomed Steve O'Connell, Managing Director of Investment for Grosvenor Americas (pictured far right), as its new Chair in mid-2015.

In Asia, while Tokyo remains reasonably strong, the China outlook is affecting global growth prospects, but we expect to find opportunities still. However, North America is showing no sign of slowdown, which is reflected in the pace of Grosvenor Americas' development activity in 2015, with five mixed-use residential projects currently under construction.

Finally, our Indirect Investment business provides us with the opportunity to achieve sectoral and geographical diversification by working with specialist third parties which have expertise in sectors or countries otherwise inaccessible to the Group's Operating Companies, such as our second partnership with Propertylink and Goldman Sachs through which we acquired 320 Pitt Street in Sydney, Australia in July 2015.

Reputation

Our third strategic objective – upholding Grosvenor's reputation for quality, integrity and social responsibility – is in many ways the most important. Chief executives are often asked what concerns them most and might keep them awake at night: the fear of loss of reputation is often at the top of the list. Rightly so, and certainly so for Grosvenor.

At Grosvenor, we are clear that we are stewards of and answerable to the communities in which we operate. We chose, many years ago, to report in a transparent and open fashion, adopting those parts of the UK Corporate Governance Code that are relevant in the publication of our annual results.

Implementing our strategy

Grosvenor Group Limited – Executive Committee
as at 17 March 2016

The Group Executive Committee is responsible for the implementation of Group strategy. It meets three times a year.

From left to right:

Andrew Bibby
Chief Executive,
Grosvenor Americas

Benjamin Cha
Chief Executive,
Grosvenor Asia Pacific

Mark Preston FRICS
Chairman, Executive Committee
Group Chief Executive

Nicholas Scarles FCA ATTORNEY AT LAW
Group Finance Director

James Raynor
Chief Executive,
Grosvenor Fund Management

Peter Vernon FRICS
Chief Executive,
Grosvenor Britain & Ireland

Camilla Faith
In October 2015, Camilla Faith was appointed as Human Resources Director for the Grosvenor Estate, which represents all the business activities of the Grosvenor family (including Grosvenor Group), with a remit to build and deliver an estate-wide people strategy that supports sustainable long-term business growth.

International Graduate Programme
In 2015, eight new graduates from across our London, San Francisco, Shanghai and Vancouver offices joined the new three-year Grosvenor International Graduate Programme, during which they will rotate across two of our Operating Companies.

Our evolving approach sees us introducing socio-economic metrics, in the belief that monitoring our activity here will improve our performance just as it has with our environmental impact. This is the sixth consecutive year in which we have reduced our energy consumption; it is the first year since 2009 in which we have increased our water consumption, albeit only by 1%, and we plan to remedy this. In all cases, the detail behind the highlights is available online.

We believe we owe this transparency to the community at large; to occupiers of our properties, to our banking and financial partners, to our suppliers and public sector relationships and to our people and Trustees. In 2015, we commissioned WorldThinks, a leading research company, to undertake a global research project to investigate how the Grosvenor Group is perceived amongst a wide variety of audiences, including the general public. The findings were both fascinating and instructive. Overall, we were encouraged by the generally positive view of Grosvenor amongst all of the groups interviewed, the majority of whom regarded our private ownership and values as important and very real differentiators. However, the research also revealed the extent to which public distrust of business still prevails. Clearly, we alone cannot change that, but we will continue to demonstrate why we believe that our long-term approach is of benefit to all.

Property as an asset class should inherently lend itself to long-term investment thinking. If not permanent, it is far from temporary, leaving its mark for many years on its community.

Investors can often work to unrealistically short-term investment horizons, implementing inappropriate financing, taking excessive specific risks and making letting decisions that are value-destructive long term, even if they are income-enhancing in the short term. Grosvenor has made a long-term approach our 'natural' state as a Group, which gives us an advantage when considering investment and development opportunities. Investing in public realm projects on our London estate is just one example; patient land assembly at Ambleside in Vancouver is another. Although the short-term financial benefits of such projects are not immediately evident and are certainly harder to quantify, the longer-term financial, environmental and social benefits are clear.

People

The Chairman's statement mentions my appointment as Executive Trustee of the Grosvenor Estate from 1 January 2017. It is a great privilege to be taking on this role and I look forward to it enormously, particularly working more closely with the Grosvenor family and the other teams within the Grosvenor Estate. I am, however, in a reflective mood at the prospect of Jeremy Newsum's retirement. He is the architect of much that I will inherit. My respect for Jeremy and admiration for what he has achieved adds an emotional edge to the changes.

To allow me to continue to undertake the role of Group Chief Executive of Grosvenor Group, we have appointed Peter Vernon, currently Chief Executive of Grosvenor Britain & Ireland, to the new role of Group Executive Director, with responsibility to our Board for oversight of the three regional Operating Companies (Grosvenor Britain & Ireland, Grosvenor Americas and Grosvenor Asia Pacific) and for the Group's Research and Sustainability functions. Peter is uniquely well qualified for the role, which comes at a convenient time for him also to pursue complementary non-executive activities.

I am delighted that he will be succeeded as Chief Executive of Grosvenor Britain & Ireland by Craig McWilliam, who is currently Executive Director, London estate, and is ideally suited both by virtue of his experience in that role and by reason of his strong leadership of one of our largest teams. Craig will be a worthy successor, and both Peter and I look forward to working with him in his new role.

The Executive Trustee is not the only role which 'straddles' the property company and other Grosvenor Estate businesses (Wheatsheaf Investments Limited and the Family Investment Office). Kate Brown (Sustainability), Camilla Faith (Human Resources) and Jeremy Moore (Tax) all have responsibilities which cover all or parts of the rest of the Grosvenor Estate, ensuring consistency and synergies where appropriate. As Wheatsheaf, in particular, develops, there are a growing number of synergies to be exploited.

As always, capturing such opportunities relies on the dedication, ability, loyalty and personality of 567 people around the Group and I thank them for another year of exhibiting all those characteristics.

Mark Preston
Group Chief Executive
17 March 2016

Finance Director's report

Funding our development programme through the cycle

We continue to expect a slowdown, but plan to continue our development programme while carefully managing risk, cementing our lender relationships and exploiting digital technology.

In summary

Diversification benefits
A good year. Indirect Investment contributed particularly well.

Downturn planning
We are ready to take advantage of a market correction, having progressed sales of income-producing assets and invested in development opportunities for the next cycle.

A responsible approach
Our approach is always to look to the long term, asking what might threaten our solvency and doing what is necessary to avoid this.

Financial stability
We continue to work with the industry and the Bank of England, focusing on creating a database of commercial real estate (CRE) loans, measuring CRE lending risk and developing a lender qualification.

Development risk

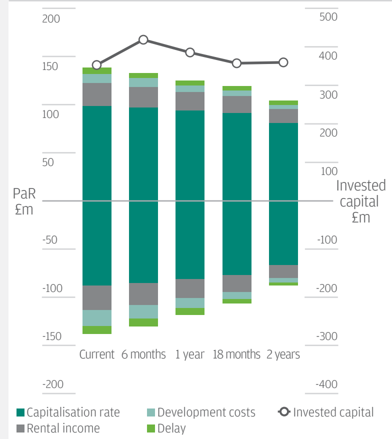
As markets heat up and the likelihood of a market correction grows, taking a forward view of risk is of increasing importance. One tool that we use is our development risk dashboard, which shows a near-term forward view of development risk as measured by the Profit at Risk (PaR) metric. This allows us 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.

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, and is combined with an indication of the level of invested capital (development cost net of receipts from associated sales) projected for each time period.

The value of capital represented by the project portfolio is higher this year than last, largely due to Grosvenor Americas' commitment to major development projects – Grosvenor Ambleside, Central and F1RST. Consequently, both upside and downside risks are also higher and, while the overall decay of risk over time shows the same pattern as last year, the drop off is slower as a result of the size and longer duration of the projects.

In the short term, invested capital rises as development costs are incurred in advance of receipts, before falling again as the projects progress, focusing our attention on the importance of continued good risk management over the coming year to maintain the current acceptable risk profile.

Aggregate forward projection of profit at risk and invested capital



Good global performance

2015 was yet another good year. After very strong revaluation gains in 2014, total return, which includes both income and capital returns, was back to its long-run average at 9.0% (2014: 13.1%) while revenue profit was up slightly at £83.3m (2014: £80.1m). Profit before tax was £527m (2014: £682m), roughly where it was in the last peak year – 2007. Shareholders' funds increased to £4.4bn (2014: £4.0bn).

These figures reflect continued good performance across the Group, once again showing the benefit of our international diversification strategy.

Indirect Investment contributed particularly well, with £41.2m (2014: £23.4m) in revenue profit and 10.0% (2014: 8.7%) total return. This was due to solid performance by Sonae Sierra, co-investments in Grosvenor Fund Management funds and our 'new' indirect investments in third-party opportunities, carefully selected and managed by our specialist team.

Grosvenor Americas' revenue profit dipped to £26.9m (2014: £34.2m), arising from a more normal level of trading profit compared to an exceptional 2014. Its total return was 8.4% (2014: 9.7%).

Grosvenor Asia Pacific had another good year, with revenue profit up to £10.3m (2014: £6.5m), reflecting high levels of occupancy and profits on disposal of residential properties, with total return at 6.6% (2014: 9.1%), due to lower market-driven property value growth than in the previous year.

Grosvenor Britain & Ireland experienced softening, but still positive, London revaluations, helping it achieve strong results. Its revenue profit was £31.4m (2014: £45.9m) and total return was a healthy 10.7% (2014: 17.3%).

Grosvenor Fund Management maintained its improving trend in a market which has been challenging for several years. It reduced its loss to £7.9m, compared to £10.9m the previous year, reflecting new mandates and reduced costs following greater focus on Europe and increasing product specialisation.

Caution in the shorter term

We are, as ever, long term in our outlook and we continue to expect and plan for a slowdown, particularly in high-end commercial and residential property.

Market values are generally above long-term trend, in some cases by a large margin, and indicators of risk are rising. In London, according to the Bank of England's Financial Stability Report of December 2015, commercial West End property is 'overvalued' by up to 30%.

There is a risk that sustained low oil prices could lead to sovereign wealth funds reducing investment in high-end commercial and residential property in London and elsewhere. Other major international property markets could be similarly affected.

All of this points to a correction in the near future. Of course, it is not possible to predict with certainty when a correction will occur, but the inevitability of the property cycle's booms and busts means that it is only a matter of time. In anticipation, we have continued to securely position our business by progressing sales of income-producing assets and investing in development opportunities which are expected to mature during the next cycle.

Our robust position

Our willingness to invest at this time in the cycle reflects our long-term outlook and focus on our risk management even when risks seem less likely, as they inevitably do at this point in the cycle. Our economic gearing has increased to 27% (2014: 23%), which compares well to the 52% at the end of 2007.

Our wholly-owned available cash position has reduced to £238m (2014: £478m). Combined with our substantial committed back-up borrowing facilities of £700m (2014: £674m), our financial capacity is £0.9bn (2014: £1.1bn) which will support our planned development programme through the next phase of the market cycle and enable us to take opportunities this may present.

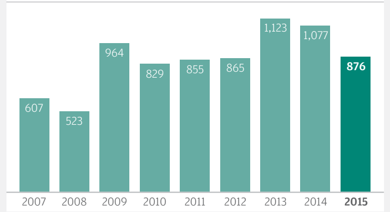
Finance Director's report (continued)

Financial capacity and liquidity

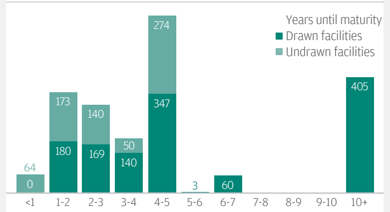
We manage our financial capacity and liquidity with the dual aim of ensuring liquidity during periods of global economic stress and ensuring that we are positioned to take advantage of opportunities at times when others are unable to access finance. This is achieved by maintaining sufficient financial capacity – i.e. the amount of available cash and undrawn, committed, general use facilities which are immediately available.

At 31 December 2015, financial capacity was once again strong at £0.9bn (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 these facilities is 6.8 years.

Financial capacity £m



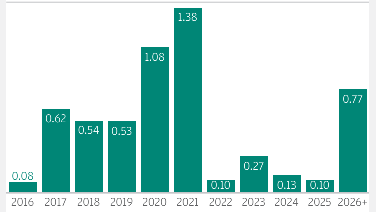
Maturity profile of wholly-owned facilities £m



Development pipeline

Grosvenor's commitment to delivering returns over the long term is partly demonstrated through our development pipeline, much of which involves many years of planning and pre-construction activity. The chart below shows the expected gross development value of our development pipeline (£5.6bn), together with expected completion dates.

Development pipeline £bn



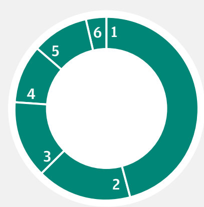
Tax contribution

Our tax policy is built around several core principles:

- → We do not enter into contrived or artificial transactions to gain a tax advantage.
- → We comply in full with all relevant jurisdictions' regulations and legislation.
- → We co-operate with tax authorities in the spirit of mutual trust, openness and transparency.
- → We apply our knowledge and expertise and ensure all internal stakeholders are informed of relevant tax developments.
- → We engage appropriately with authorities or bodies to share our understanding and experience of the property industry.

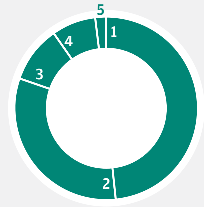
We pay taxes on realised economic income, gains and profits in accordance with applicable laws.

The accompanying charts show the breakdown of taxes paid by type and by country.



Taxes borne by type

1	Corporate income tax paid in the year	£35.0m	46%
2	Property transaction taxes paid in the year	£12.7m	17%
3	Annual property taxes	£10.5m	14%
4	Employer taxes and social security costs	£7.8m	10%
5	Irrecoverable VAT (UK only)	£7.6m	10%
6	Withholding taxes	£2.7m	3%



Taxes borne by location

1	United Kingdom	£37.0m	48%
2	North America	£24.4m	32%
3	Continental Europe	£7.6m	10%
4	Australia/Asia Pacific	£6.0m	8%
5	South America	£1.3m	2%

When it comes to managing financial risk, our approach is to ask what would threaten the Group's solvency and then consider how this could be avoided.

For creditors and investors, understanding what might threaten an organisation and hence the recoverability of their loans/investments, is an important consideration. The best way of facilitating this is for organisations to disclose what circumstances they consider might threaten their solvency.

For Grosvenor's wholly-owned business, our assessment shows that a fall in property values of 73% across the whole property portfolio would place the (undrawn) Holding Company committed backup lines at risk.

We also consider the length of time our spare cash and backup facilities could provide liquidity for the wholly-owned business under conditions of extreme stress.

If we assume (a) a 40% fall in the value of all assets; (b) markets in which virtually no sales, financings or refinancings are available; (c) no distributions are received from joint ventures and funds; (d) voids and rent reductions akin to those experienced in the early 1990s in the UK; and (e) no management action, then we could still finance our wholly-owned commitments for a period in excess of our two-year self-imposed minimum using existing spare cash and committed facilities.

Of course, we would act in such circumstances, and each of our Operating Companies as well as the Group have refreshed their downturn action plans in the year, focusing not just on managing a downturn, but also on how we might take advantage of it, to support the business needs well into the next cycle.

Relationship banking

Our long-term outlook both remembers the past and contemplates the future. Our relationship banking approach is well established and its value was demonstrated (as such relationships usually are) through the level of mutual support and loyalty during the last financial crisis. We are therefore pleased to have been able to increase the number of our carefully selected core relationships, broadening their geographical spread to Asia.

Refinancing

During the year, we financed or refinanced £1.1bn, comprising 19 loans, of Grosvenor-managed debt. A particular highlight was the refinancing of the Grosvenor Liverpool Fund, which owns Liverpool ONE. Our team successfully negotiated, on behalf of Grosvenor and other investors, a £410m facility on a seven-year term with a club of five leading banks (including a number of our relationship banks) on highly competitive terms.

Taxation

Our approach to taxation is in full accord with our approach to social responsibility. We have a long-standing tax policy, which prescribes not only an open and transparent relationship with tax authorities, but also that we should contribute to improving the taxation regimes under which we operate.

An example of the latter is Jeremy Moore's (our Group Tax Director) chairmanship of the British Property Federation's Tax Committee.

In the case of real estate, the underlying premise is simple – property should be taxed in the jurisdiction in which it is located. We continue to work hard to adjust to new tax rules arising from the Base Erosion and Profit Shifting recommendations from the OECD.

The 2015 tax charge on profits equates to an effective rate of 24.1% (2014: 21.3%) after adjusting for the artificial distortion caused by a reduction in the future corporation tax rates upon the notional tax (deferred tax) which is required to be accounted for purely for financial statement purposes. The actual cash tax that Grosvenor pays is unaffected by this accounting adjustment.

In 2015, Grosvenor made tax payments totalling £76.3m. See the chart on page 25 for a breakdown by type and location.

Considered innovation

Looking further ahead, the impact of digital technologies is likely to be one of the defining long-term economic trends of the next 25 years. Grosvenor needs to adapt and innovate and take advantage of the opportunities this will offer, and we have been making good progress. Our digital strategy project team has carried out extensive research and turned this into a digital approach.

We have started what will be a multi-year journey. Initial steps are to look at 'digital placemaking' – how the customer and visitor experience can be digitised through technologies like apps and social media – and how our London estate connectivity can be improved.

In 2015, we laid the groundwork for two significant system implementations which will commence in 2016: a new Grosvenor Estate-wide human resources system and a new Group-wide treasury management system. These will bring both operational and financial benefits over the coming years.

People

Rekha Patel has announced her desire to retire after 13 years at Grosvenor, most as Chief Financial Officer of Grosvenor Americas. I am grateful to Rekha for her loyal contribution to Grosvenor as well as the support she has given to develop her successor.

Graham Drexel, who been with Grosvenor for 12 years, including a recent six-month secondment to the Holding Company, succeeds Rekha on 1 May 2016.

Post balance sheet event

In February 2016, our Indirect Investment business acquired a further stake in Sonae Sierra SGPS SA, bringing the two shareholders' (Sonae SGPS and Grosvenor) interests into alignment.

The Vision for Real Estate Finance

The ideas to protect financial stability against the next commercial real estate (CRE) crash, developed by the Real Estate Finance Group – which I chaired – gained broader consensus during 2015.

Following the publication of our 'Vision for Real Estate Finance in the UK' report in 2014, we were delighted that the Bank of England announced in October 2015 its desire to progress two of our core recommendations. The first is the creation of a database of CRE loans, run for the public good and which respects commercial confidentiality. The second is the use of a long-term value metric to assess CRE lending risk consistently throughout the property cycle.

Industry has responded, with the Property Industry Alliance Debt Group now overseeing a broad engagement process to take forward both of these recommendations, as well as a third – that CRE lenders should have a CRE lender qualification. We anticipate the various working groups will make good progress in 2016.

These are strong endorsements of our work and these recommendations in particular have the potential to protect financial stability and support economic growth when it is most needed – in the aftermath of a crash.

The year ahead

While we have seen performance above the cycle average in each of the years since the financial crisis, we anticipate the next few years will bring a more challenging environment, particularly when interest rates start to rise.

As always, our response from a property perspective is to build a pipeline of opportunities to which we can apply our property expertise to deliver returns, while keeping our overall financial risks monitored and maintained within conservative limits well within the bounds of our liquidity and balance sheet capacity.

Nicholas Scarles
Group Finance Director
17 March 2016

Market overview

The global property cycle and long-term investment challenges

Real estate investors face challenging times, with a number of risks clouding both the short- and long-term outlook.

Graham Parry
Group Research Director

Where are we in the property cycle?

In the short term, the dominant concern for investors remains uncertainty over the length of the current global cycle. The sell-off in global equity markets in early 2016 was a potent reminder that asset markets are subject to large, periodic swings in performance, often closely tied to the underlying economic cycle.

Markets have been prone to frequent bouts of pessimism in recent years, reflecting the underwhelming pace of the global recovery and the fact that there is still an uncomfortably large list of potential downside risks that could trigger a renewed downturn, most notably: a sharp slowdown in China; higher interest rates in the USA triggering a deepening financial crisis in emerging markets; rising tensions in the Middle East; the looming UK vote on EU membership; and the presidential race in the USA.

Despite the gloomy sentiment, most economic forecasts still suggest that 2016 will be another mediocre year for growth – with the annual rate of growth in world output averaging around 3%. Lower oil prices, which largely reflect increased global supply rather than weak demand, will provide a continued stimulus to growth – reducing the cost of living, boosting household incomes and stoking consumer spending. Interest rates are also expected to remain low to support the recovery. This should generate continued jobs growth and a further fall in global unemployment rates.

Nonetheless, the risks remain firmly tilted to the downside and we are probably now moving to the late stage of the global cycle. In the current environment, the danger is that markets could turn sooner rather than later. The biggest immediate trigger for global downturn remains China, where policy-makers seek to steer the economy through a difficult transition towards slower, more sustainable growth.

But provided China remains stable, the more enduring challenge facing global real estate markets is the outlook for long term interest rates. While sustained low interest rates have been crucial to the recovery, there are concerns that they are starting to distort global asset markets. Nowhere is this clearer than in real estate; global property has enjoyed a number of strong years, boosted by a steady compression in property yields. But with limited scope for yields to fall further, total returns are expected to slow and markets are increasingly susceptible to even small shifts in sentiment. While 2016 should be another positive year for global real estate returns, they are probably past their peak for the current cycle. Investors should be wary of chasing yields lower in 2016, as these may end up being the deals most regretted when the market eventually turns.

Long-term drivers of global real estate returns

Beyond these short-term cyclical concerns, real estate investors are also grappling with a number of forces that are starting to cloud the long-term investment outlook.

Throughout 2015, Grosvenor's research team spent significant time examining the major themes ('megatrends') that are shaping the long-term outlook. See the opposite page for a brief overview of these.

Our research suggests that we are entering a key period of large-scale change across a range of fronts. Specifically, three major forces will fundamentally reshape the world over the next 30 years: (1) the application of new digital technologies; (2) the negative impacts from climate change; and (3) large-scale demographic change. While each factor is significant in itself, the fact that all three shifts are occurring simultaneously is unprecedented. These forces are already shaping several major realignments in the global landscape, including: the continued shift in economic power towards Asia; the continued rise in the importance of cities; and increased job insecurity and income inequality.

Concluding thoughts

Clearly, the pace and scale of these long-term changes is daunting; we are moving rapidly towards a digitally-disrupted, post-carbon world, with extraordinary demographic changes. But these tectonic changes in the global economy will bring new opportunities as well as risks. Long-term success will require investors to adapt to new markets and new sectors, adopt new business models and explore new ways of thinking about real estate.

Digital disruption will reshape occupier needs

The application of new digital technologies is likely to be one of the defining long-term economic trends of the next 30 years. The increasing ability to automate almost any task has the potential to disrupt the prevailing economic paradigm, with significant implications for the sustainable growth in living standards. These new technologies will reshape the future of work and have far-reaching consequences on space requirements across all real estate sectors.

Climate change will impact on long-term real estate returns

The impact of climate change will continue to intensify over the coming decades, with significant implications for sustainable long-term real estate investment. Without a sharp reduction in carbon emissions, experts expect to see a continued rise in average global temperatures and an increasing severity of climate hazards such as storm surges, hurricanes and severe flooding. As environmental risks intensify, the resilience of cities will be a decisive factor for their long-term success.

Demographic change will create headwinds to growth

The world is on the cusp of several major demographic changes. First, while the world's population is still rising, the rate of growth is slowing rapidly. Second, the world is rapidly ageing; a rising proportion of retirees to new workers will add to government pension and healthcare costs, at a time when the tax base is shrinking. Third, the number of 'prime savers' (those aged 30-65 and saving for retirement) has now peaked. This could have a sustained adverse impact on a range of asset prices, including residential real estate.

The growing importance of emerging markets

Despite their current difficulties, the long-run potential for emerging markets remains promising. Over the next 30 years, the economic centre of gravity is likely to continue moving steadily east. Many emerging markets still have young and growing populations and virtually all future global population growth will take place in these countries. By 2045, Asia will account for around 60% of world GDP and be home to an additional two billion middle-class consumers. This will unlock a host of real estate opportunities.

The continued attraction of cities

Over half the world's population now live in cities and this is forecast to rise to two-thirds by 2045. As urban densities increase, a number of challenges (e.g. air pollution, congestion, social cohesion) will be exacerbated. Successful cities will need to compete to attract skilled labour to remain leading centres for global innovation and investors will need to develop a more sophisticated way of looking at cities when evaluating real estate opportunities and risks.

Inequality remains a major challenge

Income and wealth disparity have continued to rise in recent decades as the nature of work has shifted in an increasingly knowledge-based economy. This is reflected in more polarised labour markets, where wage growth now occurs almost exclusively in higher-skilled work. There are a growing number of low paid workers, often in part-time employment, with less job security, limited legal protection and at risk of being stuck in poverty traps in increasingly unaffordable cities.

Grosvenor Britain & Ireland

Defining places

Joint venture partners the Grosvenor Trusts and The Hongkong and Shanghai Hotels, Limited, with Grosvenor Britain & Ireland acting as development manager, received resolution to grant planning in December 2015 for a new 190-room hotel, to be known as **The Peninsula London**, at 1-5 Grosvenor Place, Belgravia in central London. The timeless design by UK-based Hopkins Architects is intended to mark an important gateway to both Belgravia and the West End. It embodies the long-term thinking and high-quality design we believe can enhance London's status as a leading world city.

£60m

1,700

New jobs
The scheme is forecast to support around 1,700 jobs and add up to £60m a year to London's economy.

Better public spaces
Plans for Grosvenor Place, Halkin Street and Grosvenor Crescent include improved public realm with easier road crossings, wider footpaths and new trees planted along Halkin Street and Grosvenor Crescent.

CGI

Amenity
Following the Peninsula tradition, the hotel lobby is expected to become an important new public destination. In addition to guestrooms and a leisure/spa facility, the hotel design incorporates shops, bars, restaurants and a ballroom.

CGI

CGI

Making an entrance
A grand pedestrian entrance on Grosvenor Place is planned to be accessed via a colonnade linking through the Peninsula's open lobby to an internal 'Palazzo-style' public courtyard, approximately 900m².

New homes
The proposed building includes 24-28 residential apartments. Affordable apartments will be built nearby, adding to housing supply and the diversity of the area.

"London is one of the world's most dynamic capital cities and we are excited to move another step closer to introducing the Peninsula brand to London together with our partner, Grosvenor."

Clement Kwok
Managing Director and
Chief Executive Officer
The Hongkong and
Shanghai Hotels, Limited

Direct

Grosvenor Britain & Ireland

Business objective

Our mission is to create and recreate inspiring places and neighbourhoods, delivering value for customers, Shareholders and co-investors with our placemaking expertise.

Key achievements

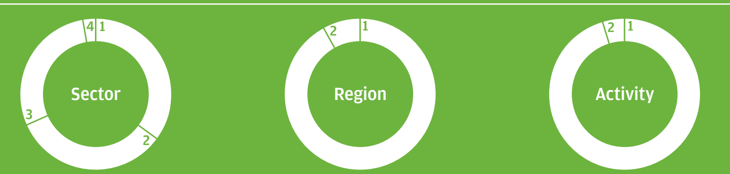
- Total return of 10.7% – the sixth successive year of returns above 10.0%.
- Growth in net rental income of £10.3m to £71.3m (from £61.0m in 2014 and £48.3m in 2013) driven by development, asset management and operational efficiency.
- £39m of value-add in 2015 (2014: £83m; 2013: £53m) from development activity on the London estate.
- Net customer satisfaction up to 65% from 58% in 2014.
- Assets under management of £5.7bn, up from £5.2bn in 2014.
- A leadership programme for over 70 senior managers to strengthen capability to deliver our 10-year plan.

Revenue profit
£31.4m
(2014: £45.9m)

Total return
10.7%
(2014: 17.3%)

Assets under management
£5.7bn
(2014: £5.2bn)

Grosvenor's share of property assets



Sector	1	Residential	£1,340.0m	35.2%
	2	Office	£1,263.4m	33.2%
	3	Retail	£1,101.4m	28.9%
	4	Hotel	£101.4m	2.7%
Region	1	London	£3,504.7m	92.1%
	2	Outside London	£301.5m	7.9%
Activity	1	Investment	£3,631.0m	95.4%
	2	Development	£175.2m	4.6%

Number of assets by city

Britain:	2014	2015
Bournemouth	1	0
Cambridge	4	3
Edinburgh	11	1
Liverpool	1	0
London	1,521	1,478
Oxford	1	1
Southampton	1	1
Ireland:		
Dublin	2	2

Like-for-like energy consumption MWh
18,622 +1%
(2014: 18,391)

Like-for-like water consumption m³
67,158 +3%
(2014: 65,142)

Peter Vernon
Chief Executive
Grosvenor Britain & Ireland

Our placemaking purpose

Our objective is to generate long-term and growing income from recurring sources. We do so by creating and managing sustainable, urban neighbourhoods across the UK that are great places to live, work and visit. We focus on the importance of places, rather than just the individual buildings, to the people who use them.

Our placemaking activity has been extensive both on and off our London estate.

Across Mayfair and Belgravia, we gained planning consent for 60,700m² of redevelopment to grow future income. Our rolling estate-wide development programme added income at an average yield on cost of 6.9%. We continued to regenerate these adaptable, changing and dynamic neighbourhoods, providing a high quality of life.

We continued our transformation of **North Mayfair** by completing the redevelopment of **20 Grosvenor Hill** and its surrounding public realm to host the globally renowned Gagosian Gallery, helping to re-establish a retail and arts quarter in the heart of the West End.

We strengthened our **retail destinations** with new lettings to, amongst others, internationally-acclaimed fashion designer Hussein Chalayan in Bourdon Street with his first UK store. In joint venture with Stow Capital Partners, we pre-let 4,000m² of retail space to adidas for its new flagship store on Oxford Street.

Destination retail and leisure
We let the Grade II Listed **Pantechnicon** building in Belgravia, London, to Barry Hirst and Stefan Turnbull, who will aim to create a world-class food and retail emporium over six floors.

Breaking ground in Oxford
Our development partnership with Oxford City Council started work on site this year. **Barton Park** will provide 885 much needed new homes for Oxford, 40% of which will be affordable.

> **"Our London estate is dynamic and adaptable and has thrived across the centuries for being so. It should continue to be a hard-working part of the city, supporting economic expansion alongside a growing quality of life."**
>
> **Craig McWilliam**
> Executive Director of the London estate
> Grosvenor Britain & Ireland

> **"Planning consent for a significant new mixed development at 1-5 Grosvenor Place, incorporating a new Peninsula hotel, was a critical milestone in our programme. The oversite development at Crossrail's Bond Street West station will be similarly exciting and neared final design stages."**
>
> **Simon Harding-Roots**
> Executive Director, Major Projects
> Grosvenor Britain & Ireland

And we let the Grade II listed landmark **Pantechnicon** building in Motcomb Street, **Belgravia**, to Barry Hirst and Stefan Turnbull of Cubitt House, who will transform the building into a contemporary fashion emporium, alongside a café, a restaurant and a bar.

Elsewhere in London, we opened our community consultation on the design and delivery of a growing urban neighbourhood in **Bermondsey**, South London. Our ambition for this five-hectare development is to create homes for sale and private rent, affordable housing, a new school, high-quality open spaces and improved pedestrian and cycle connections.

Across the rest of the UK, in **Oxford**, through our joint venture with the City Council, we started work to deliver **Barton Park**, a 21st century garden suburb across 36 hectares in one of the country's most constrained cities. With planning approval for up to 885 new homes, a new primary school, community hub and park, we began installing infrastructure and selected our first housebuilder, Hill Residential, to develop the first tranche of new homes.

In **Southampton**, with a placemaking project that epitomises our approach, we completed a mixed-use scheme comprising residential units, retail units with cafés and restaurants totalling 1,860m². The project completes in 2016 with a 5,850m² new **Arts Complex** forming the centrepiece of Southampton's Cultural Quarter.

In **Edinburgh**, we gained planning consent for the next phase of development at our site in **Fountainbridge**. In addition to up to 400 new homes, the application proposes a new public square and commercial and retail space.

And in **Cambridge**, our growing 24-hectare neighbourhood at **Trumpington Meadows** bordering a 61-hectare country park – which when fully realised will host 1,200 new homes – reached the next stage of development with 77 new homes completed last year, taking the total to over 400 delivered to date.

Our strength through the economic cycle

We are long-term investors and maintain a rigorous focus on managing our business to operate sustainably across sectoral and economic cycles. In 2015, we focused principally on completing and letting developments begun earlier in the cycle, limiting our acquisitions and recycling mature assets where appropriate.

We moved forward our development opportunities. We think this is the right time to invest in our development pipeline to be ready to deliver in the next cycle while at the same time creating capacity to take advantage of a downturn. Gearing at the end of the year was 16.1%.

Total return at 10.7% presented another good year – the sixth successive year of returns above 10.0%.

Grosvenor Britain & Ireland (continued)

Recognising service
Nigel Hughes, Estate Surveyor of the London estate, was appointed a Member of the Order of the British Empire (MBE) in the New Year Honours List.

Community consultation
Our engagement with **Bermondsey's communities** continued in 2015. We have spent over two years understanding their needs and aspirations.

Regenerating the London estate
With leadership from Anna Farnes (pictured above), Director of Development, John Reid, Director of Project Management and Jamie Whitty-Lewis, Head of Finance, our £1bn **rolling development programme** continues to regenerate our London estate.

Leading-edge retrofit
We aim to reduce the energy usage of our directly-managed portfolio across our 120-hectare estate by half by 2023; by 2015 we had achieved a 15% cut in carbon emissions from that portfolio.

We achieved an overall growth in net rental income – £71.3m from £61.0m in 2014 – driven largely by our London Estate Development Programme. Occupancy rates remained high, at 97% (2014: 97%).

As expected, revenue profit of £31.4m was lower than 2014 (£40.7m), because of a further reduction in trading profits following the sale of a number of high-end residential trading sites in 2013.

Revenue profit before trading was £20.5m (2014: £22.6m), resulting from an increase in overheads needed to support the development programme, largely offset by growing rental income.

Assets under management grew to £5.7bn (2014: £5.2bn), reflecting the growing value of our commercial portfolio.

Our focus on the customer

We remained on track to deliver our wide-ranging customer service improvement programme across the London estate. Overall, net customer satisfaction rose by 7% on 2014 to 65%. Net customer satisfaction when contacting Grosvenor on repairs and maintenance almost doubled compared with the previous year.

Our annual MORI customer satisfaction survey found most of our locations registered strong net satisfaction with Grosvenor people on-site, with an estate-wide average of 77% in 2015, compared with 74% in 2014.

The survey also suggested customers were happier with the frequency and clarity of our communication. Advocacy levels grew and we were viewed as having a positive impact on the local community.

In parallel, we deepened our engagement with the communities at the heart of the neighbourhoods in which we operate.

Our rolling 'Grosvenor in the Community' programme involved 77,000 people with 37 initiatives that brought together residents, businesses and stakeholders on and off our London estate. We ran events, including the Grosvenor Film Festival, the **Elizabeth Street** and **Motcomb Street** Summer Parties and the **Duke Street** Christmas lights. We also disbursed the second phase of our Living Communities Fund with grants to 10 grassroots community projects which will create pathways to employment and stronger communities in the City of Westminster. The Fund endowment has grown to £819,000.

As chair of the Mayfair Neighbourhood Forum, we consulted with the community and agreed the Forum's objectives which will be reflected in the neighbourhood plan. As steering group member of the Belgravia Neighbourhood Forum, we helped identify the Forum's immediate priorities. As chair of the Victoria Business Improvement District, we helped gain consensus for a new five-year business plan, following a member ballot. And as Deputy Chair of the newly formed West End Partnership (a public-private partnership tasked with improving the West End for all who work, live and visit in the West End area), we helped create a new 20-year vision for growth and supported the first steps in its implementation.

Away from our London estate, in **Bermondsey**, we delivered on a wide-ranging set of community partnerships and projects. This included our hosting of the Old Vic theatre's award-winning community engagement, talent development and creative learning programme on-site and support for the Bermondsey Community Kitchen, a local social enterprise enabling local unemployed 16-24 year olds to gain professional cookery qualifications.

Our team's effectiveness

As we continue to invest in our people, we completed the planned launch of a comprehensive new leadership programme, giving our people the chance to develop the leadership characteristics and behaviours we believe are central to the long-term success of our business.

Shortly after the year end, we realigned our team structure to reflect the focus of our business, bringing all major projects into one unit under Executive Director Simon Harding-Roots.

Our Board saw the arrival of Stephen Lovegrove who joined as a Non-Executive Director in March 2016. Stephen is Permanent Secretary at the UK's Department of Energy & Climate Change. Michael Gradon stepped down from our Board in October 2015 after eight years as a Non-Executive Director. I would like to express my deep thanks to Michael for his very significant contribution.

A forward look

As mentioned in the Chairman's statement and Chief Executive's review, on 1 January 2017, I move to a new role as Group Executive Director and Craig McWilliam succeeds me as Chief Executive of Grosvenor Britain & Ireland. Will Bax will be promoted to the Board, becoming Executive Director, London Estate Investment and Development. We are delighted to be able to promote from within – a vindication of our investment in our people and their commitment to growing their leadership skills.

Despite external uncertainties, we remain cautiously positive about the UK market and believe London remains the biggest investment market for property in Europe. Although the economic and labour market fundamentals are strong, the city continues to face strong competition for talent and investment.

The West End in London, which generates 3% of the country's economic output, is seeing renewed investment ahead of Crossrail's opening in 2018. There is growing consensus that the district is uniquely diverse and resilient and helps drive the city's success. We are well positioned to take advantage of this.

Our long-term focus and values will remain constant through economic and sectoral changes. We will continue to seek long-term relationships built on loyalty and trust, alongside innovative partnerships with public and private sector players alike. We will focus on opportunities to deploy our wide-ranging expertise in the cities we understand best. We will continue to invest in our people as we help them unlock their own full potential and the potential of those they lead.

Peter Vernon
Chief Executive
Grosvenor Britain & Ireland
17 March 2016

Grosvenor Britain & Ireland – Board of Directors
as at 17 March 2016

Graham Pimlott CBE
Chairman and **Non-Executive Director**

Stephen Lovegrove
Non-Executive Director

Heather Rabbatts DBE
Non-Executive Director

Mark Preston FRICS
Non-Executive Director
Group Chief Executive

Nicholas Scarles
FCA ATTORNEY AT LAW
Non-Executive Director
Group Finance Director

Peter Vernon FRICS
Executive Director
Chief Executive

Roger Blundell ACA
Executive Director
Finance Director

Simon Harding-Roots
Executive Director
Executive Director Major Projects

Craig McWilliam FRICS
Executive Director
Executive Director of the London estate

Richard Powell
Executive Director
Executive Director of Grosvenor Developments

Ulrike Schwarz-Runer
DOCTOR OF LAWS
Executive Director
General Counsel

Grosvenor Americas

A ‘first’ for residents

In April 2015, we broke ground on **F1RST**, our new 41,800m^2 mixed-use project at Washington, DC’s Capitol Riverfront, unlocking the potential of a development site we acquired in 2012. The vision for F1RST is to become a destination that will connect people to amenities within the building and in the evolving neighbourhood. The development will include 325 rental apartments, a 170-room Residence Inn by Marriott and shops such as acclaimed local deli, Taylor Gourmet.

CGI

Healthy lifestyle
Residents will have access to a gym, an outdoor rooftop pool and cooking stations.

87%

Environmentally responsible
Targeting LEED Silver standard – 87% of construction waste for the residential portion will be diverted from the local landfill to recycling facilities.

Conveniently located
F1RST is less than 0.5km from the waterfront, a block from the Metrorail station, 2km from Capitol Hill and minutes away from the Washington Navy Yard, a destination for tourists and workplace for thousands of federal employees.

Grand scale
The Capitol Riverfront neighbourhood is one of the USA’s largest revitalisation projects.

Part of the action
An outdoor rooftop theatre with a view into Nationals Park baseball stadium will put residents close to the action and world-class entertainment.

“The development is the highest and best use of federal land. It’s a win-win for the Federal Government and the District of Columbia.”

Congresswoman
Eleanor Holmes Norton

50

Socially responsible
Of the 325 homes at F1RST, 50 will be offered at below market rental rates.

“DC is continuing its great urban renaissance. The changing built environment and number of young working professionals evident at the Capitol Riverfront District are prime examples.”

Jon Carr
Vice President, Development
Grosvenor Americas

Direct

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 and attractiveness of those communities.

Key achievements

→ Established a new partnership to quadruple our mezzanine lending programme and expanded its reach to Washington, DC.

→ Received planning approval for Connaught, a mixed-use development in North Vancouver, BC, and adoption of the Specific Plan at The North 40 in Los Gatos, California.

→ Started construction on three mixed-use developments, acquired three residential investment properties and sold two investment properties.

→ Exceeded pre-sales targets at Grosvenor Ambleside in Vancouver, BC, with over 83% of homes sold, representing over C$155m in revenue.

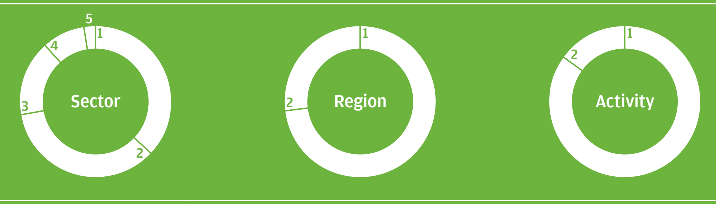
→ Promoted two senior managers, James Patillo and Steve O'Connell, to Managing Director roles.

Revenue profit
C$52.4m
(2014: C$62.1m)

Total return
8.4%
(2014: 9.7%)

Assets under management
C$4.5bn
(2014: C$3.0bn)

Grosvenor's share of property assets



Sector	1	Residential	C$740.1m	37.0%
	2	Retail	C$705.7m	35.3%
	3	Office	C$322.8m	16.1%
	4	Industrial	C$185.2m	9.3%
	5	Hotel	C$46.9m	2.3%
Region	1	USA	C$1,460.6m	73.0%
	2	Canada	C$540.1m	27.0%
Activity	1	Investment	C$1,703.1m	85.1%
	2	Development	C$297.6m	14.9%

Number of assets by city

Canada:	2014	2015	USA:	2014	2015
Calgary	6	6	Chicago	1	1
Vancouver	7	6	Los Angeles	1	1
Victoria	1	1	San Francisco	11	9
			San Jose	2	4
			Seattle	8	6
			Washington, DC	14	19

Like-for-like energy consumption MWh
52,269 -5%
(2014: 54,912)

Like-for-like water consumption m³
386,250 +3%
(2014: 376,699)

Andrew Bibby
Chief Executive
Grosvenor Americas

Strong in all our markets

The North American markets in which we are active share a number of characteristics that support their long-term sustainability. While each of our markets is unique in its own right, common traits include city vibrancy, educated populations, desirable neighbourhoods and solid economic drivers. In addition, our diversified development, investment and co-investment portfolios helped make 2015 a strong year.

All our business units were very active in 2015. Our investment team has been identifying and acquiring well-situated properties near strong employment centres. Our co-investment team's mezzanine finance programme is fully subscribed and development projects are under construction in three markets.

Results for 2015 have been strong across our six active North American markets: Calgary, Los Angeles, San Francisco, Seattle, Vancouver and Washington, DC. Revenue profit was C$52.4m (2014: C$62.1m) and total return was 8.4% (2014: 9.7%), reflecting lower trading income more consistent with long-term profit trends. Assets under management increased to C$4.5bn (2014: C$3.0bn) largely due to the impact from the appreciating US Dollar, the expansion of our mezzanine finance programme, the net acquisition of investment properties and the start of construction projects in Vancouver and Washington, DC. Occupancy rates have remained high at 92.6% (2014: 94.6%).

Exceeding expectations
Pre-sales revenue at **Grosvenor Ambleside** exceeded projections as we saw a significant response in the local West Vancouver market, with over 85% of purchasers coming from within a 10km radius of the development.

Making progress
With efficient unit layouts and services, such as concierge and a bike share programme, **Smith** promotes smart urban living within Calgary's vibrant Beltline district. Smith's public plaza will extend green space from the site towards 17th Avenue.

"I think the outreach by Grosvenor has been proactive, responsive, and continuous. Their positive interactions with a variety of entities in our town including the school districts, elected and appointed officials, and neighbourhood groups, have contributed to the sense of openness and co-operation that I expect from a development firm."

Maria Ristow
Chair
Transportation and Parking Commission for Los Gatos

"We listened to over 2,400 members of the community who shared their vision of what Edgemont Village needs in order to maintain its charm, but still grow responsibly to fit best with the community and the environment."

Tanja Milosevic
Community & Customer Engagement Manager
Grosvenor Americas

Breaking ground

We are benefiting today from decisions made shortly after the global financial crisis to acquire development sites. Our pipeline currently includes 14 projects in various stages of development across North America.

A significant portion of progress in our pipeline has been realised in 2015, with three of our major development projects – **Grosvenor Ambleside**, **F1RST** and **Central** – all reaching major milestones.

Private showings at **Grosvenor Ambleside** commenced in October 2014, marking the start of first-phase sales. This first phase was a great success, with a significant response from the local West Vancouver market. Of the 57 homes available, 47 were sold, representing C$155m in sales revenue. We also secured retail agreements with a local boutique grocer and an upscale, casual, beachside restaurant. In July, we broke ground on this mixed-use development that will infuse new life into the waterfront community and village shopping district.

In April, coinciding with the start of the new baseball season, we began construction on **F1RST**, our Capitol Riverfront development in Washington, DC.

In September, we held a groundbreaking ceremony for **Central**, our mixed-use development at 8455 Fenton Street in Downtown Silver Spring, Maryland.

Central is being built on the former site of the First Baptist Church which is being transformed into a 21,500m², 243-apartment mixed-use community with 1,500m² of ground floor retail space. Amenities will include an outdoor pool, a bike workshop and a Wi-Fi café. 'Wingspire', a lit-glass structure designed by William Cochran, will feature as public art in Central's 'paseo'. A new building and daycare centre will be constructed for the First Baptist Church on an adjacent site. 31 of the new homes are designated as affordable in the local market.

In July 2015, we acquired **1405 Fourth Street**, located along a main pedestrian and vehicular corridor in Calgary's Beltline. Plans for the site contemplate a mixed-use development with two residential towers, increasing our more than 250 homes either under construction or already delivered in the region. Grosvenor's Calgary developments under construction and completing towards the end of 2016 include **Smith**, 127 homes in the Beltline (over 50% sold), and **Avenue**, 193 homes in the city's Downtown West End (73% sold).

Development teams in all our markets interacted with local communities and stakeholders in 2015. In San Francisco, we hosted a number of events to engage neighbours in discussions around the potential of our sites in **Jackson Square**, resulting in the unanimous planning approval of **240 Pacific Avenue**.

Grosvenor Americas (continued)

Engaging with stakeholders
In February 2015, senior development manager Marc Josephson (pictured centre) spoke to neighbourhood retailers at our **Connaught** public information centre about the project and its economic impact.

Planning approval
The North 40 Specific Plan was approved by Los Gatos Town Council and will see mixed-use development to meet the town's future needs.

Flexible debt financing
We provided structured development financing for Millennium Development's 46-storey condominium tower near Burnaby's SkyTrain.

Achieving excellence
In October 2015, our Washington, DC, office was named 'Firm of the Year' at commercial real estate development association NAIOP's Annual Awards of Excellence in DC.

We also worked with the renowned Robert Stern Architects to incorporate neighbourhood feedback into the design of a 44-unit residential building at our property at **875 California Street**, on the intersection of Powell and California Streets, the site of San Francisco's only cable car crossing.

After many years of community consultation, Silicon Valley's Los Gatos Town Council approved **The North 40** Specific Plan in June 2015. The plan will guide development of the California town's last large undeveloped parcel of land, for which we are the primary developer.

In downtown Vancouver, we hosted an open house, receiving feedback from local residents on preliminary concepts designed by Montreal-based architectural firm, ACDF* Architecture and local Vancouver architectural firm, IBI/HB. Our site, which is located along an arterial bike lane at **1380 Hornby Street**, includes the preservation of an 1890s historic house.

On Vancouver's west side, we acquired a townhome development site at **6250–6410 Oak Street**. Citimark, with whom we have worked previously (at **15 West** and **Avondale** on the North Shore), will be our joint venture partner on this development.

In North Vancouver's Edgemont Village, 832 people visited our public information centre. The centre was open for seven months, providing the community with an opportunity to offer feedback and share ideas about our mixed-use development, **Connaught**. The community strongly supported our proposal and in December, the District of North Vancouver Council voted unanimously to grant approval.

Considered investment

Our investment team oversees C$3.7bn of property assets in our key North American markets. Acquisition, disposition and management of the properties falls within their purview. Assets include 3,278 residential units, 186,000m² of office space, 159,000m² of retail space and 101,000m² of industrial space. In 2015, we disposed of **Peloton** and **Woodcreek Apartments** while acquiring new assets in vibrant residential locations close to transport links.

In California's Silicon Valley, we acquired **Waterstone Apartments**, a 432-unit residential community located near major employers such as Apple and Google. In Bellevue, part of Seattle's residential region, we acquired **Somerset Green**, a series of 101 townhomes. In the Washington, DC, market, we acquired **The Crossings at Washington Center**, a 648-unit residential community in Gaithersburg, Maryland.

Growing the business

Through our structured development financing programme, we are helping to increase the supply of housing in constrained markets around North America. In 2015, we financed eight residential developments that will see 770 new homes delivered in our key markets.

In November, a new Mezzanine Investment Partnership, True North LP, was formed, committing C$165m towards the programme which provides flexible debt financing to both growing and well-established residential and mixed-use developers. We initiated our first Washington, DC, loan along the vibrant 14th Street Corridor, and placed our second loan in this market at PN Hoffman's condominium development near the Capitol Riverfront. We funded two residential projects in San Francisco's eclectic Dogpatch Neighbourhood and two townhome projects in Los Angeles. In the Vancouver area, we are helping finance the construction of 48 townhomes in Pitt Meadows and a further 340 condominiums near Burnaby's Gilmore SkyTrain station.

Supporting our growth

Our business has grown. To accommodate this growth, we invested in a Leadership Effectiveness programme to ensure that we are managing change at all levels, in a manner consistent with our values. This involves recognising and mitigating the risks associated with business growth, creating a more open dialogue across our offices and reinforcing our collective understanding of cities, property investment and development.

In December, Chief Operating Officer Ryan Beechinor retired after 17 years with Grosvenor Americas. Ryan's valuable contributions to our business are numerous and include playing a key role in the strategic growth of the development team. As a result of his departure, we took the opportunity to reorganise senior management around our two main business functions – investment and development. James Patillo, who has been with Grosvenor since 2006 and has over 20 years of property experience, now oversees 14 projects in various stages of development as Managing Director, Development. Steve O'Connell, who joined Grosvenor in 2011 and has been in the property industry since 1997, is now Managing Director, Investment. Steve oversees our investment and co-investment functions and he also chairs the Grosvenor Liaison Group, which is responsible for sharing knowledge across the Group. He played a major role in the expansion of Grosvenor's development programme in the San Francisco Bay Area.

In May 2015, we congratulated Rekha Patel, our Chief Financial Officer, who was named one of San Francisco's Top 50 Most Influential Women. After 13 years at Grosvenor, almost all of them as Chief Financial Officer, Rekha Patel has decided to retire at the end of April 2016. Graham Drexel will assume the role of Chief Financial Officer upon Rekha's departure.

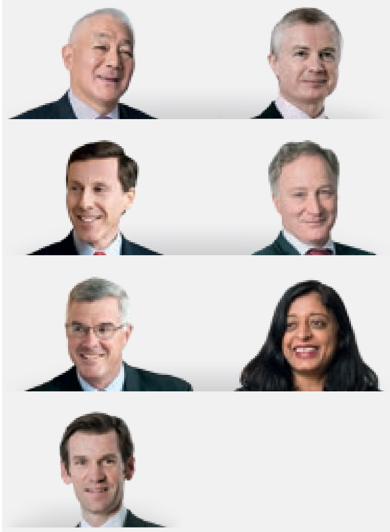
A forward look

The North American economy remains stable. The USA's increase in domestic oil supply has helped to insulate their economy from the wider, more volatile, world oil market, allowing it to recover at a reasonable pace. Of course, Canada always benefits in the long term from a healthy US economy, and international interest in the Vancouver market continues to create excellent opportunities. Property assets are likely to remain attractive to global capital.

A potential increase in consumer spending reflects positively in light of the urban environments where we develop, lend and invest. A favourable exchange rate adds to Canada's appeal as an exporting country and a stable US Dollar positions both countries as strong performers on the global stage. We will continue to identify opportunities in our key markets, execute on our developments and refine our investment strategy.

Andrew Bibby
Chief Executive
Grosvenor Americas
17 March 2016

Grosvenor Americas – Board of Directors
as at 17 March 2016



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
Chief Financial Officer

Grosvenor Asia Pacific

A renewed focus

In 2015, we refocused Grosvenor Asia Pacific's 10-year strategy, underpinned by two key cornerstones. The first is that we will go deeper into our existing markets – Tokyo, Shanghai and Hong Kong. The second is that we will increase development exposure as a proportion of our total activity in the region. By doing these things, we plan to play a more influential role in the positive transformation of these cities, while also driving stronger total returns over the medium to long term.

"Shanghai offers a number of attractive opportunities, especially in the mixed-use sector, which we are exploring as we look to deepen our presence here and build on our existing expertise and track record."

Brenda Chung
Executive Director and Chief Representative, China
Grosvenor Asia Pacific

Sector view
We will explore the office sector across all three markets, as well as selected retail opportunities, though our continued focus will be on residential.

Increased development capability
Development is a natural evolution of our skill set in Asia which will enable us to deliver stronger returns over the long term, as well as drive our 'Living cities' agenda more meaningfully.

£50m

Strategic capital allocation
Our strategic recommendations were well received by the Grosvenor Group Board and resulted in an additional capital allocation of £50m.

"Tokyo, Hong Kong and Shanghai continue to be dynamic cities in Asia with well-established and liquid real estate markets. There are fundamental, long-term drivers which make each of these highly compelling destinations."

Ian Mair
Chief Operating Officer and Regional Finance Director
Grosvenor Asia Pacific

Direct

Grosvenor Asia Pacific

Business objective

We are looking to go deeper into our chosen cities of Hong Kong, Shanghai and Tokyo, while also increasing development exposure. This will enable us to drive stronger total returns over the medium to long term. Ultimately, we aim to play an influential role in the positive transformation of these cities as they continue to develop.

Key achievements

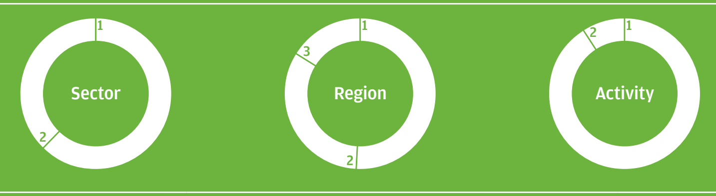
- → Established a refocused strategy and secured additional capital from the Grosvenor Group Board to implement it.
- → Completed sales at The Westminster Roppongi, Tokyo, exceeding expectations.
- → Completed three new deals in Tokyo under the Grosvenor Development Partnership.
- → Sponsored artist Sir Antony Gormley's inaugural public art installation in Hong Kong, 'Event Horizon', marking a major 'Living cities' initiative in our region.
- → Strengthened internal capabilities with new hires in key positions.

Revenue profit
HK$121.5m
(2014: HK$83.1m)

Total return
6.6%
(2014: 9.1%)

Assets under management
HK$8.1bn
(2014: HK$8.3bn)

Grosvenor's share of property assets



Sector	1	Office	**HK$4,307.3m**	62.8%
	2	Residential	**HK$2,556.8m**	37.2%
Region	1	Hong Kong	**HK$3,494.9m**	50.9%
	2	Japan	**HK$2,277.5m**	33.2%
	3	China	**HK$1,091.7m**	15.9%
Activity	1	Investment	**HK$6,254.1m**	91.1%
	2	Development	**HK$610.0m**	8.9%

Number of assets by city

China:	2014	2015
Beijing	1	**1**
Hong Kong	2	**2**
Shanghai	1	**0**

Japan:	2014	2015
Osaka	1	**0**
Tokyo	4	**8**

Like-for-like energy consumption MWh
1,094 -1%
(2014: 1,102)

Like-for-like water consumption m³
7,610 +5%
(2014: 7,280)

Benjamin Cha
Chief Executive
Grosvenor Asia Pacific

A platform for progress

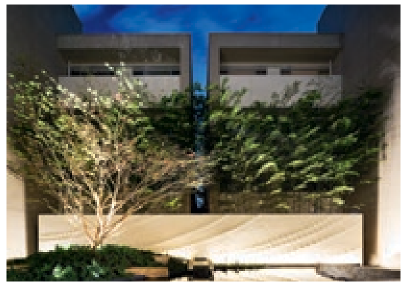
Despite a slowdown and transition across Asian markets in 2015, we had another solid year. Revenue profit increased considerably (46.2%) from HK$83.1m in 2014 to HK$121.5m, a result of rising gross rental income and trading profits coming in both quicker and higher than predicted. Total return was 6.6% (2014: 9.1%), reflecting lower market-driven property value growth than in previous years. Assets under management decreased to HK$8.1bn (2014: HK$8.3bn) due to some strategic asset disposals. Occupancy rates were up from last year (2015: 97.3%; 2014: 90.8%) due to full occupancy at both **China Merchants Tower** – which was being renovated in 2014 – and **PCCW Tower**.

A renewed focus

On 1 April 2015, I succeeded Nicholas Loup as Chief Executive of Grosvenor Asia Pacific. Building on 20 years of being a long-term investor and developer in the region, we reviewed and refocused our strategy in mid-2015 around two key business cornerstones.

Deeper into existing markets

The first cornerstone is that we will be pressing deeper into our existing markets in Asia to make a more meaningful impact in three cities – Tokyo, Shanghai and Hong Kong. In Tokyo, our residential portfolio continued to grow in 2015 with the refurbishments of **The Westminster Nanpeidai** and **The Belgravia Azabu** apartment buildings in Tokyo.



Building a brand
In July, we began refurbishment works at **The Westminster Nanpeidai**, the latest in our Westminster-branded portfolio of properties, and the first in collaboration with award-winning UK designer Eric Parry Architects. Sales will start in March 2016.

1,400
people attended six educational events during the launch week of 'Event Horizon'.

Supporting public art
We were proud to be a sponsor of 'Event Horizon', a major internationally acclaimed public arts installation for Hong Kong, created by artist Sir Antony Gormley. During its launch, Benjamin Cha joined him on a panel that explored the potential of public art to transform cities.

"Bringing ambitious public arts projects to Hong Kong requires bold private sector backing, and Grosvenor's support – far beyond just financial – has been invaluable."

Robert Ness
Director
British Council Hong Kong

We concluded all sales at **The Westminster Roppongi**, ahead of schedule and above market predictions. Additionally, we acquired a further interest in **Grosvenor Place Kamizono-cho**, bringing Grosvenor's total interest in the asset to 67.8%.

Increasing our development exposure

The second cornerstone of our strategy is that we will increase development exposure as a proportion of our total activity in the region. We will continue to work with like-minded joint venture partners, but we are looking to grow our own development capability over time. In 2015, we advanced this with the disposal of commercial investments in **Shui On Plaza**, Shanghai and **Dotonbori**, Osaka, providing proceeds to be used for re-investment in future development activity.

The 'Living cities' philosophy

The two cornerstones of our strategy are supported by the Group's 'Living cities' philosophy.

Our efforts to bring high-quality design to the market have resulted in award-winning properties, like **The Westminster Roppongi** which won 'Best Refurbished Building' at the MIPIM Asia Awards in December 2015.

We also continue to work with the communities we are active in. In July 2015, people from our Hong Kong office joined secondary school students for an Eco Day Trip in the region's New Territories. This was with Project WeCan, a charity which supports schools, communities and students of low income and opportunity.

We play our part in cultural and industry events and bodies. In 2015, we were a partner sponsor of 'Event Horizon', a significant public art installation presented by the British Council in Hong Kong.

People

The implementation of our strategy would be impossible without the teams we have on the ground across our markets. During the year, we bid farewell to Yu Yang after 11 years of dedicated service, and welcomed Brenda Chung as our new Chief Representative, China from Grosvenor Fund Management.

A forward look

In 2016, we expect to complete investments made from our Grosvenor Development Partnership in Tokyo, deploy capital unlocked from asset sales and raise third-party capital to invest alongside our recycled capital and new capital allocation. We will continue to integrate the business across the region and commence development activity. While we expect all three of our markets to continue to undergo transitional periods, we see this as presenting a good investment window and therefore remain cautiously optimistic about our investment programme.
It should be noted that our expected move into development activity will impact on our total return, however, this will position the business for much stronger returns over the medium to long term.

Benjamin Cha
Chief Executive
Grosvenor Asia Pacific
17 March 2016

Grosvenor Asia Pacific – Board of Directors as at 17 March 2016

Keith Kerr
Chairman and Non-Executive Director

Kensuke Hotta
Non-Executive Director

Michael Lee
Non-Executive Director

Norman Lyle OBE
Non-Executive Director

Mark Preston FRICS
Non-Executive Director
Group Chief Executive

Nicholas Scarles
FCA ATTORNEY AT LAW
Non-Executive Director
Group Finance Director

Benjamin Cha
Executive Director
Chief Executive

Koshiro Hiroi
Executive Director
Managing Director, Development (Asia Pacific); Chief Representative, Japan

Ian Mair
Executive Director
Chief Operating Officer and Regional Finance Director

Indirect Investment

Interesting deals, strong partners, diverse geographies

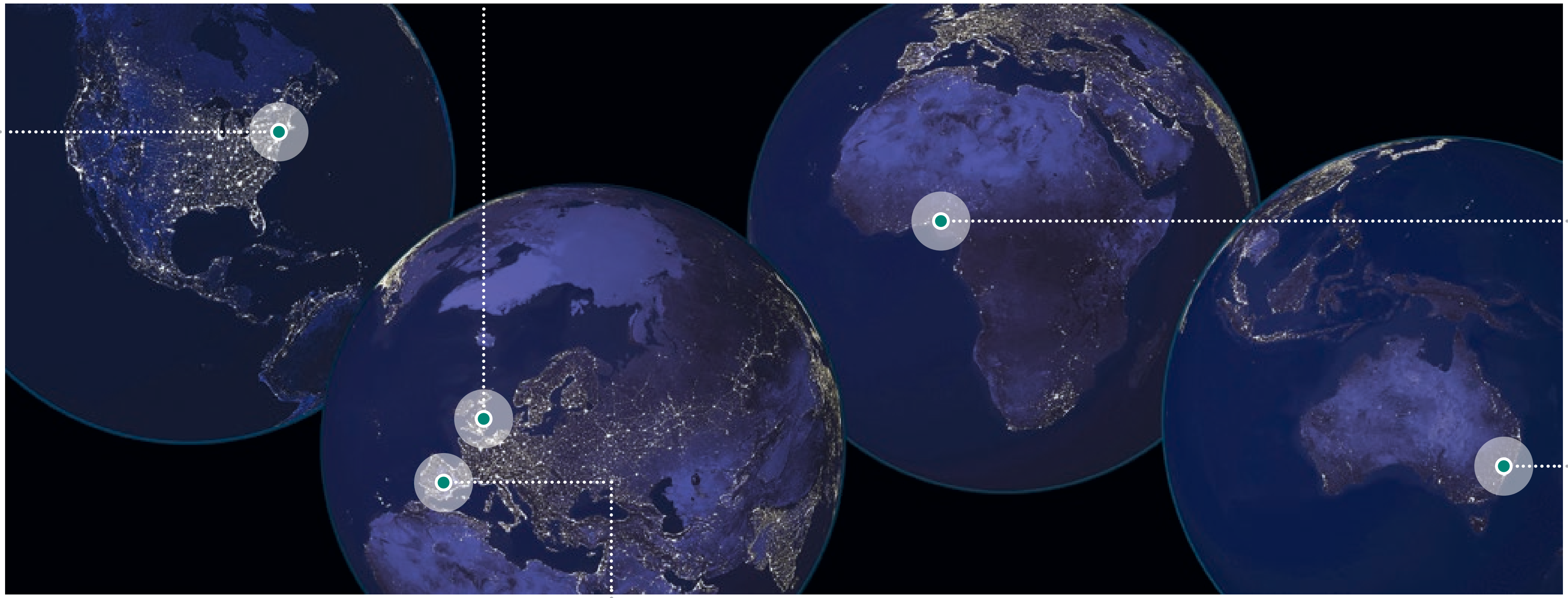
Our specialist third-party managed investment programme made significant advances during 2015 with the addition of six new deals in four continents, committing in excess of £80m.

34

Acquisition ability
We completed a new investment with iO Asset Management alongside Quilvest; it is already fully invested at £120m in 34 UK multi-let industrial estates.

"Grosvenor's investment in our second African fund is noteworthy; it is the first such commitment from a significant UK institutional investor, and represents a pleasing shift in European investors' outlook on opportunities on the continent."

Simon Fifield
Chief Executive Officer
RMB Westport



Building on relationships
With High Street Realty, the Boston-based industrial specialist, we leveraged our existing relationship to complete two deals in 2015.

65%

Shared values
We value partners who think about their wider impact on the environment. Approximately 65% of High Street Realty's fund holdings have been upgraded to energy-efficient lighting, which reduces the tenants' electrical lighting expense by 40-50%.

"Working with Grosvenor is an excellent learning experience; the continuous two-way communication drives solid analyses and creative ideas. Their approach makes it possible to identify unusual opportunities with excellent upside."

Pelayo Primo de Rivera y Oriol
Executive Partner
Kefren Capital Real Estate

Acting quickly
We acquired 320 Pitt Street in Sydney, Australia, on attractive pricing through our ability to move swiftly. The deal, with our Propertylink partnership, was closed within 25 working days of the opportunity being offered.

Indirect

Indirect Investment

Business objective

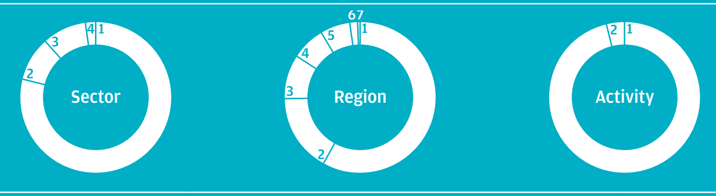
The role of the Indirect Investment business is to enable the Group to diversify further its property investment portfolio and achieve strong risk-adjusted returns by exposure to sectors, countries and specialist managers which its direct property activities do not provide. We achieve this by investing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

Key achievements

- Expanded the portfolio of third-party managed investments, beyond Sonae Sierra, to 11 vehicles with a combined equity commitment of £150m.
- Increased our effective interest in Sonae Sierra from 38.75% to 50% in February 2016.
- Completed the partial sale of the Grosvenor Liverpool Fund investment releasing capital for reinvestment.
- Leveraged established relationships to launch four new investment vehicles with existing partners.
- Made Grosvenor's first investment commitment to Sub-Saharan African real estate.

Revenue profit	Total return	Equity invested
£41.2m (2014: £23.4m)	10.0% (2014: 8.7%)	£573.0m (2014: £527.7m)

Portfolio analysis



Sector	1	Retail	£995.4m	77.4%
	2	Office	£118.3m	9.5%
	3	Industrial	£122.3m	9.2%
	4	Other	£50.0m	3.9%
Region	1	Continental Europe	£747.9m	58.2%
	2	UK	£213.7m	16.6%
	3	Brazil	£121.8m	9.5%
	4	USA	£93.8m	7.3%
	5	Australia	£81.6m	6.3%
	6	China	£23.1m	1.8%
	7	Other Asia	£4.1m	0.3%
Activity	1	Investment	£1,238.0m	96.3%
	2	Development	£48.0m	3.7%

Number of investments by country

	2014	2015
Australia	1	2
Brazil*	1	1
China	1	1
Continental Europe	6	6
UK	3	6
USA	3	4
International	2	2

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

Chris Taite
Group Investment Director

Diversification through partnership

2015 was a very busy year. Including the Sub-Saharan African deal signed shortly after the year end, the Indirect Investment team completed £210m of deals in 10 transactions across four continents.

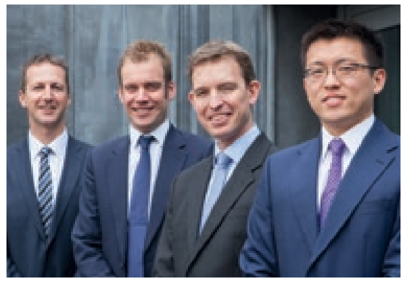
Our portfolio has grown to 23 investments which are located in 15 countries across five continents, managed by seven specialist partners, including Sonae Sierra and Grosvenor Fund Management. Our new investments in 2015 included four with existing partners, and three with new specialist managers. This demonstrated to us the importance of nurturing our relationships not only to ensure the success of investments we have already made, but to provide further opportunities for the future.

Our partnerships are key to our success and, while few in number, they are growing in strength and quality.

Our future growth will come from building on these existing relationships and forging new ones with partners who can provide us with strong risk-adjusted returns in new sectors or countries.

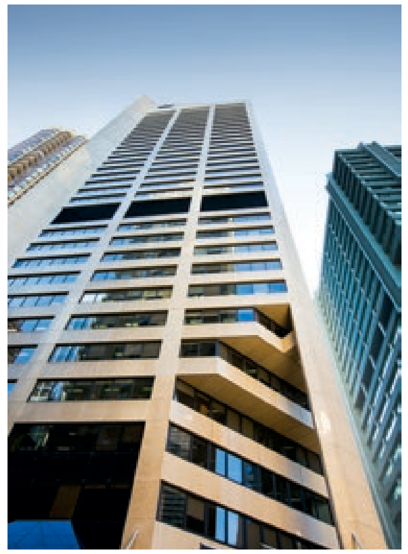
Results

Revenue profit increased to £41.2m (2014: £23.4m) following a strong underlying performance across all investments and the expansion of the third-party managed portfolio.



Diversifying our portfolio
In the last year, the Indirect Investment team of four – Chris Taite, Andy Yates, Tim Budden and Zhongnan Huang (pictured left to right) – completed six third-party deals on four continents that helped to diversify Grosvenor's property portfolio further.

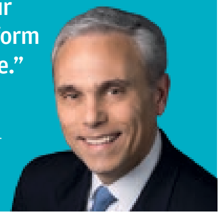
Propertylink office partnership
In July, in a second partnership with Propertylink and Goldman Sachs, Grosvenor acquired 320 Pitt Street in Sydney, Australia. The office building will either be refurbished to meet the demands of the growing volume of office tenants or will be positioned for residential redevelopment, meeting increasing demand for urban living in Australia's largest city.



"The Grosvenor team brings a unique ability to work efficiently in executing transactions. This has been integral to Propertylink being able to secure investment opportunities ahead of the pack, while simultaneously providing support to grow our business."

Steve Day
Managing Director
Propertylink

"Grosvenor is an exceptional partner. From deal sophistication and real estate knowledge to thoughtful analytics and financial strength, their partnership has enhanced our investment platform and performance."



Robert Chagares
Chief Executive Officer
High Street Realty Company, LLC

The increase also reflects the profits realised from our first investment with iO Asset Management at the end of 2015. Total return was 10.0%, up from 8.7% in 2014. Total equity invested increased to £573.0m (2014: £527.7m).

How we create value

We invest in two ways.

First, we co-invest in the majority of the funds, clubs and other investment vehicles run by Grosvenor Fund Management. This achieves investment returns and diversification for the Group. It also realises our commitment to invest Grosvenor's capital alongside that of other investors.

Second, we invest with specialist third-party management teams with specific geographical or sector expertise. The largest of these is our investment in Sonae Sierra which began in 1996 and gives us exposure to shopping centres in Continental Europe and Brazil. As well as managing its own assets, Sonae Sierra also has a growing services business providing retail leasing, property management and development services to third parties in other parts of the world, including Africa.

Our investment with third parties outside of Sonae Sierra is not of the same magnitude but is strategically significant because it seeds new opportunities in untapped sectors and markets to access investment opportunities and diversify the Group's portfolio.

Our co-investment in Grosvenor Fund Management

In terms of our co-investment in existing vehicles managed by Grosvenor Fund Management, there were three significant developments in 2015.

In February, we closed our SEK190m investment in **Skärholmen Centrum** shopping centre in Sweden alongside an Asian and a European investor. Situated in one of Sweden's growing regions and with a dominant position in south-west Stockholm, Skärholmen Centrum is ranked in the top four shopping centres in the country by footfall.

In March, we committed an additional US$21m to Grosvenor Fund Management's Global Real Estate Securities Fund as it started opening up to third-party investment following a successful period building its track record.

In December, following the long-term restructuring of the Grosvenor Liverpool Fund earlier in the year, we completed the sell-down of our investment in the fund to 10%. The sale released funds for reinvestment in other Grosvenor Fund Management vehicles.

Throughout the year, we fulfilled our role as an active investor in the 11 existing funds in which we co-invest, representing the Grosvenor capital.

Indirect Investment (continued)

Into Africa
Early in 2016, we completed our first investment in Sub-Saharan Africa, with a commitment to RMB Westport's second development fund. This vehicle will develop high grade retail, office and industrial assets in key cities in Nigeria, Ghana, Angola and Ivory Coast, meeting the demands of the rapidly urbanising population in those countries.

Expanding in US industrial
We acquired US$66m of industrial assets in Tampa, Chicago and Philadelphia in a vehicle which we subsequently sold down to 50%. The other half was acquired by High Street Realty's Fund V, launched during the year, to which we have committed US$15m.

Our partnerships with third parties

Our third-party partnerships, both existing and new, were extremely active in 2015. In part, this reflects the strength of opportunities available for Grosvenor's capital in the sectors and countries in which we are operating.

Existing investments

In 2015, we, alongside Goldman Sachs, became fully invested with Propertylink's Australian Industrial Partnership, which provides us with specialist access to the industrial and logistics sector. Our portfolio (in which Grosvenor is effectively an 18.75% shareholder) produces an annual income of over AUS$50m from over 30 assets largely around Sydney and Melbourne.

Our investment programme with iO Asset Management LLP, the UK industrial real estate partnership that we have backed since 2012, is on target to deliver an internal rate of return on equity in excess of 17% per annum over the three years since the investment was made.

Our 2012 investment in High Street Realty Fund IV was through our partnership with the Boston-based industrial specialist High Street Realty. It gives us access to 60 institutional-quality assets in major markets across eastern USA.

We are fully invested in our bespoke Logistics Securities mandate, managed by Grosvenor Fund Management, which invests in global logistics securities.

New investments

In July 2015, we completed a second deal alongside Goldman Sachs in Australia, backing Propertylink, in the acquisition of 320 Pitt Street, a 30-storey office tower in Sydney, let to Telstra.

Also in July, we closed our second substantial deal with iO Asset Management. Together with Quilvest, a leading private equity investor, we committed £55m to a new investment vehicle to acquire high yielding, multi-let estates with strong rental growth potential. This vehicle is already fully invested.

In October, we completed a new deal in the USA with industrial specialist High Street Realty. The US$66m 50:50 joint venture comprises an industrial portfolio with five assets in Tampa, Chicago and Philadelphia.

In December, we formed a joint venture backing Kefren Capital Real Estate in Spain, alongside Brunswick Invest, the principal investment arm of Brunswick Real Estate. The €120m vehicle, called Logic Spain KCRE, is investing in high yielding Spanish industrial and logistics assets.

Early in 2016, we completed our first investment in Sub-Saharan Africa. The US$30m investment in RMB Westport's fund will give us access to a growing market in a region that lacks high-grade office, retail and industrial space.

Sonae Sierra

2015 was a good year for Sonae Sierra. Grosvenor's share of revenue profit was £27.9m. At the same time, revaluation gains of £39.9m contributed to a share of profit before tax of £67.8m compared with £54.3m in 2014. Like-for-like tenant sales increased by 2.5% across Sonae Sierra's European portfolio, and by 2.2% in Brazil (in Reais). Sonae Sierra outperformed the retail index by two percentage points in Portugal and two percentage points in Spain. Average occupancy for the overall portfolio reached 95.2%. These results not only reflect improving macro-economic conditions, but also confirm the validity of the property management strategy deployed during the economic crisis.

During 2015, Sonae Sierra concluded the financing of ParkLake, a joint venture project in Romania. At the end of the year, 92% of the shopping centre's gross leasing area was already leased with important international and national brands. Now in the final stages of the project works, ParkLake is on schedule for a promising inauguration in 2016.

In Germany, Sonae Sierra completed the acquisition of a 250,000m^2 building in Nuremberg, for a mixed-use scheme with retail as a core component. It also completed its first direct investment in Colombia with the acquisition of a plot in the city of Cucuta, already licensed to develop a shopping centre of around 45,000m^2 gross leasing area with local partner Central Control.

Accessing Spanish logistics
In December 2015, we formed a joint venture backing Kefren Capital Real Estate, alongside Brunswick Invest, to acquire high yielding industrial and logistics assets in Spain. The first acquisition, 'Perretayana Kalea', was completed in Vitoria, Northern Spain.

Adding value to assets
In November 2015, the expanded Alameda Parque Dom Pedro, Sonae Sierra's flagship shopping centre in Campinas, São Paulo, Brazil, opened. With an investment of €6.8m (R$24.8m), the expansion encompasses a dining area featuring a number of restaurants which are expected to attract new people to the centre and ultimately boost sales for all tenants.

In Morocco, Sonae Sierra proceeded with the preparation of Zenata shopping centre, a joint venture in which it has a minority stake.

In Iberia, the focus was on developing expansions and refurbishment projects that add value to existing assets. In Spain, the business is making good progress with the licensing of the Plaza Mayor designer outlet expansion in Malaga, a €115m joint venture with McArthurGlen which is scheduled to open its first phase in 2017. The refurbishment of NorteShopping in Portugal was also concluded during 2015, and a significant expansion was launched in the same centre. Works also progressed at five other shopping centres.

The disposal of Zubiarte shopping centre in Spain at the end of 2015, contributed to Sonae Sierra's objective of reducing its exposure to non-core assets.

2015 saw Sonae Sierra's professional advisory business gain increasing momentum as it won new projects in its existing markets and expanded the scope of operations in new geographies. 127 new contracts worth €18.5m were signed.

Sonae Sierra continued to execute its sustainability strategy alongside its business strategy. In 2015, it ranked second in the European retail sector for non-listed companies in the Global Real Estate Sustainability Benchmark (GRESB). Sonae Sierra also enhanced its environmental performance, enabling it to avoid costs of over €19.8m in 2015 as a result of energy, water and waste efficiency measures implemented over the last 13 years.

In February 2016, we increased our effective interest in Sonae Sierra from 38.75% to 50.0%.

A forward look

Our approach to working with our partners, combined with our growing reputation for innovative deals, is gaining real traction and improving the flow of deals.

We will continue to concentrate on strengthening the relationships with our current partners. In March of 2015 and 2016, we held a 'Partners Summit', which provided useful opportunities to share expertise and experience.

We are always looking to develop new partnerships which offer access to fresh sectoral and geographical investment opportunities. While maintaining some focus on the industrial and logistics sector, we are actively seeking new areas of real estate expertise where we can achieve strong risk-adjusted returns.

Our one constant is a commitment to the Grosvenor values, which are shared with all our partners. Collective commitment to those values is not just the right thing to do; it also provides us with a very real and sustainable competitive edge.

Chris Taite
Group Investment Director
17 March 2016

Grosvenor Fund Management

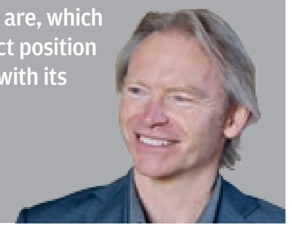
Continuous improvement

In 2015, we completed the modernisation and refinancing of the Grosvenor Liverpool Fund, which owns the **Liverpool ONE** shopping centre, reaffirming our commitment to this major asset and to Liverpool itself. The fund was noted by the UK's Association of Real Estate Funds and the IPD to have generated the best returns of all UK unlisted funds in 2015. Since opening in 2008, Liverpool ONE has acted as a catalyst for the regeneration of Liverpool and has helped to transform the city's economic prospects.

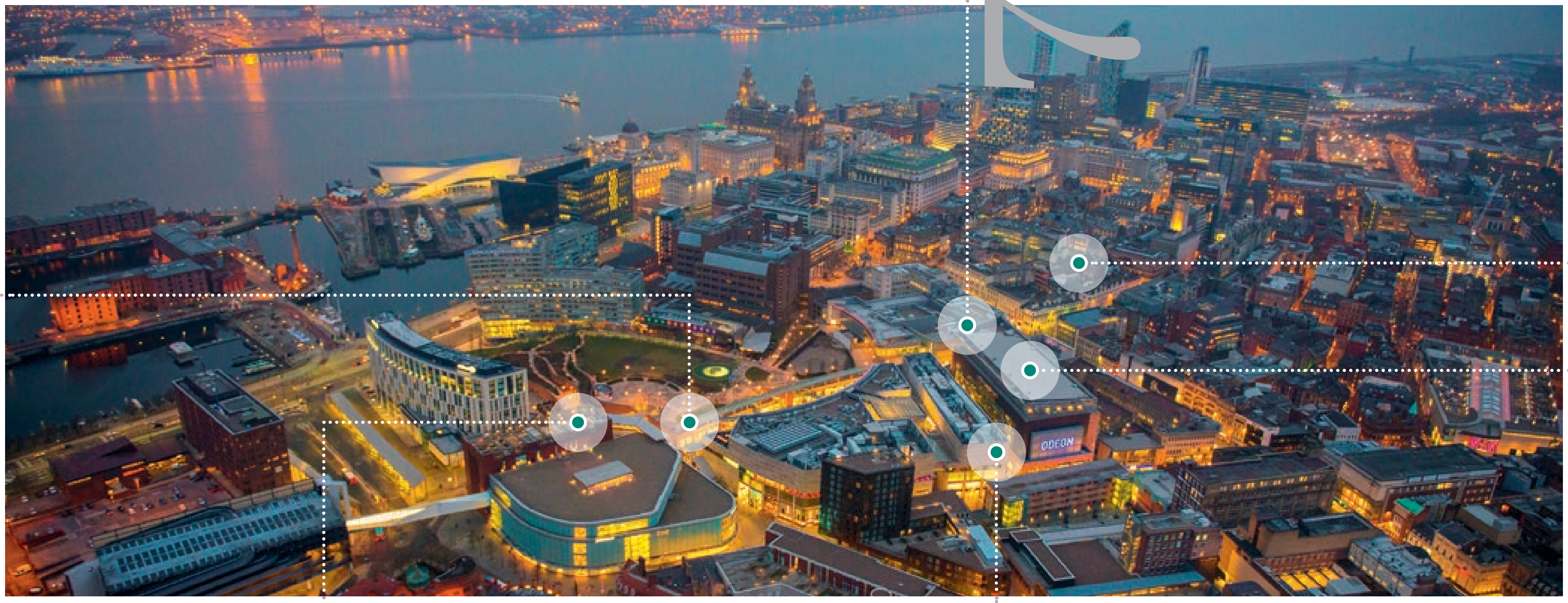
Improving occupiers' performance
72% of our occupiers saw a year-on-year increase in sales in 2015, as total sales in Liverpool ONE increased by 8.5%. Footfall rose to over 28m people for the first time.

72%

"Our Cocoa Bar-Café in Liverpool ONE has been one of our best performing in the UK and customers are returning week after week. As importantly, Grosvenor is as committed to our success as we are, which began with finding us the perfect position at the entrance to Peter's Lane with its premium offer."



Angus Thirlwell
CEO and Co-founder
Hotel Chocolat



Improving customer/ retailer experience
Over 95% of our customers say they are likely to return and recommend us to friends. 93% of our retailers would recommend Liverpool ONE to peers.

Improving rental income
Total rental income from Liverpool ONE increased by 2.6% in 2015. New lettings include Busaba Eathai, Hugo Boss, The White Company, Victoria's Secret and Wahaca.

Improving community engagement
The Liverpool ONE Foundation donated £150,000 to charities across Merseyside in 2015 and we have committed to supporting the Foundation, alongside the Westminster Foundation, for a further five years, to continue its positive impact on the city.

5,000

permanent jobs created by Liverpool ONE.

Improving sustainability
In 2015, we installed 200,000kWh of solar panels to help mitigate the risk of energy price volatility for our occupiers and reduce our environmental impact.

Grosvenor Fund Management (continued)

Grosvenor Fund Management

Business objective

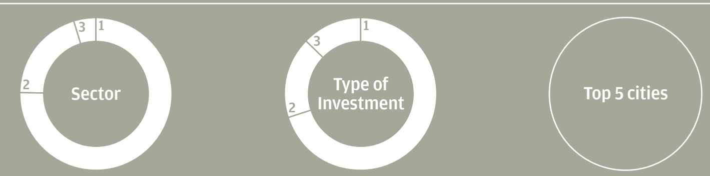
We aim to create value for our partners, Shareholders and people by developing compelling investment strategies that are expertly implemented. Building on our recognised skills and track record, we focus on urban property, often mixed-use and with a retail focus, in select European cities and locations 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

- Completed the modernisation and refinancing of the Grosvenor Liverpool Fund, which owns the Liverpool ONE shopping centre.
- Acquired three assets for our Urban Retail V Partnership, including two on Via Torino in Milan.
- Outperformed INREV benchmarks.
- Crystallised, for the Grosvenor London Office Fund, significant profit through the contracted disposal of Almack House, a prime London office building.
- Received GRESB 'Green Star' rating for the third year in a row.

Assets under management	Fee income	Total contribution to Grosvenor	Portfolio value uplift
£3.5bn	£15.1m	£23.5m	£189m
(2014: £3.0bn)	(2014: £15.3m)	(2014: £25.7m)	(2014: £229m)

Portfolio analysis



Sector	1	Retail	£2,636.9m	75.1%	1	Liverpool
	2	Office	£707.2m	20.2%	2	London
	3	Other	£164.1m	4.7%	3	Stockholm
Type of Investment	1	Funds	£2,466.4m	70.3%	4	Lyon
	2	Separate accounts	£608.8m	17.4%	5	Shanghai
	3	Clubs	£433.0m	12.3%		

Number of assets by region

	2014	2015
Asia	1	1
Europe	65	50
USA	12	8

Like-for-like energy consumption MWh	Like-for-like water consumption m³
50,390 -5%	296,234 -2%
(2014: 52,774)	(2014: 302,699)

James Raynor
Chief Executive
Grosvenor Fund Management

A consistent strategy and a focus on continuous improvement

In 2015, we started to reap the financial benefits of our strategic focus on retail-led properties in select European cities. This focus has delivered strong performance for our investors and, as predicted, an improving performance for our Shareholders. This narrow geographical focus will remain fundamental to our strategy. We believe that, as we move through the cycle, this intimate knowledge of our primary cities will enable us to continue to both create and find value. This focus has also enhanced our experience and deepened the expertise which we are able to share across our portfolio. We are increasingly recognised as urban retail specialists, which has enabled us to forge and strengthen relationships with world-leading institutional investors and retailers.

In 2015, annual fee revenue for management services remained broadly consistent at £15.1m and our assets under management at the end of 2015 grew by 16.7% to £3.5bn. These results were in line with our forecast.

Transaction activity

We continued to make targeted acquisitions for our investment vehicles where we found attractive opportunities. Total acquisitions reached £0.4bn (2014: £0.1bn), with key retail investments in Sweden, the UK, France and Italy. The largest of these was the acquisition of **Skärholmen Centrum** in Stockholm, underlining our position as a leading retail manager in the region.

"We are delighted to work together with Grosvenor on the unique Rue de la République portfolio. Our approach is to work with the town hall and other stakeholders to make it the location of choice for retailers outside Paris."

Pascal Duhamel
Head of European Real Estate Investments Abu Dhabi Investment Authority

Acquiring urban retail assets
We acquired the freehold of **42-60 Kensington High Street** in February 2015; it was the first acquisition made on behalf of our Urban Retail V Partnership.

Sustainable assets
One of the properties we acquired on **Via Torino** in Milan in 2015 benefits from a geothermal energy production system which helps tenants reduce energy consumption and carbon emissions by 20%.

We made three acquisitions for our Urban Retail V Partnership, our fifth high street retail vehicle, which is a joint venture between the Grosvenor Group and a North American investor, that has a total investment capacity of approximately €400m. The Partnership invests in assets in vibrant city centre locations and, in February 2015, we acquired the freehold of **42-60 Kensington High Street**, London, comprising four prime retail units that are currently let to Uniqlo, Zara, Topshop and Miss Sixty. The vehicle also acquired two high street retail assets in Milan, both on **Via Torino**, one of Milan's premier shopping streets.

We also made a number of divestments where we saw opportunities to crystallise profits on our investments. Total disposals were £0.1bn (2014: £0.5bn). In January 2016, our Grosvenor London Office Fund completed the sale of **Almack House**, a building held since 1999. We substantially refurbished the asset at the start of this cycle and then sold at an opportune moment in order to boost investor returns.

Improving assets and customer experience

The performance of the assets under our management depends upon the extent to which they meet the needs of our occupiers. In office buildings, we focus on the quality, efficiency and flexibility of the space and, increasingly, its sustainability. In 2015, in our Grosvenor London Office Fund, we completed the renovation of the entrance hall and common areas at **Fleet Place House** (which was instrumental in delivering a new 2,870m² letting) and commenced similar works at **10 Grosvenor Street**.

Key to the success of our retail investments is the ability to attract and retain customers by making our assets attractive places to visit. In the rapidly evolving world of physical and internet retailing, requirements are changing fast and our commitment to continuous improvement addresses an increasingly wide range of issues.

Over the course of 2015, we improved the quality and quantity of our leisure offerings. The open-air mall at **Bonneveine**, France, was refurbished to enhance the dining areas and entrances. We also converted the lighting to LED fittings. At **Haninge Centrum**, near Stockholm, we finalised a project to convert 3,960m² of vacant and functionally obsolete offices into a 4,355m² leisure and food scheme, offering roller-skating, ten-pin bowling, indoor sky-diving, bars and restaurants and a wide range of other activities. Similarly, at **Skärholmen Centrum**, we launched a 2,340m² project to reconfigure the food and grocery area, improving visibility and customer flow through the heart of the centre. This was done in conjunction with a 9,340m² restructure of the fashion area, designed to welcome international anchor tenants and include a casual dining cluster.

A number of sustainable development goals are woven into our asset improvement works and acquisitions. We retained our GRESB Green Star rating and sustainability remains an integral part of our approach to ownership and management.

During 2015, we launched initiatives in our current portfolio such as providing electric car charging facilities, installing a sedum roof and grey roofing felt in two Swedish shopping centres, and sun protection measures to minimise solar heat gain. Going forward, there is planned spend of €2.9m on sustainability initiatives in 2016.

Our role in the community

High street retailing brings with it different challenges, but has an essential role to play in local communities. In Lyon, where we manage half of the retail units along the main retail thoroughfare – the 1.1km **Rue de la République** – we have improved the customer experience by not only introducing new retailers such as Kiko and Lipault, but also lighting the street façades, improving aesthetics and enhancing security as well as working with the city authorities to renovate the public realm and creating a brand identity for the street. We aim to create a unique and vibrant destination.

In a similar vein, our work with local communities is an essential element of enhancing customer experience and managing assets in a socially responsible way. Over the course of 2015, we organised or supported over 250 community events in our assets, ranging from sponsored runs and swimming events at **Skärholmen Centrum** to first aid demonstrations at **Vasby Centrum** and 'Adopt a pet' day at **Parkside Plaza** in Shanghai. We also commissioned 15 art projects, including a 5m-high lion sculpture in Lyon.

Grosvenor Fund Management (continued)

A first for China
In October, the Merlin Entertainments and Grosvenor teams were joined by local children at **Parkside Plaza** in Shanghai for a ceremonial 'ground-breaking' for China's first Legoland Discovery Centre, which is due to open by April 2016.

Engaging the community
At **Skärholmen Centrum** we are continuously organising events and activities that promote community life and support local associations, such as the popular event that sees over 2,000 children participate in a race around the shopping centre.

Improving assets for all stakeholders

The ultimate goal of all these measures is to improve rents, values and returns for our investors, while creating and maintaining long-term, sustainable relationships with occupiers and local stakeholders in the locations in which we operate. We endeavour to ensure that these two goals go hand in hand.

Our total rental income from the **Liverpool ONE** shopping centre increased by 2.6% in the year, with prime retail rental value increasing by 4.5% as a result of proactive tenant replacement and identification of new income streams. New lettings include Busaba Eathai, Hugo Boss, Living Ventures, Roxy Ballroom, The White Company, True Reds BBQ, Turtle Bay, Ugg, Victoria's Secret and Wahaca.

At **Croix Dampierre** in France, we are creating considerable value by reconfiguring previously obsolete space and are converting a 1,145m² former garage unit into three retail units. This achieves multiple goals: improving rent, increasing value, enhancing the retail offer of the scheme, and removing an unsightly and potentially polluting unit at the entrance to the centre. The project is expected to show a 105% profit on cost and a 65% uplift in rent.

At **Parkside Plaza** in Shanghai, we have increased occupancy, replaced weaker tenants and achieved higher rents following the agreement to open China's first Legoland Discovery Centre in early 2016. All of this has helped increase net operating income by 33% compared with 2014.

Finance

In 2015, we put in place or refinanced over £800m of debt. Working with our relationship banks, this debt was secured on very attractive terms that will improve our investors' returns.

The most significant was the refinancing of the Grosvenor Liverpool Fund which owns **Liverpool ONE**. The seven-year £410m facility is with a club of banks comprising BNP Paribas, Crédit Agricole CIB, The Royal Bank of Scotland plc, Société Générale and Sumitomo Mitsui Banking Corporation. Terms represent a significant improvement on the previous 2010 facility, reducing the interest costs for our investors in the Fund.

We refinanced the RMB850m facility at **Parkside Plaza** in China, with ICBC, at an extremely competitive interest rate and with a structure that supports our business plan. We also put in place new financing at highly competitive rates for **Skärholmen Centrum** and three new assets in our Urban Retail V Partnership.

Overall, the average loan-to-value across our portfolio at year end in 2015 was 39.6%, consistent with our prudent approach to financial planning.

Investors and investment performance

We have built strong relationships with major long-term institutional investors based on our approach and focus on applying our locally based management skills to best drive performance.

"Our relationship with Grosvenor goes back over 300 years. We are delighted to have taken a lead role in the refinancing of the Grosvenor Liverpool Fund in December 2015 and to continue supporting the Liverpool ONE asset, for which we have provided financing since the outset."

Paul Coates
Managing Director
Real Estate
The Royal Bank of Scotland plc

"We work closely with Grosvenor across Europe and, in 2015, we were very pleased to be part of the club of banks which refinanced Liverpool ONE and also to provide new debt finance to the High Street Kensington asset in the Urban Retail V Partnership."

Jerome Gatipon-Bachette
Co-Global Head
Real Estate Structured Finance
Société Générale

In Europe we manage:

£3bn of property

UK	France	Sweden	Italy
54%	24%	21%	1%

50 properties

1,666 tenancies

£150m of rental income

729,000m² of floorspace

"We aspire constantly to improve our performance and help our people achieve their maximum potential. We offer stretching opportunities, tailored career paths and international exposure where possible for those with high potential, strong performance and who want to progress."

Ruth Barton
Human Resources
Business Partner
Grosvenor Fund
Management

Our alignment with these investors, driven by trust, mutually agreed goals and our position as a fellow investor and not just a manager, makes for a strong foundation upon which we hope long and strong relationships will be built.

Of course, our primary role is to achieve an investment performance that meets or exceeds our targets. The performance of our investment vehicles in 2015 was again strong, with an overall return of 15.6% (2014: 15.0%), also outperforming the INREV All Funds Index over the last three years. Our absolute return fund, The Global Real Estate Absolute Return Fund, outperformed Global REITS and hedge funds with a net return of over 4% (2014: 16%) with only slightly more than half of market volatility.

Our people

Our focus on European retail is reflected in our people strategy. Our commitment to the Nordics region has led to the expansion of our Stockholm office, which opened in 2012, to eight people who work closely with the rest of our team across Europe.

Giles Wintle became Chief Investment Officer in October, taking responsibility for the execution of our real estate strategies.

To support the achievement of our ambitious business goals, we offer development opportunities for all our people and focus on career progression plans for those with high potential. In 2015, as well as informal mentoring and on-the-job development, three-quarters of our people in Europe undertook formal training.

This included support to achieve professional qualifications and participation in the bespoke Grosvenor Group leadership development programme at IMD business school. Our people also participated in training programmes run by leading bodies such as INREV and GRESB – organisations that we seek to collaborate with on a regular basis.

A forward look

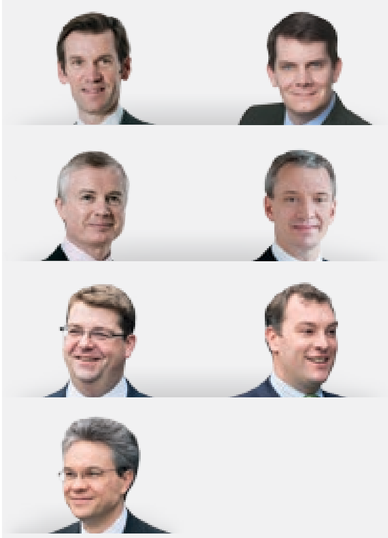
We continue to seek to extract as much value as possible from our residual Asian and American investments. Going forward, all new activity will be concentrated on a handful of the best European cities where we either are, or intend to be, city experts.

Each of our markets is quite different and they are all at different stages of their growth and capital cycles. We remain quite confident that consumer-led growth will continue to support solid income streams across our portfolio. Clearly, we are getting closer to the top of the capital cycle which means that market-driven returns will be less easy to come by. We believe that continuous investment in our properties and our desire to improve them, for all stakeholders, will support both the future tenant demand for space and also the returns we expect to generate.

We are confident that the strategy we have developed, and are implementing, is the right one to meet the challenges which lie ahead.

James Raynor
Chief Executive
Grosvenor Fund Management
17 March 2016

Grosvenor Fund Management – Board of Directors
as at 17 March 2016



Mark Preston FRICS
Chairman and **Non-Executive Director**
Group Chief Executive

Nicholas Scarles FCA ATTORNEY AT LAW
Non-Executive Director
Group Finance Director

James Raynor
Executive Director
Chief Executive

Robert Davis
Executive Director
Chief Financial Officer

Bruce Ambler
Executive Director
Regional Director, Americas

Matthew Norris
Executive Director
Real Estate Securities Portfolio Director

Giles Wintle
Executive Director
Chief Investment Officer

Funds

Frequently asked questions

What is the difference between the 'Grosvenor Estate', 'Grosvenor Group Limited' and 'Grosvenor's London estate'?

'The Grosvenor Estate' is the term used to represent all the interests of the Grosvenor family headed by the 6th Duke of Westminster. There are three principal elements to these activities: Grosvenor Group Limited, Wheatsheaf Investments Limited and the Family Investment Office. Further information can be found at: **www.grosvenorestate.com**.

'Grosvenor Group Limited', the subject of this Annual Review, is the urban property group, which is the largest business in the portfolio of The Grosvenor Estate.

'Grosvenor's London estate' is the land in Mayfair and Belgravia managed, and in part owned, by Grosvenor Group Limited.

Who owns Grosvenor (and how does the Duke of Westminster fit in)?

Grosvenor is part of the Grosvenor Estate, which encompass all the assets and business interests of the Grosvenor family, headed by the Duke of Westminster. The assets are held by a number of UK Trusts on behalf of the family and the role of the Trustees is to represent the interests of both the current and future generations of the family.

There are six Trustees including the Duke, who is Chairman. The other five Trustees are not members of the family and have no personal interest in the assets of the Trusts; the Executive Trustee leads the Grosvenor Estate, in effect as its Chief Executive; the remaining four Trustees have been chosen for their experience and knowledge. Mark Preston will become a Trustee on 1 January 2017 when he succeeds Jeremy Newsum as Executive Trustee.

The Trusts own all of the shares in Grosvenor, hence the Trustees are sometimes referred to as 'the Shareholders'.

Grosvenor is not a listed company and is not required to produce a reporting suite of this sort, so why do it?

We have been sharing financial and other information with our partners for many decades, in line with our belief in a straightforward, transparent approach to business relationships.

We believe that the right question is not "Why disclose?" but "Why not disclose?" So, in April 2000, we introduced our first formal Annual Report and Accounts and it has continued to evolve ever since.

In April 2011, we published our first Environment Review and now we provide detailed environmental data, along with information on our socio-economic impact, in a Non-financial Data Report available online at:
www.grosvenor.com/nonfinancialdata2015

Monitoring our performance helps us focus on what is material to our business and make improvements where necessary.

Rue de la République, Lyon, France
In 2015, Grosvenor Fund Management oversaw the branding of the 1.1km-long Rue de la République for its client. The brand, which uses a lion in its logo, was successfully launched in May at the World Rose Festival on the street itself and aims to give the 66,000m² core portfolio a stronger identity.

Image on back cover
© Michael Vertat

Gagosian Gallery, Mayfair, London
We welcomed the Gagosian Gallery to the London estate in October 2015. It draws on the area's art and design heritage and adds to a string of recent additions including the Phillips gallery and sales room, designer Hussein Chalayan's first store and Sir Anthony Gormley's habitable sculpture 'ROOM' at the Beaumont Hotel.

Image on front cover
© Thomas Alexander 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 9 does not constitute the Group's statutory financial statements for the year ended 31 December 2015 and 2014, but is derived from those accounts. Statutory financial statements for 2014 and 2015 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 28-55, 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.

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.

GRESB
A real estate industry-driven organisation committed to assessing the Environmental, Social, Governance (ESG) performance of real assets globally, including real estate portfolios and infrastructure assets.

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
Investments 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.

IPD
Investment Property Databank. A series of indexes and benchmarks covering both asset and fund-level returns.

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.

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

Property yield
The annual return likely to be received from a property investment, calculated by a year's rental income as a percentage of asset value.

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.

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.

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.

Westminster Foundation
The Westminster Foundation directs the charitable giving of the Grosvenor family, headed by the Duke of Westminster, and the Grosvenor Estate.


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