

Financial Statements

2021

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In addition to the information contained in the 2021 Financial Statements, you can download our 2021 Annual Review and the 2021 Non-Financial Data Report to find out more about our progress during the year.

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Strategic report

The Directors present their Strategic report for Grosvenor Group Limited (the 'Group') for the year ended 31 December 2021.

Principal activities

We are an international property developer, manager and investor using both our own and third-party capital. The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in [Note 19](#) of the Consolidated Financial Statements and [Note 2](#) of the Company Financial Statements.

The Group's purpose

Our purpose is to improve property and places to deliver lasting commercial, social and environmental benefit. We strive to promote sustainability within the built environment and to enhance the wellbeing of our customers and communities. We live up to this ambition by adopting an approach which inspires and encourages the Group to be far-sighted, locally engaged and to share and benefit from its international experience.

More detail on the Group's purpose, its approach and the impact of its activities can be found in the 2021 Annual Review available at www.Grosvenor.com.

Business review

Group performance

2021 financial results were much improved compared to 2020, despite some ongoing impacts of the pandemic:

- Shareholders' funds increased by £0.1bn to £4.8bn (2020: £4.7bn), largely as a consequence of trading and disposal profits and the positive revaluations in North America, Australia and Poland. These are partially offset by an increase in the deferred tax provision due to increased corporation tax rates from 1 April 2023.
- Profit before tax of £298.5m (2020: Loss before tax of £(310.8)m) was boosted by disposal profits and by economic recovery and positive revaluation movements, most notably in North America and from our alternative sector investments in Australia and Poland.
- Total return (as defined in the glossary) was improved at 4.6% (2020: negative (2.9)%) and driven by strong valuation performance and disposal profits. This incorporated positive underlying property returns of 4.9% (2020: negative (2.8)%). Property returns were reduced by 0.3% (2020: reduced by 0.1%) due to an appreciation of Sterling over the year.
- Revenue profit was up at £88.9m (2020: £25.4m) largely due to an increase in trading profits from £19.6m to £74.8m (see Operating Company performance below for more detail). Revenue Profit is the main metric by which the Group measures its performance and is shown in [Note 4](#) and defined in the glossary.

Operating Company performance

The performances of the Group's individual Operating Companies have all improved, despite some ongoing disruption arising from the pandemic, with the exception of Grosvenor Property Asia, where ongoing travel restrictions have delayed trading profits at Dukes Place, a high-end residential development in Hong Kong.

- Grosvenor Property UK's (GPUK) recurring income stream has seen recovery, with improved rent collection rates and reduced bad debt provisions, but performance remains subdued compared to pre-pandemic levels, largely due to ongoing financial support provided to vulnerable tenants. The recurring net income was enhanced by trading profits which resulted in improved revenue profit of £25.2m (2020: £19.1m). Total return of 1.0% (2020:(4.1)%) and profit before tax of £4.1m (2020: loss before tax of £(184.4)m) reflected overall negative valuation movements, partly offset by better than expected disposal profits.
- Rental income in Grosvenor Property Americas (GPA) has continued to show resilience through 2021 despite some ongoing pandemic restrictions. Expected trading profits have also largely been delivered most notably at the Pacific in Vancouver, resulting in improved revenue profits of £38.8m (2020: £16.0m). Economic recovery in North America has also driven positive revaluation movements resulting in a total return of 12.1% (2020: (2.1)%) and a profit before tax of £169.0m (2020: loss before tax of £(56.7)m).
- Ongoing travel restrictions in Hong Kong delayed anticipated trading profits from our residential development at Dukes Place and resulted in Grosvenor Property Asia (GPAsia) revenue profits of £3.8m being generated (2020: £21.6m). Slightly positive revaluations have resulted in a total return of 2.4% (2020: 2.6%) and profit before tax of £13.8m (2020: £16.7m).

Strategic report

Business review continued

- Grosvenor Property Europe (GPEurope) delivered a slightly improved revenue profit of £2.6m (2020: £1.4m) despite the ongoing challenges of Covid-19, largely due to reduced overheads. Total return of 3.1% (2020: (7.1)%) and a profit before tax of £11.7m (2020: loss before tax £(43.8)m) reflected small revaluation gains.
- Grosvenor Diversified Property Investments (GDPI) delivered a much-improved revenue profit of £50.5m (2020: £0.4m) due to trading profits realised on the sale of the West Midlands Interchange site (Four Ashes). £6.3m of this revenue profit was contributed by Sonae Sierra where performance has improved in line with the easing of Covid-19 restrictions (2020: £(4.1)m). Positive revaluation gains – particularly in multiple alternative sectors in the US, Australia and Poland – have further enhanced total return performance of 18.7% (2020: 0.3%) and a profit before tax of £132.9m (2020: loss before tax £(9.5)m).

Financial position

The Group's Shareholders' funds now stand at £4.8bn (2020: £4.7bn). The increase is largely due to trading profits and revaluation gains in North America, Australia and Poland. Economic gearing was 31.6% (2020: 25.7%) at year end and resilience (the extent to which market values of the portfolio of property assets can fall before Group financial covenants are breached) was well above the Group's internal minimum at 40%.

During 2021, the Group's share of property assets (shown in [Note 15](#) and defined in the glossary) increased by £0.6bn to £7.3bn (2020: £6.7bn) and assets under management decreased by £0.1bn to £11.0bn (2020: £11.1bn). The increase in property assets was largely driven by overall revaluation gain, primarily in GPA and GDPI plus net acquisitions in GPUK, GPAsia and GDPI. This was partly offset by foreign currency translation losses. Despite this increase in property assets, assets under management decreased slightly. This has primarily been driven by GPA's investment activity with disposals in the year largely relating to assets in which a minority stake was held, compared to acquisitions and revaluations gains largely relating to wholly owned assets.

Financial capacity and liquidity

The Group is well funded and therefore positioned to manage risks and take advantage of opportunities as they arise. Financial capacity (being the spare cash and undrawn, committed, general use facilities which are immediately available) remained at £1.7bn at 31 December 2021 (2020: £1.7bn). The weighted average life of wholly-owned facilities is 5.2 years (2020: 5.4 years).

Our relationship approach to treasury continues. In June 2021, we consolidated and refinanced our 17 back-up liquidity facilities into one efficient and cost-effective facility while aligning it with our sustainability strategy. This was achieved with the strong support from our banking partners and reflects the long-term nature of these relationships, the strength of our balance sheet and the resilience of our business during the pandemic.

Future developments

We expect that challenging market conditions are likely to persist through 2022, due to the after-effects of the pandemic but also other geopolitical and economic risks. This combined with a deliberate decision to slow down development activity in previous years in anticipation of a weaker market, means that we expect overall profitability to be lower in 2022 than 2021. The Group will continue to pursue its strategy of international diversification as it makes the business more resilient to regional variations in performance. The Group's ability to take a long-term view combined with its strong balance sheet and financial capacity puts it in a position to be able to manage risks as well as seek new opportunities.

Key performance indicators and measures of return

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

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

Revenue profit is shown in [Note 4](#) to the financial statements. Total return and revenue profit are defined in the glossary.

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

Strategic report

Key performance indicators and measures of return continued

Key Performance Indicator	Why it is measured	2021	2020	Comment
Profit / (losses) before tax	To show the return on assets delivered in absolute and statutory terms.	£298.5m	£(310.8)m	Primarily revaluation gains in our operating companies, combined with increased revenue profits and disposal profits.
Total return (including currency movement)	To show how the property portfolio has performed, including both income and capital returns.	4.6%	(2.9)%	Total return, before the impact of foreign currency translation, increased to 4.9% (2020: negative (2.8)%). This was due to positive revaluations primarily in North America, Australia and Poland. Foreign currency translation provided losses in 2021 (losses in 2020).
Revenue profit	To identify underlying performance, excluding market movements.	£88.9m	£25.4m	Increased net rental income due to reduced bad debt provisions and increased trading profits from GPA and GDPI.
Shareholders' funds	To report the total value of the Shareholders' investment in the Group.	£4.8bn	£4.7bn	Shareholders' funds increased in the year primarily due to revenue profits and the revaluation gains largely relating to assets in North America, Australia and Poland, partially offset by an increase in deferred tax.
Investment Property (IFRS basis)	To quantify the Group's investment property portfolio on an IFRS basis.	£4.4bn	£4.3bn	Increase due to revaluation gains and net acquisition activity, primarily in GPUK and GPA.
Property assets (proportional basis)	To quantify the Group's financial investment in property assets.	£7.3bn	£6.7bn	Property valuations gains, primarily in GPA and GDPI, plus net property acquisitions in GPUK, GPAsia and GDPI. This is partly offset by foreign currency translation losses.
Assets under management	To monitor the scale of the portfolio of property assets for which the Group's management teams are responsible.	£11.0bn	£11.1bn	Decrease notably due to GPA activity, where disposals have largely related to assets where a minority stake was held compared to acquisitions and revaluation gains largely relating to wholly owned assets.
Development exposure	To indicate the level of committed development activity, expressed as a proportion of total property commitments.	12.3%	13.2%	Reduced exposure is the result of acquisition and disposal activity largely netting off, combined with an increase in investment property valuations.

Risks and uncertainties

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

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

Market risk

Property markets are cyclical, so our businesses will always be subject to variations in the value of the portfolio, including those experienced recently as a result of Covid-19. Taking a long-term view, our focus is less on short-term value fluctuations and more on underlying value-generating potential. The Group continues to monitor and consider the possibility of longer-term structural changes to the commercial property market, some of which have been accelerated by Covid-19.

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

Strategic report

Risks and uncertainties continued

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

Capital allocation

Our primary financial objective is to maximise returns at an acceptable level of risk. Fundamental to this is the optimal allocation of capital between each of the Operating Companies and our Diversified Property Investment business and the devolution of property decision-making authority to local boards. The process for identifying both long-term targets and medium-term ranges for the proportion of capital to be allocated to each geographic region is set out on [page 11](#). A review of the Group's strategy has been taking place and has included a review of capital allocation targets and ranges. The key conclusions are, as new investments are made, an intention to allocate more capital indirectly and into alternative sectors.

Long-term targets and medium-term ranges for capital allocated to regions and between direct (i.e. Operating Companies) and indirect investments, together with actual allocations at 31 December 2021, were as follows:

	Percentage of Capital Invested		
	Long-term target %	Medium-term ranges %	At 31 December 2021 %
United Kingdom	45	40-50	48
North America	25	20-30	26
Europe	10	5-15	10
Asia Pacific	14	10-20	13
Others*	6	0-10	3

* Others includes South America, Africa and Australia.

	Percentage of Capital Invested		
	Long-term target %	Medium-term ranges %	At 31 December 2021 %
Direct	90	85-95	88
Indirect	10	5-15	12

At the Operating Company and Diversified Property Investment level, each Board (the Group Investment Committee, replaced by the Diversified Property Investments Board from 1 January 2022, in the case of Diversified Property Investment) reviews its strategy annually. These reviews take account of the geographic allocation within the respective territory, as well as the allocation between sectors and the split between property investment and development.

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

Strategic report

Risks and uncertainties continued

The distribution of the Group's property assets and assets under management at 31 December 2021 is shown below:

Group property interests and assets under management

Year ended 31 December 2021	Group				Third-party interests				Future development commitment £m	Assets under management £m
	Investment £m	Development £m	Financial assets £m	Total £m	Investment £m	Development £m	Total £m			
Property UK	3,196	238	–	3,434	2,085	1	2,086	1	5,521	
Property Americas	1,204	345	41	1,590	841	47	888	81	2,559	
Property Asia	879	86	6	971	138	–	138	–	1,109	
Property Europe	358	36	–	394	522	12	534	16	944	
Diversified Property Investments:										
Sonae Sierra	210	5	–	215	–	–	–	–	215	
Third-party managed	594	–	68	662	–	–	–	–	662	
TOTAL	6,441	710	115	7,266	3,586	60	3,646	98	11,010	
Commercial	2,498	137	–	2,635	996	4	1,000	78	3,713	
Retail	1,828	77	–	1,905	1,564	–	1,564	18	3,487	
Residential	1,162	496	72	1,730	815	56	871	2	2,603	
Industrial	582	–	29	611	–	–	–	–	611	
Student accommodation	202	–	–	202	–	–	–	–	202	
Other	169	–	14	183	211	–	211	–	394	
TOTAL	6,441	710	115	7,266	3,586	60	3,646	98	11,010	

Property risks

Investment properties

A significant risk in property investment is the loss of income. This risk has again been relevant for our business this year, with the need to provide ongoing support to vulnerable retail and leisure tenants that continue to be impacted by the pandemic.

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

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

Developments

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

Strategic report

Risks and uncertainties continued

Capital raising

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

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

Acquisitions and sales

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

Financial and tax risks

The principal financial risks faced by the Group are liquidity, credit, interest rate and foreign currency risk. In early 2021, we reviewed our currency exposure following the UK's exit from the European Union and reverted to our former policy of holding central cash balances in Sterling only, as the currency risks are judged to be more balanced. Each of the principal financial risks is explained in more detail and analysed in [Note 27](#) to the Accounts.

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

Health and safety

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

Each Operating Company sets annual targets to achieve its objectives all of which follow the OHSAS 18001 / ISO 45001 international standard. This provides assurance that workplace and other risks are being managed where necessary and includes construction and development projects. Each business made good progress in completing its 2021 annual health and safety action plan.

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

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

There were no fatalities and no other reportable health and safety incidents to statutory authorities involving the Group's employees in 2021. There were seven recorded minor incidents to employees. Accidents and cases of ill health are treated seriously, investigated where necessary, lessons identified, and actions taken to prevent recurrences. There were no enforcement notices or prosecutions.

Operating Companies continue to review and improve their procedures for managing fire risks in their properties and on their construction projects.

The Group continues to believe that fire and building safety improvements are most required in the UK and less so internationally, where more rigorous legislative arrangements are already in place to minimise similar issues arising from the UK Government's investigation into the Grenfell Tower fire. The Group continues to share its experience with UK Government officials and the British Property Federation.

The Group continues to make improvements to a small number of UK properties where remediation work has been identified. As industry and regulatory improvement in this area continues, the Group is committed to playing its part.

Strategic report

Risks and uncertainties continued

Reputation and brand

Our brand is a key intangible asset whose management we take very seriously. Its strength is founded in our long-standing reputation which has been built over centuries and continues to evolve.

In order to protect and strengthen our brand and reputation we operate as a values-led business, promoting our values of integrity, respect and trust all of the time – with our people, customers, partners, suppliers and wider society.

We aim to apply the highest standards of corporate conduct, adopting best practice in developing and implementing several policies and procedures to ensure that these not only meet the letter but also the spirit of the law. These include policies on anti-bribery and corruption, anti-money laundering and the UK Modern Slavery Act and the UK Criminal Finances Act.

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

Covid-19 uncertainty

The Group's performance for 2021 has continued to be impacted by the coronavirus pandemic but to a much lesser extent than in 2020 with signs of recovery in some markets. We continue to monitor the ongoing uncertainty on the global economic outlook and to consider, and manage where possible, the impact on customers, employees, wider society and the Group's business performance.

As highlighted in the Going concern and viability section of the Directors' report, one of the core objectives agreed by the Group's Shareholders and Board is that the Board ensures a level of overall operational risk, an approach to debt, and sufficient liquidity which collectively ensures the Group's survival.

'Ensuring survival' is interpreted by management as meaning that the Group should only be expected to call upon Shareholder support on a one in 50-year basis (see [page 18](#)).

The Directors have considered the going concern assumption in light of Covid-19 and the potential ongoing impact on customers and the underlying property businesses' performances. As part of the Group level assessment on the Group's cash flow forecasts for the period ending 31 December 2023, the possible ongoing impact of Covid-19, in particular as it relates to rental income, asset valuations and availability of finance has been considered. Based on the Group's continued forecast liquidity, the Directors still consider it appropriate to prepare the accounts on a going concern basis.

People

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

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

Information technology and security

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

Grosvenor recognises that effective governance is the cornerstone of good information security. It operates an organisation-wide Technology Risk Advisory Group (TRAG) with independent external expertise to provide challenge to the technology function and advice to Group and Operating Company Boards and Audit Committees.

New technology, digital disruption and corresponding emerging business models may disrupt the property industry and the traditional sectors that we operate in. The Group Innovation team undertakes ongoing horizon scanning for such industry trends and works closely with the regional Operating Companies and the Group Technology function to ensure that new technologies can be taken advantage of.

Strategic report

Risks and uncertainties continued

Environmental risk disclosure

As a large, international real estate group, we recognise that our business activities contribute to climate change, and in turn, that climate change will impact our property assets and business activities in the short, medium and long term. Moreover, environmental risk will have financial implications for us. More frequent, and more harmful weather events will cause damage to our assets, leading to protection and repair costs whilst governments and regulators will increasingly use policy, taxation and regulatory regimes to encourage the transition to a 'low carbon economy', in an effort to limit temperature rises.

This presents a significant risk to our business and as such, we have this year chosen to make our first environmental risk disclosures on a voluntary basis, in line with our approach to transparency through disclosure.

(i) Governance

Our overarching purpose is to ensure lasting commercial, social and environmental benefit. The Group Board has overall responsibility for delivering on this purpose.

The Group Board reviews a 10-year carbon strategic plan that is produced to sit alongside the financial strategic plan on an annual basis. This has been in place since 2020. The carbon strategic plan sets out our projected carbon emissions, based on our commercial strategy and carbon reduction strategies and targets.

The Audit Committee reviews and approves the Financial Statements, which includes our environmental risk disclosures, and our Non-Financial Data Report which discloses our assured energy, water and waste data for the year. All findings identified as part of our assurance review process are fed back to the Audit Committee. The Group's environmental metrics can be found in the 2021 Annual Review. Detail on these metrics and methodologies can be found in the 2021 Non-Financial Data Report. Both reports are available at www.Grosvenor.com.

Risk management processes are managed by the Operating Company boards, which includes the potential impact of climate risk and recommending. Within each Operating Company we have a sustainability lead who works with the business to ensure that climate risk is integrated into decision making. We recognise that there is more work to be done, and plan to encourage a cultural shift in the business where climate risk is considered by every team, at every stage.

(ii) Strategy

In 2019, the Group signed up to the World Green Building Council (WGBC) Net Zero Carbon (NZC) 2030 and 2050 commitments. WGBC has since updated these commitments, setting more ambitious targets. All four Operating Companies have set 2030 and 2050 carbon reduction targets (across scope 1, 2 and 3 emissions) and developed NZC strategies to deliver on this commitment. Two of the pathways have been approved by the Science Based Targets initiative, which assesses the credibility of reduction pathways against the 1.5 degrees target agreed in Paris in 2015 (and reaffirmed in Glasgow in 2021).

The Board reviews the 10-year financial and carbon strategic plans annually which set out our strategic direction for the next decade. Combined, these show how we intend to deliver both our financial and environmental strategic objectives and do not assume any offsets. The carbon plan as it stands only includes scope 1 and 2 emissions, and therefore does not fully reflect the Group's overall carbon footprint. It is our intention to incorporate scope 3 in the future.

A downside financial scenario is produced alongside the base strategic plan, which considers a number of significant risks that could materially impact our strategy. This year, environmental risk was considered with the estimated costs of delivering our NZC targets included. Over time, we expect to have an improved understanding of the costs associated with transitioning to a low carbon economy as well as mitigating against potential physical damage that could result from more extreme weather events.

Risk also provides opportunity and work is required to understand the opportunities that could be available to us in light of changing market demand, consumer preferences and environmental standards.

(iii) Risk Management

We recognise two distinct categories of environmental risk: physical and transition risk.

Physical risk – This risk can be split into two categories: acute physical risk – the risk that extreme weather events will damage our buildings; chronic physical risk – the impact of long-term environmental change such as sustained higher temperatures and sea level rise. Work is ongoing to understand the impact of these risks on our business strategy and operations in the short, medium and long term and how we can mitigate against them.

Strategic report

Risks and uncertainties continued

Transition risk – These are the risks involved with transitioning to a low carbon economy and include changes in policy and legal regulations, technology, market expectations, and reputational risk should we not respond appropriately. These risks will in part be mitigated through the implementation of the operating companies' NZC Pathways, as the actions we take should reduce our carbon impact and therefore the costs associated with regulatory compliance and taxation.

Scenario Analysis

In 2020, we carried out a high-level assessment of our exposure to both transition and physical risks at the Operating Company level in a 2 and 4 degree warming scenario at 2030 and 2050+.

Using 2 and 4 degree scenarios is in keeping with our industry peers, and aligned with the IPCC's Representative Concentration Pathways and the Bank of England's models.

In a 2 degree scenario, we assume more stringent legal and regulatory regimes, and therefore increased transition risk and associated costs. By assuming an effective transition to a low carbon economy, and warming capped at 2 degrees, we have assumed that acute and chronic physical risks, and associated costs, will be reduced, but not eliminated.

In a 4 degree scenario, we assume that while certain transition risks may fall away (e.g. taxation, rising environmental standards), the acute and chronic physical risks that our assets are exposed to will be dramatically higher.

As a result of the work undertaken, we have gained a better understanding of the way in which climate change could impact our business activities and investment decisions. More work is required to try and quantify this exposure and consider a full, strategic response.

(iv) Metrics & Targets

Our current and prior year environmental metrics are set out in our Streamlined Energy and Carbon Reporting on [page 23](#) and in the 2021 Non-Financial Data Report which is available on the Grosvenor website and are assured by Deloitte. Key metrics are:

- Scope 1 and 2 emissions, and available scope 3 emissions;
- Operational carbon intensity; and
- Renewable electricity used as % of electricity used

These metrics will help us track our progress towards the key targets in our WGBC commitment:

- To reach net zero carbon in operation for all assets under our direct control by 2030; and
- To advocate for all buildings to be net zero carbon in operation by 2050.

This year, the WGBC updated the commitment to include embodied carbon and refrigerants. Our current reduction strategies already include refrigerants and embodied carbon and fulfil the criteria set out in the revised commitment.

Employees

The Directors recognise the importance of good communications and relations with the Group's employees and place considerable value on informing them on matters affecting them as employees and seeking their input through surveys, meetings and networks. Each part of the Group maintains employee relations appropriate to its own particular needs and environment.

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

The Group gives full and fair consideration to applications by disabled persons for employment. Our success at Grosvenor is dependent on attracting, developing and retaining talented people who share and believe in our values. We are committed to building an inclusive culture which attracts people from all parts of society and values every person for the individual talents they bring. Further information on employees is provided in the Corporate governance report, Wates Principle Six – Stakeholder Relationships & Engagement on [page 13](#).

Strategic report

Statement of Compliance with Section 172 of Companies Act 2006

Throughout 2021, the Directors have performed their duty to promote the success of the Company under Section 172, taking consideration of:

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

Grosvenor's property business has evolved over 340 years since the Grosvenor family's first association with London property began in 1677. As a result of this unique heritage and ongoing ownership, the Board takes decisions for the long term and seeks to apply the highest levels of corporate conduct. The Board and the Company's shareholders judge the success of the business based on the positive impact on the communities in which we operate currently, whilst being mindful of the needs of future generations.

We believe that adopting such an outlook, together with taking all necessary measures to ensure that the way business is done meets the highest standards of corporate conduct, leads to enhanced Shareholder value. More detail on the Group's purpose is provided in our Corporate governance report, Wates Principle One – Purpose & Leadership on [page 11](#).

We operate as a values-led business, promoting its core values of integrity, respect and trust all of the time – with employees, customers, partners, suppliers and wider society, helping us to continue to earn a strong reputation and enhance our brand. How these different business relationships are managed is covered in the Corporate governance report, Wates Principle Six – Stakeholder Relationships & Engagement on [page 13](#).

More information on the Group, our purpose and relationships with stakeholders is provided in the 2021 Annual Review available at [Grosvenor.com/2021annualreview](https://www.grosvenor.com/2021annualreview).

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

Some of the principal decisions made by the Group Board during 2021 include:

- Prior to the Covid-19 pandemic, the Board had identified the need for the Group to consider its long-term resilience against the ongoing and increasing disruption in the real estate market. With some of this disruption accelerated by Covid-19, the Board approved a review to consider how the Group should adapt to be strategically and operationally fit for the future. As a result of this work, operational changes (including the centralisation of certain support services) were agreed and made during 2021. The Board has continued to oversee the strategy work which has included consideration of many stakeholder groups including, employees, customers and wider communities.
- The strategy work mentioned above will include a review of long-term capital allocation, which will require further consideration throughout 2022.
- The Board approved the consolidation of 17 back-up liquidity facilities into one efficient and cost-effective facility, while aligning it with our sustainability strategy.
- The Board approved revised operating policies for the Operating Companies. It was also agreed that a more detailed review of the policies would be undertaken in 2022 by the Group Executive Committee.

Suzie McConnell

Company Secretary

UK Company registration number 12656651

Registered Office

70 Grosvenor Street

London W1K 3JP

22 March 2022

Corporate governance

Corporate governance

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

Principle 1 – Purpose & Leadership

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

We seek to optimise social and commercial outcomes for every investment and set ourselves challenging environmental targets – aiming to enhance our reputation for social responsibility.

We believe in learning from the past and in acting upon evidence-based research. By adopting a far-sighted perspective, we can better respond to the challenges that socio-economic and demographic change, environmental risk and technological disruption pose to urban communities.

We promote local expertise to foster a deep appreciation and understanding of local markets and communities, engaging with them to implement bespoke and innovative solutions that are commercially successful and that respond to local needs.

Whether working directly or in partnership with like-minded co-investment partners, we capture, distil and share knowledge. This helps our people bring an international perspective to our activities, encouraging innovation we have successfully developed elsewhere.

The Board is clear that, in order to protect and strengthen the reputation of the Group and enhance its brand, it must maintain a reputation for high standards of business conduct and therefore operate as a values-led business, promoting values of integrity, trust and respect at all times. The performance of all staff is assessed against the expected values and conduct that the Board seeks to uphold.

Fundamental to the Group's delivery of lasting commercial, social and environmental benefit is the optimal allocation of capital invested between each of the Operating Companies and the Diversified Property Investments business, executed through the devolution of property decision-making authority to local Boards. The allocation of capital is based on our long-term outlook for urban real estate returns across several of the world's leading cities and is reviewed at regular intervals by the Board, or when market or business needs require it. The allocation review process uses portfolio optimisation analysis, consideration of long-term risk and return factors (macro-economic and property market projections, political developments, country risk), a review of Operating Company historic performance, consideration of the overall strategic objectives of the Group and critical issues such as climate change. See [page 4](#) for current the long-term targets and medium-term ranges as at 31 December 2021.

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

Principle 2 – Board Composition

The composition of the Board is designed to ensure effective management and control of the Group, taking account of the devolved operating structure and ensuring that the Shareholders' interests are properly represented. It consists of the Grosvenor Executive Trustee, Grosvenor Chief Investment Officer, Grosvenor Chief Financial Officer and seven Non-Executive Directors (including the Chairman). Five of the Non-Executive Directors represent the Shareholders (as Trustees of the Grosvenor Trusts) and two are independent.

The Board recognises the benefits of diversity and has identified the need to increase the depth and breadth of diversity across all levels of the business, including the Board itself, to create an ever-more inclusive environment.

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

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

Corporate governance

Corporate governance continued

The Board undertakes a regular evaluation of its own performance and carried one out during 2020. Several areas were identified requiring additional focus including risk appetite, succession talent planning and scenario modelling of radical post-Covid-19 outcomes. Given the changes made at the start of 2022 to the composition of the Board (see [page 15](#) for Board of Directors), the next evaluation will be carried out in 2023.

The Board held five standard meetings during the year, with full attendance by each Director at every meeting except for 21 January 2021 when Christopher Pratt was absent. There was an additional meeting held in May 2021 with only two of the Executive Directors in attendance, to finalise the Group Revolving Credit facility approval.

Principle 3 – Director Responsibilities

The Board is responsible for setting and monitoring Group strategy (including the allocation of capital), reviewing performance, ensuring adequate funding, formulating policy on key strategic and operational issues and reporting to the Shareholders. From 1 January 2022, the formulation of policies on key operational issues has been delegated to the Group Executive Committee.

The Board has delegated day-to-day responsibility for the Group's property investment, development and joint venture activities, together with supporting functions, to the Operating Company, Diversified Property Investment and Group management teams. The Group's Operating Companies have local Boards, with independent Non-Executive Directors, which oversee the Operating Companies' operations. These Boards form an integral part of the overall internal control process. The relationship between Operating Company Boards and the Group Board is clearly defined and is set out in formally approved documents. The membership of each Operating Company Board is available at www.Grosvenor.com. For the Diversified Property Investments business, the Group Investment Committee oversaw its operations and approval of investment decisions up to £25m per capital transaction during 2021 with capital transactions above this amount reserved for approval by the Board. From 1 January 2022, the Diversified Property Investments Board has replaced the Group Investment Committee, with new Terms of Reference giving an increased level of delegated authority for approval of investments.

The Board has established an Audit and Risk Committee, a Remuneration Committee and a Nominations Committee, to which it has delegated certain governance functions. The membership of these committees consists of Non-Executive Directors (including the Chair). From 1 January 2022, the roles of the Remuneration and Nominations committees have been delegated to the newly formed Grosvenor Investment Committee, which consists of the Chief Executive Officer, Chief Investment Officer, Chief Financial Officer and the Non-Executive Directors.

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

Principle 4 – Opportunity & Risk

Opportunity

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

In line with this thinking the Board approved a strategic and operational review of the Group in 2020 to consider how the Group may need to adapt in the medium to long term to ensure it remains fit for the future. As a result of this review, organisational changes have been made during 2021 to the functions that support the business activity e.g. marketing and communications, research etc. The Board usually holds a Group Strategy Day every year and, in doing so, considers the long-term strategic opportunities that are consistent with Grosvenor's purpose of delivering lasting commercial, social and environmental benefit. Rather than a specific strategy day being held in 2021, the Board has been overseeing the strategic review during 2021 which has continued post year end.

Risk

The Board considers that there is a continuous process for identifying, evaluating and managing significant risks faced by the Group in the course of its business, which has been in place throughout the year and up to the date of approval of the Annual Financial Statements. This process is regularly reviewed by the Audit Committee and the Board. The key risks and uncertainties are set out in the Strategic report, on [pages 3 to 9](#), and include market, property, financial and environmental risks amongst others.

Corporate governance

Corporate governance continued

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

In addition to local Boards, each Operating Company, together with Diversified Property Investments and the Group Team, is represented on the Group Finance Board, which met twice during 2021 and provides a forum for debating issues of a financial nature that are relevant to the Group as a whole, including Group financial policy and risk management.

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

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

Principle 5 – Remuneration

During 2021, the Remuneration Committee's primary role was to define the Company's overall remuneration strategy and to promote its purpose and strategy by linking performance, pay and benefits, ensuring transparency on financial and non-financial targets. This reflects the long-term view of the organisation and the desire to pay both Directors and members of staff fairly for their role and responsibility level, having due regard to comparable market practice and pay levels. The Board and Nominations Committee considered the talent and succession plans for the business. From 1 January 2022, the roles of the Group Remuneration and Nominations committees will be delegated to the Grosvenor Investment Committee (GIC).

Our philosophy on remuneration is never to pay at the top or the bottom of the market, so we work to ensure a steady income for all levels of the organisation. Each Operating Company has its own variable pay plan managed by its own Remuneration Committee. The Group Remuneration Committee (GIC from 1 January 2022) has oversight of all CEO and CFO total remuneration. Overall, the emerging inflationary environment is likely to impact salary increases in all parts of Grosvenor in 2022, but increases will be targeted.

The Group published its Gender Pay Gap reporting for 2021 on the Group's website in February 2022, relating to UK employees only. While we ensure that there is equal pay for equivalent roles, there remains a gender pay gap in favour of men given the number of men in senior roles. Over time we expect this to come into balance, assisted by a series of initiatives, including more flexible working arrangements and awareness training.

Principle 6 – Stakeholder Relationships & Engagement

The Board is clear that the Group must maintain a reputation for high standards of business conduct and operate as a values-led business, promoting values of integrity, respect and trust in its interactions with its stakeholder community including employees, customers, partners, suppliers, funders, wider society and Shareholders. This approach will help protect and strengthen the reputation of the Group and enhance its brand (see Strategic report on [page 7](#) for more information on Reputation and brand).

Employees

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

Our success at Grosvenor is dependent on attracting, developing and retaining talented people who share and believe in our values. We are committed to building an inclusive culture which attracts people from all parts of society and values every person for the individual talents they bring.

Corporate governance

Corporate governance continued

A Group subsidiary, Grosvenor Estate Management Limited, employs the UK staff of Grosvenor Property UK, Grosvenor Property Europe and the Group Team. Employees are provided with information on matters of interest and concern to them, including the financial and economic factors affecting the performance of the business, through a range of channels, ranging from quarterly face-to-face briefings on business performance and key issues from senior management to regular news updates via various digital means.

During the year, formal employee opinion surveys have been conducted both at the Group Team and Operating Company level. The senior management of each business area has reviewed the results from these surveys and plans have been created and delivered to address any concerns raised. Responses are specific to the findings in each business and during 2021 have included increased regularity of open forum sessions, newsletters with updates on business and community matters, increased technology support for working from home and support with home schooling.

Grosvenor does not operate any employee share schemes, but it encourages employees' involvement through its bonus schemes and short and long-term incentive plans, which are linked to the performance of the business. In taking decisions, the Directors seek to ensure the long-term financial success of the business and recognise the clear link between this and employees' interests.

Suppliers, customers and lenders

Each Operating Company is responsible for managing its key business relationships with suppliers and customers. The Group Board sets policies for how these relationships should be managed including policies on anti-bribery and corruption, anti-money laundering, the UK Modern Slavery Act and the UK Criminal Finances Act. Building on these existing policies, the Group developed Supply Chain Principles in 2021, which have now been published. These set minimum standards for our suppliers and expect that they: conduct business in an ethical manner; treat all workers fairly with trust, respect and integrity; support their communities; and respect the environment and efficiently use natural resources. We have started to roll out these principles, engaging with our suppliers on a materiality basis and aim to have 75% of our suppliers by spend committed by 2030. More detail is provided in the Annual Review 2021 and on our website. Operating Companies, where relevant, have also developed their own local Supply Chain Charters which build on the Group Supply Chain Principles and refer to specific local legislation, regulations and expectations.

For the Group Team's limited number of direct suppliers and all other business stakeholders, the 2021 Annual Review is widely distributed, and together with the 2021 Financial Statements is available on the Group's website.

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

Community and environment

Our purpose is to improve land, property, places, goods and services to deliver lasting commercial, social and environmental benefit, with the community and environment forming the two key elements of social benefit as defined by our Shareholders.

Each year, in the Annual Review, we report on our energy and water consumption, together with the amount of waste that is diverted from landfill. This year, we have disclosed in this Directors' report (see [page 23](#)) certain GHG emissions and energy consumption in line with the streamlined energy and carbon reporting requirements. Furthermore, we have made our first voluntary environmental risk disclosures in line with our approach to transparency through disclosure (see [pages 8-9](#)).

In 2019, we announced our commitment to the World Green Building Council and in doing so committed to achieve net zero carbon operational emissions from all of our directly managed buildings globally, by 2030, and to work towards all buildings, directly and indirectly managed, being embodied and operational net zero across the portfolio by 2050. Grosvenor Property UK and Grosvenor Property Europe published their net zero carbon pathways in 2020 while Grosvenor Property Asia developed a bespoke NZC strategy. 2021 saw Grosvenor Property Americas finalise its pathway, which is due to be published in 2022. More detail on these pathways is provided in the 2021 Non-Financial Data Report which is available on the Group's website. Meanwhile, local communities continue to be at the centre of the Operating Companies' activities. Given the Covid-19 pandemic, there has been a continued emphasis on local communities, as illustrated in the Annual Review 2021.

Relations with Shareholders

All Shareholders are now Board members, and in months when no Board or Trustee meeting is scheduled receive a separate monthly report.

Corporate governance

Board of Directors

The Board comprises:

- Michael McLintock (Chairman)*+
- The Duke of Westminster*+ (appointed 1 January 2022)
- Matthew Barzun* (resigned 31 December 2021)
- Jonathon Bond (appointed 17 June 2021)
- Robert Davis
- Sir Philip Dilley*
- William Kendall*+ (appointed 1 January 2022)
- Barbara Kux* (resigned 31 December 2021)
- Christopher Pratt*
- Mark Preston+
- Dame Fiona Reynolds*+
- Alexander Scott*+ (appointed 1 January 2022)
- Peter Vernon (resigned 30 September 2021)

* Non-executive

+ Trustee

Committees of the Board

Audit and Risk Committee

The Audit Committee comprises:

- Christopher Pratt (Chairman)
- Barbara Kux (resigned 31 December 2021)
- Michael McLintock
- Dame Fiona Reynolds (appointed 1 January 2022)
- Alexander Scott (appointed 1 January 2022)

The Audit Committee is responsible for reviewing a wide range of financial matters, including the Annual Financial Statements and accompanying reports, Group internal and external audit arrangements, accounting policies, internal controls and the actions and procedures involved in the management of risk throughout the Group. The Audit Committee reviews annually the scope of the external auditor's work and fees. It also considers the auditor's independence which is ensured through a variety of procedures including regular rotation of audit partners. Any non-audit fees received by the auditor in excess of 70% of the average audit fee over the preceding three years are pre-approved by the Audit Committee.

The Audit Committee meets at least three times a year with the internal and external auditor and is attended by invitation by the Grosvenor Executive Trustee, Grosvenor Chief Financial Officer and other senior personnel as appropriate. The Audit Committee met three times during 2021, with full attendance at each of the meetings.

The UK, Americas, Asia and Europe Operating Companies each have their own Audit Committee, which meet at least twice a year. The key decisions of these Audit Committees are reported to the Group Audit Committee.

Corporate governance

Committees of the Board continued

Nominations Committee

The Nominations Committee comprises all the Non-Executive Directors. The Committee meets when necessary and is attended, by invitation, by the Group Executive Trustee and other senior personnel as appropriate. It is responsible for reviewing the structure of the Board, considering succession planning and for making recommendations to the Board with regard to any changes. It is also responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise. From 1 January 2022, the responsibilities of the Nominations committee have been taken over by the Group Investment Committee.

Remuneration Committee

Currently, the Group Remuneration Committee comprises:

- Michael McLintock (Chairman)
- Sir Philip Dilley
- The Committee meets two to three times a year and is attended, by invitation, by the Grosvenor Executive Trustee. One of the Committee members is also a Grosvenor Trustee and, consequently, the Shareholders are both fully informed and directly involved in the oversight of executive and staff remuneration. All eligible staff in the Group participate in a performance-related discretionary bonus scheme and senior staff also receive longer-term incentive opportunities (reflecting personal and company performance) established by each Operating Company and the Group. From 1 January 2022, the responsibilities of the Remuneration Committee have been delegated by the Board to the Group Investment Committee.

Group Executive Committee

Currently, the Group Executive Committee comprises:

- Mark Preston (Chairman)
- Jonathon Bond
- Benjamin Cha
- Robert Davis
- Sara Lucas
- Ian Mair
- Steve O'Connell
- James Raynor
- Chris Taite
- Peter Vernon (resigned 30 September 2021)

The Group Executive Committee met three times in 2021 and is responsible for co-ordinating the implementation of the Group Strategy. Biographies of the members of the Group Executive Committee are available at www.Grosvenor.com.

Directors' report

The Directors present the Group's audited consolidated Financial Statements for the year ended 31 December 2021.

Directors' report disclosures

Details of the principal activities, results and key performance indicators, future developments, exposure to market risk, capital allocation risk, property risks and employee policies are included in the Strategic report ([pages 1 to 10](#)). Details of the financial risk management objectives and policies, including the use of financial instruments, are disclosed in [Note 27](#) to the Accounts.

Directors

The Directors of the Company during the period, and to the date of signing these Financial Statements (except where indicated) were Matthew Barzun (to 31 December 2021), Robert Davis, Sir Philip Dilley, William Kendall (from 1 January 2022), Barbara Kux (to 31 December 2021), Michael McLintock, Christopher Pratt, Dame Fiona Reynolds, Mark Preston, Alexandra Scott (from 1 January 2022), Peter Vernon (to 30 September 2021) and The Duke of Westminster (from 1 January 2022).

Directors' interests in securities

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

	Ordinary shares		'A' preference shares		Non-voting redeemable preference shares	
	At 1 January 2021	At 31 December 2021	At 1 January 2021	At 31 December 2021	At 1 January 2021	At 31 December 2021
Non-beneficial						
Michael McLintock	5,453,726	5,453,726	5,453,726	5,453,726	261,778,848	261,778,848
Mark Preston	4,324,433	4,324,433	4,324,433	4,324,433	207,572,784	207,572,784
Dame Fiona Reynolds	1,674,580	1,674,580	1,674,580	1,674,580	80,379,840	80,379,840
Francis A Scott	1,515,529	1,515,529	1,515,529	1,515,529	72,745,392	72,745,392
The Duke of Westminster	–	1,360,444	–	1,360,444	–	65,301,312
William Kendall	4,086,366	2,725,919	4,086,363	2,725,919	196,145,424	130,844,112

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

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

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

Employee engagement and business relationships

Further detail is included in the Strategic report on [page 9](#) and the Corporate governance report on [page 13](#).

Dividends

Dividends paid during the year amounted to £48,662,547 (2020: £47,468,723).

The Directors have proposed a final dividend of £32,972,286 to be paid on 1 April 2022.

Directors' report

Financial services activities

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

Going concern and viability

One of the core objectives agreed by the Group's Shareholders and Board is that the Board ensures a level of overall operational risk and an approach to debt and sufficient liquidity which collectively ensures the Group's survival. 'Ensuring survival' is interpreted as meaning that the Group should only be expected to call upon Shareholder support on a one in 50-year basis. The Group's long-term viability is of paramount importance and its consideration is embedded in all activities and operations of the Group.

Covid-19 has continued to impact on the underlying business performance and tenants, although to a lesser extent than in 2020. The Group's financial planning already incorporates a broad range of outcomes including a significant property market and financial market crash. Therefore, the Directors are of the view that our planning already considers extreme downside volatility that may arise from ongoing Covid-19 related economic uncertainty.

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

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

Directors' report

The Group uses the following financial measures:

- **Capital allocation:** Long-term capital allocation ranges are calculated using a Group level portfolio risk/return optimisation model. This describes the optimal ranges for gross asset value by geographic region and by Direct/Indirect Investment, to deliver maximum return at acceptable risk subject to several constraints. Medium-term targets describe more specific allocations within the ranges, which are desirable to migrate towards over a two- to five-year time frame.
- **Resilience:** Resilience is the extent to which the Group can experience market value declines, synchronised across all markets, before Group financial covenants are breached. The Group must be able to withstand an average Group-wide market decline of 40%.
- **Gearing:** Gearing limits are designed to allow our Operating Companies maximum flexibility to take on debt financing to drive growth, whilst still meeting the Group resilience target and interest cover limits.
- **Debt maturity:** This limit defines the maximum amount of debt that can mature in any one year, thereby encouraging longer tenor debt facilities and limiting the liquidity risk arising from the need to refinance a larger proportion of debt at what might be a difficult time in the market.
- **Free assets:** For instances where the Group may need to support further borrowing by way of security, Grosvenor Property UK and Grosvenor Property Americas are required to hold wholly-owned assets which are unencumbered with borrowing or other commitment and are capable of being sold or encumbered.
- **Interest cover:** Interest cover limits are designed to ensure that Operating Companies are structurally, over the medium term, able to support their debt using reasonably assured income, thereby supporting the objective of medium-term liquidity.
- **Recurring revenue ratio:** This target recognises that much of the cost base and dividend obligations of the business are fixed and encourages each Operating Company to develop lines of business which provide a minimum level of dependable, regular income with which to fund these fixed costs.
- **Shared ownership vehicles (SOVs):** A significant proportion of Group's cash flow comes from assets which Operating Companies co-own through joint ventures or other shared ownership vehicles. Generally, these entities are managed by wholly-owned Group entities, with commensurate cost which is recovered by way of cash flows from the joint ventures. Experience from previous market downturns shows us that these cash flows are less reliable than those from wholly owned-assets in times of economic stress. SOV limits are designed to limit this risk, whilst recognising that SOVs offer an important route for the Operating Companies to share beneficial interests in assets which they might otherwise be unable to access.
- **Stressed cash flow:** This is the Group's principal protection against insolvency, particularly in a stressed market, and is calculated quarterly with a five-year time span. It aims to ensure that in the event of a significant property market and financial market crash, such as possible scenarios caused by Covid-19 economic uncertainty, the Group has the ability to meet all unavoidable cash commitments for a period of two years assuming a dramatic reduction in both the value of property assets and access to funds.
- **Total return:** The target for total return, for each Operating Company and for the Group, is that it should exceed the weighted average cost of capital over the cycle. This recognises that the Shareholders ultimately have a choice as to where they invest their capital and that in order to justify having that capital invested in the Group, the Group should generate a return which not only covers the cost of debt but also rewards the Shareholders for the risk they are taking when compared with alternative investment opportunities.
- **Weighted average cost of capital:** This is calculated for Group and Operating Companies by aggregating country level data weighted for the gross asset value in the countries in which investments are held.
- **Development risk:** On a bi-annual basis, the Group's development risk is monitored and considers both the Group's overall capital exposure as a proportion of property assets as well as its speculative income exposure as a proportion of Gross Rental Income.

Directors' report

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, and the principal risks and uncertainties faced by the Group are set out in the Strategic report on [pages 1 to 10](#). In addition, [Note 27](#) to the Financial Statements includes an explanation of the Group's policies and processes for managing its financial and capital risks, details of its financial instruments and exposure to interest rates, credit and liquidity risk.

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

As part of the Group level assessment on the Operating Company and Group cash flow forecasts, the possible ongoing impact of Covid-19 has been considered. The quarterly cash flow forecast already includes a two-year forward view of a stressed cash flow scenario, applied to the Operating Companies' current income and cost assumptions and currently approved development and investment projects. The scenario incorporates an extreme downturn scenario; the assumptions for which have been derived from a thorough review of UK market downturns over the last 50 years. Each Operating Company is required to have sufficient cash and undrawn committed credit facilities to provide funding for at least a two-year period under this downturn scenario. This downturn scenario, which seeks to replicate a one in 50-year property market crash and has been further sensitised in the context of Covid-19, includes reduced income, reduced availability of finance and assumes a significant fall in property valuations.

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

Therefore, after making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in business for at least 12 months from the date of signing of the Financial Statements and for the foreseeable future. Accordingly, the Financial Statements have been prepared on the going concern basis.

Assessment of viability

The Shareholders of the Group are the Trustees of Grosvenor, who hold the shares and other assets for the benefit of current and future members of the Grosvenor family. The Trustees require the Group to fulfil defined business and financial objectives, including the delivery of long-term returns, subject to appropriate levels of operational risk.

To enable the Directors to fulfil the requirements of the Trustees, consideration of the long-term viability of the Group is paramount.

A key component of this assessment is the production of an annual Group strategic plan covering a 10-year forward period based on a financial projection of the 'most likely' economic projections. Downturn projections and scenarios are also prepared.

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

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

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

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

In addition, each quarter the Group considers a two-year forward view of a stressed cash flow scenario which incorporates an extreme downturn scenario; the assumptions for which have been derived from a thorough review of UK market downturns over the last 50 years. The cash flow forecasts are reviewed by the Group Chief Financial Officer on a quarterly basis.

Directors' report

Charitable donations

Grosvenor's philanthropic activity is largely focused on supporting the Westminster Foundation – an independent organisation representing the charitable activity of The Duke of Westminster and Grosvenor businesses, that provides long-term sustainable help and direction to children and young people early in life (aged 0-25) through opportunities to thrive, build confidence and raise their aspirations. In 2021, Grosvenor Group Limited's charitable contributions amounted to £3.0m (2020: £3.9m) of which £2.7m (2020: £3.4m) was donated via the Westminster Foundation.

Each of the Operating Companies has a charity committee. This international network of operating businesses recommends to the Westminster Foundation Trustees those charities in their local communities that they wish to receive support, that align with the Westminster Foundation's early intervention focus on children and young people. These are selected by our local teams and within locations where we commit to third-party managed investments.

Staff charity committees also organise staff fundraising activities, volunteering and pro-bono support to charities selected by employees. The Westminster Foundation matches the fundraising of individual members of staff for registered charities of their own choosing up to £1,000 per member of staff in any given year. In 2021, the total figure given by the Westminster Foundation in this way was £4,284 (2020: £9,283). In addition, Grosvenor supports Give As You Earn up to £1,200 for UK-based employees and in 2021 this amounted to £28,419 (2020: £31,483).

Covid-19 response

Since March 2020, £12.5m funding has been made available by the Westminster Foundation to charity and community organisations tackling the repercussions of Coronavirus. £2.5m was allocated in 2020 towards emergency funding for the provision of essential food distribution and vital educational resources to vulnerable children and families during school closures. As soon as it became apparent the national impact of Covid-19 would be long lasting, The Duke of Westminster made an additional personal donation of £10m to the Foundation. This extra funding created a 'rebuild and resilience fund' to support initiatives that would help people struggling with the long-term impact of the pandemic, as well as contribute to the national rebuild effort. The majority of this funding was allocated in 2020 but further grants were awarded during 2021 to charities previously identified as needing supporting during the pandemic.

The long-term impact of the Westminster Foundation's funding is best demonstrated by a grant of £5m awarded in 2020 to NHS Charities Together, which created a 'Family Fund' which continues to provide respite, rehabilitation and mental health support to NHS key workers and their families. Additionally, in 2021 a further grant of £150,000 was made to Oxford University's department of Psychiatry to continue vital mental health research funding into the impact of the pandemic on the human psyche begun with our original £1m grant in 2020. This work plays a vital role in helping vulnerable individuals or families struggling with the long-term impact of the pandemic.

We also provided further support to the Youth Employment Group, the UK's largest coalition of employment experts, to support young people who have been hit hardest in the labour market by this pandemic. The group provides the opportunity to work collaboratively, and with governments and policy makers, to ensure that young people – especially those from disadvantaged backgrounds – are best supported during Covid-19 and its aftermath.

Full details of charities awarded major grants in 2021 can be found in the Westminster Foundation report and accounts.

Furthermore, a portfolio of approximately 20,000 sq ft. of office space in South Belgravia accommodates around 20 charities in small office units. This portfolio is managed by Grosvenor Property UK and each charity receives a contribution, typically amounting to 50% of its rent, from the Westminster Foundation. This is funded by the Group and in 2021 totalled £430,000 (2020: £550,000). Grosvenor Property UK and the Westminster Foundation are currently considering how best to provide support to charitable tenants in keeping with the Foundation's strategy. This includes exploring the creation of a new, affordable co-working hub in the heart of Westminster for charities that share a common goal of providing opportunities early in life to children and young people to improve their life outcomes and those of their families.

Political donations

No political donations were made during the year (2020: £nil).

Directors' report

Tax contribution

In order to manage our tax obligations, we respect not only the letter of the law but also its underlying intention. We achieve this through adhering to our Tax Policy, compliance with which is reviewed annually by our Group Board. In the case of real estate, the underlying premise is simple — property should be taxed in the jurisdiction in which it is located. We pay taxes on realised economic gains and profits, in accordance with applicable laws.

In the spirit of transparency, we analyse and report on tax contribution by type of tax borne and by country (see tables below).

In 2021, our economic share of tax payments totalled £77.3m (2020: £83.2m). This was lower than last year, primarily due to a decrease in corporate income taxes paid.

TAX TYPE	TOTAL TAX BORNE (£m) 2021	%	TOTAL TAX BORNE (£m) 3 YEARS to 2021	%
Corporate Income Tax paid in the year	19.8	26	80.4	35
Property Transaction Taxes paid in the year	22.4	29	41.0	18
Annual Property Taxes	20.2	26	55.6	24
Employer Taxes and Social Security Costs	10.0	13	28.8	13
Irrecoverable VAT (UK only)	4.9	6	22.4	10
TOTAL	77.3	100	228.2	100

COUNTRY	TOTAL TAX BORNE (£m) 2021	%	TOTAL TAX BORNE (£m) 3 YEARS to 2021	%
United Kingdom	39.0	50	87.1	38
United States	11.7	15	34.1	15
Canada	9.3	12	25.0	11
Asia	1.8	2	37.2	16
Portugal	1.6	2	8.2	4
Spain	2.9	4	14.3	6
Australia	5.0	7	10.3	4
Other	6.0	8	12.0	6
TOTAL	77.3	100	228.2	100

Directors' report

Energy and carbon reporting

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

During the reporting period 1 December 2020 to 30 November 2021, measured Scope 1 and 2 emissions (location-based) totalled 29,637tCO₂e (2020: 29,385tCO₂e). This comprised:

Scope	12 months ended 30 November 2021			12 months ended 30 November 2020 (restated)*		
	UK	Rest of world	Total	UK	Rest of world	Total
Scope 1	3,105	1,812	4,917	3,074	1,840	4,914
Scope 2 (location-based)	3,577	21,143	24,720	3,929	20,542	24,471
Scope 2 (market-based)	–	13,705	13,705	–	11,486	11,486
Total Scope 1 and 2 (location-based)	6,682	22,955	29,637	7,003	22,382	29,385
Scope 3	532	7,032	7,564	480	4,403	4,883
Scope 3 (business mileage)	5	54	59	–	213	213
TOTAL (location-based)	7,219	30,041	37,260	7,483	26,998	34,481
tCO ₂ e per m ²	–	–	–	–	–	–

* 2020 figures have been restated due to significantly improved data completeness and quality achieved through implementation of automated data collection from Grosvenor's utility providers.

Overall, absolute Scope 1 and 2 (location-based) emissions increased by 1% in 2021. The increase can be principally attributed to properties that were acquired during this period that have contributed to increasing absolute energy consumption, namely Grosvenor Property Asia's Nanjing IFC, as well as Grosvenor Property Europe's Titan 8 and Courbevoie. Positively, the Nanjing IFC asset displayed a decreasing energy consumption trend in 2021 when compared with 2020, which is significant due to the high consumption that occurs at this large mixed-use office/retail building.

Across the Group, Scope 1 and 2 (location-based) emissions have decreased within Grosvenor Property UK, Grosvenor Property Europe and Grosvenor Property Americas. Many material assets have mitigated occupancy-driven consumption increases, outlining the excellent performance of high-consuming assets in the Group portfolio including Grosvenor Property UK's 70-72 Grosvenor Street, Grosvenor Property America's 1500 K Street and Grosvenor Europe's Skarholmen Centrum. Within Grosvenor Property UK the decrease in energy consumption is across a number of property types, with office, retail and residential properties all showing significant decreases in energy consumption.

The reduction in carbon emissions across all regions except Grosvenor Asia Pacific reflects both continued efforts and success in reducing energy consumption across our portfolios as well as the decarbonisation of national grids in which we operate.

Looking forward, the Group has committed to achieve net zero carbon operational emissions from all directly-managed buildings globally, by 2030. Both Grosvenor Property UK and Grosvenor Property Europe published net zero carbon pathways in 2020 that reduce carbon impact by at least 50% by 2030. As a result of identifying its pathway, Grosvenor Property UK continues to focus on efficiency improvements across operational assets as well as reducing embodied carbon of buildings and material across its portfolio. In addition, Grosvenor Property Asia has developed a bespoke net zero carbon strategy and Grosvenor Property Americas is finalising its pathway.

Directors' report

Energy and carbon reporting continued

During the year, total fuel and electricity consumption totalled 120,951 MWh (2020: 120,850 MWh), of which 27% was consumed in the UK. The split between fuels and electricity & gas consumption is displayed below.

Energy consumption (MWh)	12 months ended 30 November 2021			12 months ended 30 November 2020 (restated)*		
	UK	Rest of world	Total	UK	Rest of world	Total
Electricity & gas	33,796	87,155	120,951	33,571	87,155	120,726
Fuels (oil & diesel)	–	–	–	–	124	124
TOTAL	33,796	87,155	120,951	33,571	87,279	120,850

* 2020 figures have been restated due to significantly improved data completeness and quality achieved through implementation of automated data collection from Grosvenor's utility providers.

Please note, the reduction in Fuels (oil and diesel) between 2020 and 2021 can be attributed to Balsta Shopping Centre, Sweden, which in 2020 purchased 124MWh of Fuels.

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

Methodology

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

- Scope 1: Natural gas, fuel oil
- Scope 2: Electricity, district heating and cooling
- Scope 3: Tenant energy consumption, water, business travel, fuel and energy related activities

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

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

More information on the Group's energy consumption and net zero target and pathways is provided in the 2021 Non-Financial Data Report which is available on the Group's website.

Post balance sheet events

In March 2022, the Group sold down a 10% stake in Sonae Sierra to Sonae SGPS, reducing our shareholding to 10%.

On 22 March 2022 the GGL Board made an offer to all of its D1 preference shareholders to cancel the non-voting redeemable D1 preference shares set out in [Note 33](#). The Directors do not expect all of the shareholders to take up the offer.

Directors' report

Suzie McConnell

Company Secretary

UK Company registration number 12656651

Registered Office

70 Grosvenor Street

London W1K 3JP

22 March 2022

Auditor

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

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

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

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

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with United Kingdom adopted International Financial Reporting Standards (IFRSs) and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, IAS 1 requires that Directors:

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 22 March 2022 and is signed on its behalf by:

Michael McLintock
Chairman

Corporate advisers and bankers

Corporate advisers and bankers

Auditor: Deloitte LLP

Tax advisers: KPMG LLP

Principal valuers: Altus Heylar, Cushman & Wakefield

Solicitors: Boodle Hatfield LLP, Slaughter and May

Lead bankers: NatWest Group plc

Actuaries: Lane Clark & Peacock LLP

Independent auditor's report

to the members of
Grosvenor Group Limited

Report on the audit of the Financial Statements

Opinion

In our opinion:

- the financial statements of Grosvenor Group Limited (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cashflows;
- the consolidated and parent company accounting policies;
- the related consolidated Notes 1 to 35; and
- the related parent company Notes 1 to 5.

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

Basis of opinion

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

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

Independent auditor's report

to the members of
Grosvenor Group Limited

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

Independent auditor's report

to the members of
Grosvenor Group Limited

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

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

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

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

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

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

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

Validity of data used by the external valuers in the estimation of the fair value of investment property – there is a potential fraud risk in management's ability to influence the lease data provided to the external valuers. To address this fraud risk, we obtained and documented an understanding of relevant controls in the valuation process and in particular the information provided to the valuers. We tested the completeness and accuracy of a sample of the data provided to the external valuers through agreeing a sample of the information provided to the external valuers to underlying lease agreements.

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

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

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

Independent auditor's report

to the members of
Grosvenor Group Limited

Georgina Robb FCA
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
22 March 2022

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Consolidated income statement

for the year ended
31 December 2021

	Notes	2021 £m	2020 £m
Revenue	5	193.5	209.5
Property costs	6	(93.6)	(97.9)
Net property income		99.9	111.6
Administrative expenses	7	(118.4)	(114.4)
Net gains on other investments	11	62.7	1.0
Net gains/(losses) on revaluation and sale of investment property	12	113.1	(241.1)
Impairment loss on trade and other receivables, including contract assets	27	(2.9)	(13.4)
Share of profit/(loss) from joint ventures	19	157.5	(28.7)
Profit/(loss) from operations including share of joint ventures		311.9	(285.0)
Financial income	13	15.6	17.4
Financial expenses	13	(40.1)	(43.8)
Fair value adjustments	13	11.1	0.6
Net financing costs	13	(13.4)	(25.8)
Profit/(loss) before tax		298.5	(310.8)
Current tax expense	14	(31.5)	(3.1)
Deferred tax (expense)/credit	14	(151.0)	16.2
Profit/(loss) for the year		116.0	(297.7)
Attributable to:			
Equity holders of the parent		116.0	(297.7)
Non-controlling interests		-	-
Profit/(loss) for the year		116.0	(297.7)

Revenue profit is shown in [Note 4](#).

All results are derived from continuing operations.

Consolidated statement of comprehensive income

for the year ended
31 December 2021

	Notes	2021 £m	2020 £m
Profit/(Loss) for the year		116.0	(297.7)
Other comprehensive income which may be reclassified to profit or loss in subsequent periods:			
Revaluation of property, plant and equipment	17	7.0	(2.8)
Fair value adjustments on swaps			
Gains/(losses) arising during the period – Group		6.7	(3.5)
Exchange differences on translation of foreign operations – Group		(35.0)	5.1
Exchange differences on translation of foreign operations – joint ventures and associates		1.6	(10.6)
Tax relating to (gains)/losses on fair value adjustments and revaluations		(9.0)	0.9
Other comprehensive expense, net of tax, which may be reclassified to profit or loss in subsequent periods		(28.7)	(10.9)
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined pension benefit schemes		65.2	(32.7)
Tax relating to actuarial (gains)/losses	14	(14.4)	5.9
Fair value gain on investments in equity instruments designated as at fair value through other comprehensive income		14.4	5.4
Other comprehensive income/(expense), net of tax, not to be reclassified to profit or loss in subsequent periods		65.2	(21.4)
Total comprehensive income/(expense) for the period		152.5	(330.0)
Attributable to:			
Equity holders of the parent		152.5	(330.0)
Non-controlling interests		–	–
		152.5	(330.0)

The final dividend proposed by the Directors of £32,972,286 is to be paid on 1 April 2022.

Consolidated statement of changes in equity

for the year ended
31 December 2021

	Attributable to equity holders of the parent								Non-controlling interest £m	Total equity £m
	Share capital £m	Share premium £m	Translation reserve £m	Other reserve £m	Fair value reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m		
Balance at 1 January 2020	284.3	28.3	497.1	219.6	(1.9)	41.0	3,998.5	5,066.9	(0.3)	5,066.6
Changes in equity for 2020										
Loss for the year	-	-	-	-	-	-	(297.7)	(297.7)	-	(297.7)
Other comprehensive (expense)/income	-	-	(5.4)	(2.5)	5.4	(3.0)	(26.8)	(32.3)	-	(32.3)
Dividends	-	-	-	-	-	-	(47.5)	(47.5)	(0.2)	(47.7)
Transfers between reserves		(28.3)		(222.2)			250.5			
Balance at 31 December 2020	284.3	-	491.7	(5.1)	3.5	38.0	3,877.0	4,689.4	(0.5)	4,688.9
Changes in equity for 2021										
Profit for the year	-	-	-	-	-	-	116.0	116.0	-	116.0
Other comprehensive (expense)/income	-	-	(33.1)	5.0	10.7	3.4	50.5	36.5	-	36.5
Dividends	-	-	-	-	-	-	(48.7)	(48.7)	-	(48.7)
Transfers between reserves	-	-	-	-	2.6	-	(2.6)	-	-	-
Recycle to income statement	-	-	3.3	-	(5.6)	-	-	(2.3)	-	(2.3)
Adjustment to share of profit in a JV	-	-	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Balance at 31 December 2021	284.3	-	461.9	(0.1)	11.2	41.4	3,991.7	4,790.4	(0.5)	4,789.9

Amount of £3.3m recycled from the translation reserve to the income statement relates to realised FX losses following the disposal of GDPI's stake in a joint venture.

Amount of £(5.6)m recycled from the fair value reserve to the income statement relates to crystallised valuation gains on trade investments disposed during the year.

Approved by the Board and authorised for
issue on 22 March 2022 and signed on behalf
of the Board

Michael McLintock **Robert Davis**
(Chairman) (Chief Financial Officer)

Company registration number: 12656651

Consolidated balance sheet

as at 31 December 2021

Approved by the Board and authorised for
issue on 22 March 2022 and signed on behalf
of the Board

Michael McLintock **Robert Davis**
(Chairman) (Chief Financial Officer)

Company registration number: 12656651

	Notes	2021 £m	2020 £m
ASSETS			
Non-current assets			
Investment property	16	4,441.0	4,266.8
Other property, plant and equipment	17	124.0	62.5
Right-of-use assets	18	9.4	29.4
Investments in joint ventures and associates	19	1,309.8	1,112.5
Other financial assets	20	110.4	137.4
Intangible assets	21	5.1	7.2
Trade and other receivables	22	84.5	125.2
Deferred tax assets	23	59.7	59.8
Total non-current assets		6,143.9	5,800.8
Current assets			
Trading properties	24	382.5	347.8
Trade and other receivables	22	83.6	69.0
Other financial assets	20	16.8	12.9
Income tax receivable		8.9	16.8
Cash and cash equivalents	25	550.3	699.5
Total current assets		1,042.1	1,146.0
TOTAL ASSETS		7,186.0	6,946.8
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	26	(1,075.2)	(1,129.3)
Lease liabilities	18	(18.4)	(41.0)
Trade and other payables	28	(199.8)	(190.9)
Employee benefits	9	(22.2)	(79.4)
Deferred tax liabilities	23	(747.9)	(572.4)
Provisions	29	(35.8)	(0.4)
Total non-current liabilities	=	(2,099.3)	(2,013.4)
Current liabilities			
Interest bearing loans and borrowings	26	(60.0)	(51.2)
Lease liabilities	18	(2.8)	(3.1)
Trade and other payables	28	(216.4)	(185.0)
Current tax payable		(17.6)	(5.0)
Provisions	29	-	(0.2)
Total current liabilities		(296.8)	(244.5)
TOTAL LIABILITIES	=	(2,396.1)	(2,257.9)
NET ASSETS	=	4,789.9	4,688.9
Equity			
Share capital	33	284.3	284.3
Share premium		-	-
Reserves		514.4	528.1
Retained earnings		3,991.7	3,877.0
Shareholders' funds		4,790.4	4,689.4
Non-controlling interests		(0.5)	(0.5)
TOTAL EQUITY		4,789.9	4,688.9

Consolidated statement of cash flows

for the year ended
31 December 2021

	Notes	2021 £m	2020 £m
Operating activities			
Operating profit before changes in working capital and provisions	34(a)	(24.5)	(15.7)
Increase in trade and other receivables		(5.5)	(13.2)
Increase in trading properties		(37.4)	(135.7)
Increase in trade and other payables		51.3	35.5
Increase in employee benefits		7.9	5.0
Increase in provisions		35.1	0.2
Cash flow from/(used in) operations		26.9	(123.9)
Interest paid		(56.1)	(55.0)
Taxes paid		(16.1)	(30.8)
Interest received		13.5	19.8
Cash flow used in operations		(31.8)	(189.9)
Investing activities			
Proceeds from sale of investment properties		152.9	111.3
Acquisition of investment and development properties		(233.1)	(59.0)
Development of investment and development properties		(52.8)	(24.5)
Acquisition of other financial assets		(33.0)	-
Proceeds from sale of other financial assets		94.1	30.0
Acquisition of other plant, property and equipment		(61.0)	(6.7)
Loans to joint ventures and associates		(2.1)	(31.1)
Loans repaid from joint ventures and associates		31.5	-
Distributions from joint ventures and associates		93.5	161.2
Acquisition of joint ventures and associates		(180.4)	(167.3)
Disposals of joint ventures and associates		137.3	69.6
Cash flow (used in)/from investing activities		(53.1)	83.5
Financing activities			
Proceeds from additional borrowings		112.9	150.6
Repayment of borrowings		(135.6)	(61.6)
Repayment of lease liabilities		(8.4)	(6.1)
Dividends paid to minorities		-	(0.2)
Dividends paid		(48.7)	(47.5)
Loans from joint ventures		19.1	-
Cash flow (used in)/from financing activities		(60.7)	35.2
Net decrease in cash and cash equivalents		(145.6)	(71.2)
Cash and cash equivalents at 1 January		699.5	766.3
Effect of exchange rate fluctuation on cash held		(3.6)	4.4
Cash and cash equivalents at 31 December		550.3	699.5

Notes to the Financial Statements

1 Accounting policies

(a) General information and basis of preparation

Grosvenor Group Limited ('the Company') is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on [page 10](#).

The principal activities of the Company and its subsidiaries ('the Group') and the nature of the Group's operations are set out in the Strategic report on [pages 1 to 10](#).

The consolidated Financial Statements have been prepared in accordance with United Kingdom adopted IFRSs in conformity with the requirements of the Companies Act 2006.

The individual Financial Statements of the Company have been prepared under Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and are set out on [pages 99–111](#).

The Financial Statements are prepared in Sterling. They have been prepared on the going concern basis as described in the Going concern and viability section of the Directors' report on [page 18](#). The principal accounting policies adopted are set out below. The Company has elected under Section 408 of the Companies Act 2006 not to include its own income statement in these Financial Statements.

(b) Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

1 Accounting policies continued

(c) Foreign currency translation

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

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

(d) Investment property

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

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

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

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

(e) Leases

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

Group as lessor

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

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

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

Group as lessee

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

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Notes to the Financial Statements

1 Accounting policies continued

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

The lease liability is presented as a separate line in the consolidated balance sheet. The right-of-use asset is initially measured at either:

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

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

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

(f) Other property, plant and equipment

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

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

(g) Other financial assets

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

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

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

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

(h) Trading properties

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

Notes to the Financial Statements

1 Accounting policies continued

(i) Trade and other receivables

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

(j) Cash and cash equivalents

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

(k) Derivative financial instruments

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

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

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

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

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

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

(l) Trade and other payables

Trade and other payables are stated at cost.

(m) Borrowings and other financial liabilities

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

(n) Employee benefits

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

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

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

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

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

(o) Revenue

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

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

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

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

Notes to the Financial Statements

1 Accounting policies continued

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

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

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

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

(p) Expenses

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

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

(q) Borrowing costs

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

(r) Corporate income taxes

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

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are not taxable or deductible. The liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period; refer to [Note 14](#) for reconciliation.

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

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

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

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

Notes to the Financial Statements

1 Accounting policies continued

(s) Government grants

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

(t) Adoption of new and revised standards

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

- Amendments to References to the Conceptual Framework in IFRS Standards;
- IAS 1 and IAS 8 (Amendments): Definition of Material; and
- IFRS 16 (Amendments): Covid-19 Related Rent Concessions.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts;
- IFRS 3 (Amendments) Business Combinations: Reference to the Conceptual Framework;
- IFRS 10 and IAS 28 (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IAS 1 (Amendments): Classification of Liabilities as Current or Non-current;
- Annual Improvements to IFRS Standards 2018-2020 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture;
- IAS 16 (Amendments): Property, Plant and Equipment—Proceeds before Intended Use;
- IAS 37 (Amendments): Onerous Contracts – Cost of Fulfilling a Contract;
- IAS 1 (Amendments) and IFRS Practice Statement 2: Disclosure of Accounting Policies;
- IAS 8 (Amendments): Definition of Accounting Estimates; and
- IAS 12 (Amendments): Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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

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

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

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

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

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

Taxation

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

ii) Key sources of estimation uncertainty

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

Property valuations

Due to the size of the investment property portfolio held on the balance sheet at market value, small changes to the estimates used to derive the market values can have a significant impact on the valuations and therefore a significant impact on the results and financial position of the Group. This includes the value of the property yields and the estimated future rental income assumed in the valuations. See [Note 16](#) for details of the estimates used in deriving the valuations.

Notes to the Financial Statements

1 Accounting policies continued

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

Defined benefit pension schemes

The assumptions used in calculating the balance sheet assets and liabilities of the defined benefit pension schemes include estimates as set out in [Note 9](#). The assets and liabilities are sensitive to the application of these estimates and small changes can have a significant impact on the results and financial position of the Group.

Expected credit losses

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

(v) Parent company guarantee

For the year ended 31 December 2021, the following subsidiary of the Group is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act relating to subsidiary companies:

- Grosvenor Basingstoke Management Limited - company number 03580616

Notes to the Financial Statements

2 Foreign currencies

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

	Average rate		Year end rate	
	2021 £1	2020 £1	2021 £1	2020 £1
US Dollars	1.37	1.29	1.35	1.37
Canadian Dollars	1.72	1.73	1.71	1.74
Euros	1.17	1.13	1.19	1.12
Australian Dollars	1.84	1.87	1.82	1.78
Hong Kong Dollars	10.68	10.01	10.52	10.59
Chinese Renminbi	8.85	8.90	8.57	8.91
Japanese Yen	151.72	137.24	155.23	141.15
Swedish Krona	11.84	11.80	12.20	11.24
Polish Zloty	5.32	–	5.47	–

Notes to the Financial Statements

3 Segmental analysis

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

2021

	Proprietary assets – Direct				Proprietary assets – Indirect				Total £m
	GP UK £m	GP America £m	GP Asia £m	GP Europe £m	Sonae Sierra £m	Third-party managed £m	Other £m	Not Allocated £m	
Income Statement									
Revenue	124.2	47.6	6.4	15.4	–	47.3	0.3	(0.4)	240.8
Property costs (excluding major refurbishments)	(55.2)	(23.4)	(1.1)	(5.5)	–	(11.6)	–	–	(96.8)
Net property income/(cost)*	69.0	24.2	5.3	9.9	–	35.7	0.3	(0.4)	144.0
Administrative expenses	(19.5)	(34.5)	(14.0)	(12.4)	–	(2.3)	(4.6)	(31.1)	(118.4)
Impairment loss on trade and other receivables, including contract assets	(2.9)	–	–	–	–	–	–	–	(2.9)
Net financing (costs)/income	(23.8)	2.0	(1.2)	(1.5)	–	7.3	(0.4)	(0.5)	(18.1)
Revenue profit of joint ventures and associates (Note 19)	2.4	47.1	13.7	6.6	6.3	8.2	–	–	84.3
Group revenue profit/(loss)	25.2	38.8	3.8	2.6	6.3	48.9	(4.7)	(32.0)	88.9
Net gains/(losses) on revaluation and sale of investment properties	(5.4)	109.3	(0.3)	9.5	–	–	–	–	113.1
Major refurbishment costs	(8.4)	–	–	–	–	–	–	–	(8.4)
Net gains on other investments	–	0.2	–	1.4	–	26.7	0.4	(1.7)	27.0
Derivative fair value adjustments	–	–	0.3	–	–	–	–	0.7	1.0
Derivative fair value adjustments related to structured development loans	–	3.7	–	–	–	–	–	–	3.7
Other (losses)/gains of joint ventures and associates (Note 19)	(7.1)	17.2	12.8	(1.4)	(1.8)	58.8	–	–	78.5
Profit/(loss) before tax	4.3	169.2	16.6	12.1	4.5	134.4	(4.3)	(33.0)	303.8
Tax and non-controlling interests in joint ventures and associates	(0.2)	(0.2)	(2.8)	(0.4)	(1.7)	–	–	–	(5.3)
Profit/(loss) before tax reported in the income statement	4.1	169.0	13.8	11.7	2.8	134.4	(4.3)	(33.0)	298.5
Tax (expense)/credit	(114.6)	(33.5)	(0.9)	(4.8)	–	(22.1)	(11.5)	4.9	(182.5)
Profit/(loss) after tax reported in the income statement	(110.5)	135.5	12.9	6.9	2.8	112.3	(15.8)	(28.1)	116.0

* Included in net property income are net losses on trading properties amounting to £(9.1)m (2020: loss of £(15.9)m) arising from income from sale of trading and development properties of £1.0m (2020: £4.9m) less the carrying value of trading properties sold of £10.1m (2020: £20.8m).

Notes to the Financial Statements

3 Segmental analysis continued

2021

	Proprietary assets – Direct				Proprietary assets – Indirect				Total £m
	GP UK £m	GP America £m	GP Asia £m	GP Europe £m	Sonae Sierra £m	Third-party managed £m	Other £m	Not Allocated £m	
Balance sheet (proportional basis)									
Investment property	3,195.8	1,203.8	878.9	357.6	210.5	582.6	–	–	6,429.2
Investment property under development	233.6	–	–	–	4.8	8.4	–	–	246.8
Trading property	4.5	345.0	85.9	35.6	–	–	–	–	471.0
Other financial assets	3.0	40.5	5.6	0.1	–	69.7	–	–	118.9
Total property assets	3,436.9	1,589.3	970.4	393.2	215.3	660.7	–	–	7,265.9
Net (debt)/cash	(664.2)	(399.3)	(280.0)	(181.6)	(49.0)	(254.6)	73.3	241.6	(1,513.7)
Deferred tax (liability)/asset	(505.8)	(143.0)	(21.0)	(5.0)	(33.4)	(25.8)	0.1	8.2	(725.7)
Other net (liabilities)/assets	(176.8)	(44.0)	(27.2)	58.2	1.4	(19.7)	(171.3)	142.9	(236.6)
Net assets/(liabilities)	2,090.1	1,003.0	642.2	264.8	134.3	360.6	(97.9)	392.8	4,789.9

Notes to the Financial Statements

3 Segmental analysis continued

2020

	Proprietary assets – Direct				Proprietary assets – Indirect			Not Allocated £m	Total £m
	GPUK £m	GPA £m	GPAsia £m	GPEurope £m	Sonae Sierra £m	Third-party managed £m	Other £m		
Income statement									
Revenue	128.6	59.0	7.4	14.5	–	–	–	–	209.5
Property costs (excluding major refurbishments)	(54.0)	(31.3)	(1.0)	(2.2)	–	(2.9)	–	–	(91.4)
Net property income/(cost)*	74.6	27.7	6.4	12.3	–	(2.9)	–	–	118.1
Administrative expenses	(19.6)	(29.4)	(15.2)	(14.1)	–	–	(3.3)	(32.8)	(114.4)
Impairment loss on trade and other receivables, including contract assets	(13.2)	–	(0.2)	–	–	–	–	–	(13.4)
Net financing (costs)/income	(27.8)	2.6	0.8	(1.4)	–	8.9	(0.6)	(0.3)	(17.8)
Revenue profit/(loss) of joint ventures and associates (Note 19)	5.1	15.1	29.8	4.6	(4.1)	2.4	–	–	52.9
Group revenue profit/(loss)	19.1	16.0	21.6	1.4	(4.1)	8.4	(3.9)	(33.1)	25.4
Net losses on revaluation and sale of investment properties	(196.6)	(31.1)	(0.3)	(13.1)	–	–	–	–	(241.1)
Major refurbishment costs	(6.5)	–	–	–	–	–	–	–	(6.5)
Net gains on other investments	–	–	–	1.0	–	–	–	–	1.0
Derivative fair value adjustments	–	0.4	(1.7)	–	–	–	–	–	(1.3)
Derivative fair value adjustments related to structured development loans	–	(6.7)	–	–	–	–	–	–	(6.7)
Other losses of joint ventures and associates (Note 19)	–	(35.2)	(1.1)	(34.0)	(10.2)	(2.8)	–	–	(83.3)
(Loss)/profit before tax	(184.0)	(56.6)	18.5	(44.7)	(14.3)	5.6	(3.9)	(33.1)	(312.5)
Tax and non-controlling interests in joint ventures and associates	(0.4)	(0.1)	(1.8)	0.9	3.1	–	–	–	1.7
(Loss)/profit before tax reported in the income statement	(184.4)	(56.7)	16.7	(43.8)	(11.2)	5.6	(3.9)	(33.1)	(310.8)
Tax (expense)/credit	(15.2)	17.9	(2.1)	2.8	–	(0.4)	–	10.1	13.1
(Loss)/profit after tax reported in the income statement	(199.6)	(38.8)	14.6	(41.0)	(11.2)	5.2	(3.9)	(23.0)	(297.7)

Notes to the Financial Statements

3 Segmental analysis continued

2020

	Proprietary assets – Direct				Proprietary assets – Indirect			Not Allocated £m	Total £m
	GPUK £m	GPA £m	GPAAsia £m	GPEurope £m	Sonae Sierra £m	Third-party managed £m	Other £m		
Balance sheet (proportional basis)									
Investment property	3,034.7	1,082.1	712.0	428.5	335.0	287.5	–	–	5,879.8
Investment property under development	155.3	–	–	–	16.2	12.1	–	–	183.6
Trading property	14.5	359.6	92.6	56.8	–	–	–	–	523.5
Other financial assets	–	41.9	2.3	–	–	98.1	–	–	142.3
Total property assets	3,204.5	1,483.6	806.9	485.3	351.2	397.7	–	–	6,729.2
Net (debt)/cash	(378.2)	(436.7)	(106.9)	(283.6)	(93.8)	(142.5)	(23.2)	257.9	(1,207.0)
Deferred tax (liability)/asset	(374.1)	(112.3)	(17.3)	(10.5)	(51.2)	–	0.2	6.8	(558.4)
Other net (liabilities)/assets	(226.8)	(63.0)	(24.3)	60.1	3.6	6.9	(75.6)	44.2	(274.9)
Net assets/(liabilities)	2,225.4	871.6	658.4	251.3	209.8	262.1	(98.6)	308.9	4,688.9

Notes to the Financial Statements

4 Revenue profit

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

	2021			2020		
	Group £m	Share of joint ventures and associates (Note 19) £m	Total £m	Group £m	Share of joint ventures and associates (Note 19) £m	Total £m
Revenue	240.8	298.2	539.0	209.5	209.4	418.9
Property costs (excluding major refurbishments)	(96.8)	(170.2)	(267.0)	(91.4)	(111.3)	(202.7)
Net property income (before major refurbishments)	144.0	128.0	272.0	118.1	98.1	216.2
Administrative expenses	(118.4)	(18.7)	(137.1)	(114.4)	(21.6)	(136.0)
Impairment loss on trade and other receivables, including contract assets	(2.9)	–	(2.9)	(13.4)	–	(13.4)
Net financing costs (excluding derivative fair value adjustments)	(18.1)	(25.0)	(43.1)	(17.8)	(23.6)	(41.4)
Revenue profit/(loss)	4.6	84.3	88.9	(27.5)	52.9	25.4
Reconciliation of revenue profit/(loss) to profit/(loss) before tax:						
Revenue profit/(loss)	4.6	84.3	88.9	(27.5)	52.9	25.4
Joint ventures and associates:						
– Revenue loss	–	(84.3)	(84.3)	–	(52.9)	(52.9)
– Equity accounted profit/(loss)	–	157.5	157.5	–	(28.7)	(28.7)
Net gains on revaluation and sale of investment properties	113.1	–	113.1	(241.1)	–	(241.1)
Major refurbishment costs	(8.4)	–	(8.4)	(6.5)	–	(6.5)
Net gains/(losses) on other investments	27.0	–	27.0	1.0	–	1.0
Fair value realised from prior years related to structured development loans	(6.7)	–	(6.7)	(8.7)	–	(8.7)
Derivative fair value adjustments related to structured development loans	10.4	–	10.4	2.0	–	2.0
Derivative fair value adjustments	1.0	–	1.0	(1.3)	–	(1.3)
Profit/(loss) before tax	141.0	157.5	298.5	(282.1)	(28.7)	(310.8)

The profit on the sale of an investment held by GDPI (£35.7m) has been reclassified from 'net gains/(losses) on other investments' to 'revenue profit'. This gain has been treated as 'trading profit', reflecting managements' intention when making the investment to sell at a profit once specific milestones were achieved. Consequently, the Group revenue and property costs figures above include proceeds of £47.3m and disposal costs of £11.6m, that are netted off within 'net gains/(losses)' in the income statement.

Notes to the Financial Statements

5 Revenue

	2021 £m	2020 £m
Gross lease payments receivable	137.3	140.1
Amortisation of lease incentives	9.8	15.2
Amortisation of deferred lease premiums	7.3	9.1
Gross rental income	154.4	164.4
Revenue from contracts with customers:		
Income from sale of trading and development properties	1.0	4.9
Service charge income	17.3	17.1
Other income	20.8	23.1
Revenue from contracts with customers	39.1	45.1
	193.5	209.5

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

Total contingent rents included in gross rental income amounted to £nil (2020: £nil).

Other income can be further analysed as follows:

	2021 £m	2020 £m
Fund management and asset management fees	17.2	16.4
Project management fees	1.1	2.5
Other income	2.5	4.2
	20.8	23.1

Disaggregation of revenue derived from contracts with customers

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

	GPUK £m	GPA £m	GPAsia £m	GPEurope £m	Other £m	Total £m
Income from sale of trading and development properties	–	1.0	–	–	–	1.0
Service charge income	16.8	–	–	0.5	–	17.3
Fund management and asset management fees*	8.0	6.4	0.5	2.0	0.3	17.2
Project management fees	0.1	1.0	–	–	–	1.1
Other income	0.5	1.4	–	0.9	(0.3)	2.5
	25.4	9.8	0.5	3.4	–	39.1
Timing of revenue recognition						
At a point in time	1.0	1.0	–	–	–	2.0
Over time	24.4	8.8	0.5	3.4	–	37.1
	25.4	9.8	0.5	3.4	–	39.1

* Included within fund management and asset management fees are £1.4m (2020: £2.7m) of land development costs written-off.

Notes to the Financial Statements

6 Property costs

	2021 £m	2020 £m
Service charge expenses	16.7	17.1
Major refurbishment costs	8.4	6.5
Development costs	1.6	14.5
Carrying value of trading properties sold	1.6	3.5
Impairment of trading properties	6.8	2.8
Other property operating expenses	58.5	53.5
Total property costs	93.6	97.9

Operating expenses associated with unlet properties totalled £0.5m (2020: £1.0m). The carrying value of trading properties sold includes £nil of capitalised interest (2020: £nil).

Impairment of trading properties includes a £2.4m write down of an office building in Paris due to voids, as well as a £5.7m write down of residential and office properties in North America due to market conditions.

7 Administrative expenses

	2021 £m	2020 £m
Staff costs	95.3	81.2
Office costs	10.9	10.4
Auditor's remuneration		
– audit services in relation to financial statements	1.5	1.5
– other services	0.2	0.2
Other professional fees	12.3	12.9
Allocation of costs to Grosvenor Trusts	(21.9)	(18.0)
Other administrative expenses	20.1	26.2
	118.4	114.4

All of the Group's Operating Companies were audited by Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited. £0.2m (2020: £0.1m) of the total audit fee is estimated to relate to the audit of the Group and £1.2m (2020: £1.3m) to the audit of the Group's subsidiaries. The Company's audit fees (£0.1m) were borne by another Group company (2020: £0.1m). Amounts paid to other accountancy firms for non-audit services in 2021 totalled £1.3m (2020: £1.7m).

Notes to the Financial Statements

8 Employee information

	2021 £m	2020 £m
Staff costs		
Wages and salaries	83.6	66.8
Social security contributions	7.3	6.5
Other staff costs	7.9	7.4
Pension costs		
Contributions to defined contribution plans	3.9	4.1
Net cost of defined benefit plans (Note 9)	11.3	10.9
	114.0	95.7
Included in:		
Administrative expenses	95.3	81.2
Property operating expenses	17.4	12.7
Development costs	1.3	1.8
	114.0	95.7

The costs of staff directly engaged in investment activities are included in property outgoings and the costs of those directly engaged in development activities are included in development costs.

Employee numbers

	At the end of the year		Average	
	2021 number	2020 number	2021 number	2020 number
GPUK	269	269	272	274
GPA	111	112	111	112
GPAsia	47	49	49	49
GPEurope	47	67	57	66
GDPI	10	8	9	8
Group Team	86	80	82	78
	570	585	580	587

Notes to the Financial Statements

9 Retirement benefit schemes

Defined contribution schemes

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

The total cost of defined contribution pension schemes charged to the income statement was £3.9m (2020: £4.1m).

Defined benefit schemes

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

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

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

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

As with the vast majority of similar arrangements, the Group incurs a high degree of risk relating to the defined benefit schemes. These risks include investment risks and demographic risks, such as the risk of members living longer than expected. The UK scheme holds a large proportion of its assets in equity investments. Strong future equity returns would be expected to reduce the Group's future cash contributions (and vice versa). If the contributions currently agreed are insufficient to pay the benefits due, the Group may need to make further contributions to the scheme. With headroom (being cash and committed undrawn facilities) of £1.7bn, the Group is comfortably positioned to make further contributions to the schemes should they be required.

Notes to the Financial Statements

9 Retirement benefit schemes continued

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

Actuarial valuations were last carried out at the following dates:

UK	31 December 2020
USA	31 December 2020
Canada	31 December 2019

All the valuations have been updated to 31 December 2021 using updated assumptions. The results of these valuations together with the key assumptions used are set out below.

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

In Canada, the Group agreed with the Trustees of the plans to make contributions, in addition to payments in respect of the continuing accrual of benefits, of CA\$1.3m for 2021 and 2022 to fund the plan deficit, and, in the USA, contributions are determined on an annual basis.

In the UK, no contributions in addition to payments in respect of the continuing accrual of benefits are currently required (2020: £nil). The requirement for additional contributions will be reviewed following the next triennial valuation due as at 31 December 2023.

The weighted average duration to payment of the expected benefit cash flows from the schemes in respect of accrued service at the end of the accounting period is approximately 25 years in the UK scheme, 15 years in the US scheme and 15 years in the Canadian scheme.

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

	2021 £m	2020 £m
Current service cost	10.2	9.6
Past service cost	0.1	0.1
Interest cost	0.9	1.1
Administrative expenses	0.1	0.1
	11.3	10.9

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

	2021 £m	2020 £m
Actuarial gains/(losses)	65.2	(32.7)
	65.2	(32.7)

Within actuarial gains/(losses) is a gain of £1.1m (2020: £2.2m gain) due to changes in demographic assumptions.

Notes to the Financial Statements

9 Retirement benefit schemes continued

The movement in the net defined benefit obligation is:

	2021 £m	2020 £m
1 January	(79.4)	(40.9)
Expense charged to income statement	(11.3)	(11.1)
Amount recognised in the statement of comprehensive income	65.2	(32.7)
Employer contributions	3.1	4.7
Benefit payments	0.3	0.2
Exchange movement	(0.1)	0.4
31 December	(22.2)	(79.4)

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

	2021 £m	2020 £m
Present value of unfunded obligations	(23.3)	(24.3)
Present value of funded obligations	(323.2)	(344.6)
Present value of total defined benefit obligations	(346.5)	(368.9)
Fair value of scheme assets	324.3	289.5
Defined benefit pension deficit	(22.2)	(79.4)

The net deficit arises in the following regions:

	2021 £m	2020 £m
UK	(9.3)	(61.9)
USA	(7.8)	(8.3)
Canada	(5.1)	(9.2)
	(22.2)	(79.4)

Movements in the present value of defined benefit obligations are:

	2021 £m	2020 £m
At 1 January	368.9	318.1
Current service cost	10.2	9.6
Past service cost	0.1	0.1
Interest cost	6.9	6.5
Actuarial losses/(gains) due to:		
Experience on benefit obligation	6.3	(16.9)
Changes in financial assumptions	(38.0)	62.5
Changes in demographic assumptions	(1.1)	(2.2)
Benefits paid	(7.6)	(7.8)
Exchange movements	0.8	(1.0)
At 31 December	346.5	368.9

Notes to the Financial Statements

9 Retirement benefit schemes continued

Analysis of the scheme liabilities:

	2021 £m	2020 £m
UK	283.5	302.9
USA	23.8	24.7
Canada	39.2	41.3
At 31 December	346.5	368.9

Movements in fair value of scheme assets were:

	2021 £m	2020 £m
At 1 January	289.5	277.2
Interest on plan assets	6.0	5.4
Actuarial return on plan assets less interest on plan assets	32.4	10.8
Contributions by the employer	3.1	4.7
Benefits paid	(7.3)	(7.4)
Administrative expenses	(0.1)	(0.1)
Exchange movements	0.7	(1.1)
At 31 December	324.3	289.5

Analysis of scheme assets:

	2021 £m	2020 £m
Equities	196.2	190.9
Corporate bonds	75.0	46.4
Multi-asset credit funds	39.0	19.9
Other	14.1	32.3
Fair value of plan assets	324.3	289.5

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

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

Notes to the Financial Statements

9 Retirement benefit schemes continued

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

2021

	UK	USA	Canada
Discount rate	1.97%	2.65%	3.25%
Expected rate of salary increase	3.60%	n/a	3.50%
Expected rate of future pension increase	3.23%	2.50%	2.00%
Inflation	3.23%	2.50%	2.00%

2020

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

	Male		Female	
	2021	2020	2021	2020
Life expectancy of a 65 year old today				
UK	23.8	23.7	26.1	26.0
USA	20.5	20.4	22.5	22.4
Canada	23.2	23.1	25.6	25.5
Life expectancy of a 65 year old in 20 years				
UK	25.4	25.3	27.7	27.7
USA	22.0	21.9	23.9	23.8
Canada	24.2	24.1	26.4	26.4

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

	Total defined benefit obligation £m	Approximate charge in 2022 £m
Based on the assumptions above	346.5	10.0
Approximate impact of:		
Increase in discount rate by 0.25%	(17.2)	(0.5)
Increase in inflation rate by 0.25%	17.9	0.6
Increase in life expectancy by one year at 65	15.4	0.5

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

Notes to the Financial Statements

10 Directors' remuneration details

	2021 £000	2020 £000
Aggregate remuneration:		
Emoluments	4,211	2,690
Performance-related bonus	409	491
Long-term incentive scheme	1,910	296
	6,530	3,477

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

The amounts above include, for the highest paid Director, emoluments of £1,484,000 (2020: £1,205,000) and a long-term incentive plan payment of £2,177,000 (2020: £223,000).

Retirement benefits accrued to one Director. The total annual accrued pension under the defined benefit pension schemes was £230,000 (2020: £211,000) and for the highest paid Director was £nil (2020: £nil). Total contributions in respect of money purchase pension benefits were £nil (2020: £nil) and for the highest paid Director were £nil (2020: £nil).

11 Net gains on other investments

	2021 £m	2020 £m
Profit on disposal of trade investments/other fixed assets	62.7	1.0
	62.7	1.0

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

	2021 £m	2020 £m
Valuation gains on investment property	100.5	–
Valuation losses on investment property	–	(243.1)
Valuation losses on redevelopment properties	(13.9)	(2.5)
Net valuation gains/(losses) on investment property	86.6	(245.6)
Profit on disposal of investment property	26.5	4.5
	113.1	(241.1)

Notes to the Financial Statements

13 Net financing costs

	2021 £m	2020 £m
Interest income	6.1	10.4
Other financial income	9.5	7.0
Financial income	15.6	17.4
Gross interest expense	(45.6)	(49.6)
Interest expense on lease liabilities	(1.0)	(1.2)
Interest capitalised	13.8	12.6
Commitment and other financing costs	(7.3)	(5.6)
Financial expenses	(40.1)	(43.8)
Fair value adjustments of interest rate swaps and foreign exchange contracts	1.0	(1.3)
Fair value adjustments of embedded derivatives related to structured development loans	10.1	1.9
Total fair value adjustments	11.1	0.6
Net financing costs	(13.4)	(25.8)

The average rate of interest capitalised in the year was 4.7% (2020: 5.7%).

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

Notes to the Financial Statements

14 Corporate income tax

Recognised in the income statement

	2021 £m	2020 £m
Current tax charge / (credit)		
UK corporation tax at 19.00% (2020: 19.00%)	12.4	2.0
Overseas tax	18.4	3.7
Adjustment for prior years	0.7	(2.6)
	31.5	3.1
Deferred tax charge / (credit)		
Origination and reversal of temporary differences	34.1	(63.8)
Effect of tax rate change	119.0	44.8
Adjustment for prior years	(2.1)	2.8
	151.0	(16.2)
Total income tax charge/(credit) in the income statement	182.5	(13.1)

Deferred tax recognised in other comprehensive income

	2021 £m	2020 £m
Revaluation of property plant and equipment	7.3	0.1
Fair value adjustments on financial instruments treated as cash flow hedges	1.7	(0.9)
Actuarial gains/(losses) on defined pension benefit schemes	14.4	(5.9)
	23.4	(6.7)
Reconciliation of effective tax rate		
Profit/(loss) before taxation	298.5	(310.8)
Less: share of (profit)/loss of joint ventures	(157.5)	28.7
Add: profit/(loss) of joint ventures where the tax charge is directly attributable to the Group	131.5	(32.9)
Adjusted Group profit/(loss) before taxation	272.5	(315.0)
Tax on adjusted Group profit/(loss) at standard UK corporation tax rate of 19.00% (2020: 19.00%)	51.8	(59.9)
Effect of foreign tax rates	11.3	(3.3)
Expenses not deductible for tax purposes	0.4	0.6
Provision for uncertain tax positions	–	(4.2)
Deferred tax not recognised	0.9	8.3
Effect of tax rate change on deferred tax balance	(1.4)	0.2
Other adjustments	0.5	0.3
Total income tax charge/(credit) in the income statement	63.5	(57.9)
Effective tax rate based on adjusted Group profit excluding prior year adjustments	23.3%	18.4%
Effect of tax rate change on deferred tax balance	119.0	44.8
Total income tax charge/(credit) in the income statement	182.5	(13.1)
Effective tax rate based on adjusted Group profit/(loss)	66.9%	4.2%

Notes to the Financial Statements

14 Corporate income tax continued

Factors affecting tax charges

Grosvenor, as an international property group, pays taxes in the jurisdictions in which it has operations and holds interests in property. The Group's tax charge and effective tax rate are a direct reflection of the mix of profits across the business regions. The Group's profits are comprised of realised profits, being net revenue and gains on property disposals, and unrealised profits, being revaluations of investment properties. The Group accrues and pays current tax to local governments on realised profits and gains, and accrues deferred tax on unrealised profits on investment properties not yet sold.

A current tax rate of 19%, being the UK corporation tax rate throughout the period, has been applied to the year ended 31 December 2021.

From 1 April 2023, the UK corporation tax rate will increase to 25% (Finance Act 2021). A deferred tax rate of 25% has therefore been applied to UK opening balances and movements in deferred tax in the year ended 31 December 2021.

The 2021 total tax charge of £182.5m includes a current tax (CT) charge of £31.5m, and a deferred tax (DT) charge of £151.0m.

The CT charge of £31.5m is due to:

- Tax arising on investment property disposals during 2021.
- The impact of the Corporate Interest Restriction rules in the UK.
- The effect of foreign tax rates and withholding taxes on overseas profits.
- CT on rental income and other revenues.

The DT charge of £151.0m is due to:

- The adjustment to increase UK DT provisions made in earlier years from 19% to 25% has led to an exceptional DT charge of £119.0m.

The balance of the DT charge is £32.0m which is due to:

- Release of DT liabilities previously booked on investment property disposals.
- Movement in DT arising from the revaluation movement in the accounts.
- A restatement of deferred tax provisions made in earlier years.

The Group's share of joint ventures' and associates' tax charges of £5.3m (2020: credits of £1.7m) are included in the Share of profit from joint ventures and associates shown in the Consolidated income statement.

For information on the Group's global tax contribution, refer to [page 22](#) of the Directors' report.

15 Property assets

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

		2021 £m	2020 £m
Investment property	– Group	4,207.4	4,111.5
	– Share of joint ventures and associates	2,221.8	1,768.3
Investment properties under development	– Group	233.6	155.3
	– Share of joint ventures and associates	13.2	28.3
Trading properties	– Group	382.5	347.8
	– Share of joint ventures and associates	88.5	175.7
Other financial assets*		118.9	142.3
Total property assets		7,265.9	6,729.2

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

Notes to the Financial Statements

16 Investment property

	Completed property			Under development			Total £m
	Freehold £m	Leasehold £m	Total £m	Freehold £m	Leasehold £m	Total £m	
At January 2020	1,055.4	3,381.0	4,436.4	102.0	22.6	124.6	4,561.0
Acquisitions	57.6	1.4	59.0	-	-	-	59.0
Costs capitalised	8.2	19.0	27.2	10.5	-	10.5	37.7
Disposals	(54.3)	(52.4)	(106.7)	-	-	-	(106.7)
Revaluation losses	(44.2)	(192.9)	(237.1)	(8.5)	-	(8.5)	(245.6)
Transfer to development projects	-	(28.7)	(28.7)	-	28.7	28.7	-
Transfer to investment in joint ventures	(62.5)	-	(62.5)	-	-	-	(62.5)
Transfer from trading properties	15.7	-	15.7	-	-	-	15.7
Exchange movements	6.1	2.1	8.2	-	-	-	8.2
At 31 December 2020	982.0	3,129.5	4,111.5	104.0	51.3	155.3	4,266.8
Acquisitions	174.9	58.2	233.1	-	-	-	233.1
Costs capitalised	6.7	39.8	46.5	24.9	-	24.9	71.4
Disposals	(52.3)	(73.9)	(126.2)	-	-	-	(126.2)
Revaluation gains/(losses)	109.2	(8.7)	100.5	(13.9)	-	(13.9)	86.6
Transfer to development project	-	(67.3)	(67.3)	-	67.3	67.3	-
Transfer to investments in joint ventures	(69.2)	-	(69.2)	-	-	-	(69.2)
Exchange movements	(12.3)	(9.2)	(21.5)	-	-	-	(21.6)
At 31 December 2021	1,139.0	3,068.4	4,207.4	115.0	118.6	233.6	4,441.0

Investment properties were valued at 31 December 2021 by independent external valuers on the basis of market value in accordance with generally accepted international valuation standards. Valuations were performed as follows:

			£m
GPUK	Freehold	Cushman & Wakefield, Chartered Surveyors	213.4
	Long leasehold	Cushman & Wakefield, Chartered Surveyors	3,093.7
GPA	Freehold	Altus Group, Research valuation and advisory	745.6
GPAsia	Freehold	Tanizawa SOGO Appraisal Co Ltd	89.7
	Long leasehold	Tanizawa SOGO Appraisal Co Ltd	93.4
GPEurope	Freehold	Colliers International Consultancy and Valuation	130.5
	Freehold	CB Richard Ellis	74.7
			4,441.0

The historical cost of the Group's investment properties was £1,983.8m (2020: £1,867.4m).

The carrying value of investment properties includes capitalised interest of £63.5m (2020: £52.0m).

At 31 December 2021, investment properties with a carrying amount of £2,272.3m were pledged as security for bank loans (2020: £2,203.1m).

Notes to the Financial Statements

16 Investment property continued

Fair value measurement

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

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

Valuation reports are based on both information provided by the Group e.g. current rents and lease terms which is derived from the Group's financial and property management systems and is subject to the Group's overall control environment, and assumptions applied by the valuers e.g. ERVs and yields. These assumptions are based on market observation and the valuers' professional judgement. The 2021 fair value represents the highest and best use of the properties.

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

Notes to the Financial Statements

16 Investment property continued

Class of property	Fair value hierarchy	Valuation/FV 2021 £m	Valuation/FV 2020 £m	Valuation technique	Valuation inputs	Average property 2021	Average property 2020
GPUK – Office	Level 3	1,230.2	1,126.1	Investment method and market comparable method	Weighted average ERV psf	£72 psf	£70 psf
					ERV range psf	£19–£126 psf	£19–£123 psf
					Weighted average Eq yld	4.3%	4.3%
					Equivalent yield range	3.5%–6.3%	3.4%–6.3%
GPUK – Retail	Level 3	794.1	918.0	Investment method and market comparable method	Weighted average ERV psf	£54 psf	£52 psf
					ERV range psf	£3–£125 psf	£3–£143 psf
					Weighted average Eq yld	3.9%	3.8%
					Equivalent yield range	3.3%–5.5%	3.2%–5.7%
GPUK – Residential	Level 3	847.0	904.0	Investment method and market comparable method	Average revaluation capital value psf	£1,540 psf	£1,310 psf
					Capital value range psf	£60–£3,260 nsf	£13–£3,146 nsf
GPUK – Hotel	Level 3	106.0	60.0	Discounted cash flow method and market comparable method	Weighted average ERV psf	£46 psf	£21 psf
					ERV range psf	£45–£47 psf	£1–£45 psf
					Weighted average Eq yld	5.2%	5.1%
					Discount rate range	4.0%–6.0%	4.0%–6.0%
GPUK – Investment properties under development	Level 3	437.0	223.0	Residual approach	Average capital value psf	n/a	n/a
					ERV range psf	£37–£118 psf	£35–£93 psf
					Exit yield	3.6%	4.4%
GPA – Office	Level 3	183.6	175.0	Discounted cash flow	Weighted average capitalisation rate	5.4%	5.1%
					Weighted average discount rate	6.2%	5.9%
GPA – Retail	Level 3	127.0	158.1	Discounted cash flow	Weighted average capitalisation rate	4.9%	4.5%
					Weighted average discount rate	6.3%	6.1%
GPA – Residential	Level 3	148.5	139.5	Discounted cash flow	Weighted average capitalisation rate	4.9%	5.0%
					Weighted average discount rate	6.1%	6.3%
GPA – Industrial	Level 3	286.4	199.3	Discounted cash flow	Weighted average capitalisation rate	4.8%	4.8%
					Weighted average discount rate	5.8%	5.8%
GPAAsia – Retail	Level 3	183.1	201.7	Investment method and market comparable method	Weighted average passing rents psf	£131 psf	£146 psf
					Weighted average ERV psf	£144 psf	£164 psf
					Weighted average running yield	3.3%	2.9%
					Weighted average reversionary yield	3.6%	3.3%
GPEurope	Level 3	205.2	203.4	(Shopping centre) Investment method and market comparable method	Weighted average ERV psf	£59 psf	£24 psf
					ERV range psf	£33–£80 psf	£5–£67 psf
					Equivalent yield range	5.0%	5.0%
					Weighted average ERV psf	£82 psf	£20 psf
				Investment method and market comparable method	ERV range psf	£59–£112 psf	£18–£22 psf
					Weighted average Eq yld	4.1%	4.8%
					Equivalent yield range	4.0%–4.3%	4.7%–5.0%
Total		4,548.1	4,308.0				

Notes to the Financial Statements

16 Investment property continued

The table above includes owner occupied property of £107.1m (2020 £41.3m).

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

Fair value hierarchy:

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

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

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

There were no transfers between levels during the year.

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

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

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

Sensitivity to significant changes in unobservable inputs

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

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

Sector	Market value	+5% ERV	-5% ERV	+5% Capital value	-5% Capital value	+25bp Equivalent yield	-25bp Equivalent yield	+25bp Capitalisation rate	-25bp Capitalisation rate	+100bp Disc rate	-100 bp Disc rate
Office	1,544.9	56.0	(55.5)	–	–	(85.9)	99.2	(13.0)	13.9	(5.4)	5.5
Retail	1,178.3	42.9	(42.7)	–	–	(64.7)	74.2	(20.5)	22.4	(10.2)	11.1
Residential	995.5	–	–	41.3	(40.9)	(16.8)	18.3	(8.9)	9.6	(3.7)	4.1
Industrial	286.3	–	–	–	–	–	–	(11.4)	12.6	(5.2)	5.8
Hotel	106.0	–	–	4.9	(1.9)	(9.2)	10.5	–	–	–	–
Total	4,111.0	98.9	(98.2)	46.2	(42.8)	(176.6)	202.2	(53.8)	58.5	(24.5)	26.5

* Total market value excludes £437.0m of investment properties under development and includes £107.1m of property classed in Other Property, Plant and Equipment.

Notes to the Financial Statements

17 Other property, plant and equipment

2021

	Land and buildings £m	Leasehold improvements £m	Computer and IT equipment £m	Fixtures, fittings and motor vehicles £m	Total £m
Cost					
At 1 January 2021	41.3	13.9	34.1	16.9	106.2
Additions	58.8	0.1	1.5	0.6	61.0
Disposals	–	–	(0.1)	(0.6)	(0.7)
Revaluation gains	7.0	–	–	–	7.0
At 31 December 2021	107.1	14.0	35.5	16.9	173.5
Depreciation					
At 1 January 2021	–	(8.4)	(25.1)	(10.2)	(43.7)
Depreciation charge for the year	–	(1.1)	(3.7)	(1.6)	(6.4)
Disposals	–	–	0.1	0.5	0.6
At 31 December 2021	–	(9.5)	(28.7)	(11.3)	(49.5)
Carrying amount					
At 1 January 2021	41.3	5.5	9.0	6.7	62.5
At 31 December 2021	107.1	4.5	6.8	5.6	124.0

2020

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

The land and buildings above are long leasehold properties and were valued at 31 December 2021 by independent valuers Cushman & Wakefield, Chartered Surveyors, on the basis of fair value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Notes to the Financial Statements

17 Other property, plant and equipment continued

The historical cost of the revalued land and buildings above at 31 December 2021 was £71.3m (2020: £12.5m).

The carrying value of the freehold land and buildings above includes capitalised interest of £nil (2020: £nil).

At 31 December 2021, land and buildings above with a carrying value of £nil were pledged as security for bank loans (2020: £nil).

18 Right-of-use of assets and lease liabilities

As of 1 January 2021, the Group had recognised £29.4m of right-of-use assets and £44.1m of lease liabilities.

During the year, the Group purchased the remaining 50% ownership of 70 Grosvenor Street. This resulted in a simultaneous addition (£15.4m) and disposal (£30.9m) of right-of-use assets, as well as the release of the related lease liability. Regarding lease liabilities, the interest charge depends on the applied incremental borrowing rate for the respective lease component. The weighted average rate of the incremental borrowing rate is 2.4% for office buildings.

	Right-of-use assets £m
At 1 January 2021	29.4
Additions	15.4
Depreciation of right-of-use assets	(4.4)
Disposals	(30.9)
Effects of movement in exchange rates	(0.1)
At 31 December 2021	9.4

	Lease liabilities £m
Current	2.8
Non-current	18.4
	21.2

	Right-of-use assets £m
At 1 January 2020	31.6
Additions	2.7
Depreciation of right-of-use assets	(4.9)
Disposals	-
Effects of movement in exchange rates	-
At 31 December 2020	29.4

	Lease liabilities £m
Current	3.1
Non-current	41.0
	44.1

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

Notes to the Financial Statements

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

Amounts recognised in the income statement:

	2021 £m	2020 £m
Interest expense on lease liabilities	1.0	1.2
Expense relating to short-term leases	0.3	0.3
Expense relating to leases of low-value assets	0.2	0.2
Charged to the income statement	1.5	1.7

Maturity analysis

	2021 £m	2020 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	5.6	5.6
Between one and five years	17.8	17.8
More than five years	24.2	24.2
Total undiscounted lease liabilities at 31 December	47.6	47.6

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

Notes to the Financial Statements

19(a) Investments in joint ventures and associates

2021

	Proprietary assets – Direct				Proprietary assets – Indirect		Total £m
	GPUK £m	GPA £m	GPAsia £m	GPEurope £m	Sonae Sierra* £m	Third-Party Managed £m	
Share of profit from joint ventures and associates							
Revenue	22.2	154.0	33.6	30.2	28.5	29.7	298.2
Property costs	(18.3)	(100.5)	(12.0)	(21.4)	(6.4)	(11.6)	(170.2)
Net property income	3.9	53.5	21.6	8.8	22.1	18.1	128.0
Administrative expenses	(0.3)	(0.4)	(0.7)	(0.6)	(12.7)	(4.0)	(18.7)
Net financing income/(costs)	(1.2)	(6.0)	(7.2)	(1.6)	(3.1)	(5.9)	(25.0)
Revenue profit	2.4	47.1	13.7	6.6	6.3	8.2	84.3
Net gains/(losses) on revaluation and sale of investment properties	(7.2)	17.0	12.7	(1.4)	(1.8)	58.0	77.3
Derivative fair value adjustments	–	0.2	0.2	–	–	0.8	1.2
Profit/(loss) before tax	(4.8)	64.3	26.6	5.2	4.5	67.0	162.8
Current tax	(0.2)	(0.2)	(1.3)	(0.6)	(1.1)	–	(3.4)
Deferred tax	–	–	(1.5)	0.2	(0.6)	–	(1.9)
	(5.0)	64.1	23.8	4.8	2.8	67.0	157.5
Share of assets and liabilities							
Non-current assets							
– investment properties	122.4	458.3	695.8	152.4	210.5	582.4	2,221.8
– investment properties under development	–	–	–	–	4.8	8.4	13.2
– other	1.1	–	0.1	0.1	4.6	–	5.9
Current assets							
– cash	7.9	10.5	27.2	12.2	50.6	15.8	124.2
– trading properties	2.8	45.9	27.4	12.4	–	–	88.5
– other	17.3	12.9	29.6	3.2	10.3	7.3	80.6
Non-current liabilities	(70.3)	(171.4)	(306.5)	(136.4)	(132.5)	(270.0)	(1,087.1)
Current liabilities	(24.9)	(16.1)	(45.6)	(5.5)	(18.3)	(26.9)	(137.3)
Net assets	56.3	340.1	428.0	38.4	130.0	317.0	1,309.8
Borrowings included in liabilities	(70.2)	(179.0)	(296.8)	(137.0)	(99.6)	(270.1)	(1,052.7)

* Grosvenor owned a 20% stake Sonae Sierra at 31 December 2021. In order to best reflect the underlying results of the Group, for purposes of presenting the Group's revenue profit ([Note 4](#)) and share of property assets ([Note 15](#)), Sonae Sierra's results have been incorporated on a proportionate share of its underlying investments.

Notes to the Financial Statements

19(a) Investments in joint ventures and associates continued

2020

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

* Grosvenor owned a 20% stake in Sonae Sierra at 31 December 2021. In order to best reflect the underlying results of the Group, for purposes of presenting the Group's revenue profit (Note 4) and share of property assets (Note 15), Sonae Sierra's results have been incorporated on a proportionate share of its underlying investments.

Notes to the Financial Statements

19(b) Investments in joint ventures and associates

Summarised financial information in respect of the Group's material associate, Sonae Sierra is set out below. This represents amounts shown in Sonae Sierra's Financial Statements prepared in accordance with IFRS and is prepared on a different basis to the information shown in [Note 19\(a\)](#) where it is presented on a management accounts basis.

Sonae Sierra

	2021 £m	2020 £m
Net rental income	83.2	59.3
Depreciation and amortisation	(2.4)	(2.5)
Other operating expenses	(74.9)	(103.1)
Financial income	1.5	1.8
Financial expenses	(8.1)	(9.1)
Share of results of associates	20.8	(42.1)
Gains on investments	0.1	52.4
Profit/(loss) before tax	20.2	(43.3)
Tax	(1.9)	2.0
Profit/(loss) after tax	18.3	(41.3)
Attributable to:		
Equity holders of Sonae Sierra	13.0	(37.2)
Non-controlling interest	5.3	(4.1)
Consolidated net profit/(loss) for the period	18.3	(41.3)
The Group's share of profit/(loss) for the year	2.8	(11.2)
	2021 £m	2020 £m
Non-current assets	806.0	853.8
Current assets		
– cash	202.1	222.7
– other current assets	30.2	34.3
Total assets	1,038.3	1,110.8
Non-current liabilities		
– non-current financial liabilities	(187.8)	(203.0)
– other non-current liabilities	(57.8)	(55.2)
Current liabilities		
– current financial liabilities	(41.7)	(59.0)
– other current liabilities	(45.8)	(64.1)
Total liabilities	(333.1)	(381.3)
Net assets	705.2	729.5
Shareholders' funds	649.9	676.0
Non-controlling interest	55.3	53.5
Total Equity	705.2	729.5
Carrying amount of the Group's interest in Sonae Sierra	130.0	202.8

Notes to the Financial Statements

19(c) Investments in joint ventures and associates

At 31 December 2021, the Group had the following principal interests in joint ventures and associates which are accounted for on the basis explained in [Note 1\(b\)](#):

	Principal activities	Country of incorporation/registration	Effective interest %	Group share of net assets £m
Grosvenor Property UK				
GC Bankside LLP	Property development	England and Wales	50.0	1.8
Grosvenor Liverpool Fund	Property investment	England and Wales	23.0	55.7
NLG Campden LLP	Property development	England and Wales	16.7	0.3
Trumpington Meadows Land Company Limited	Property development	England and Wales	50.0	0.7
Grosvenor Property Americas				
Joint ventures with BBCAF Inc	Property investment	United States of America	50.0/25.0	210.6
Joint ventures with the Getty Family Trust	Property investment	United States of America	50.0	18.7
GEMOA Inc	Property investment	United States of America	20.0	20.9
Joint ventures with PSP and A TRF	Property investment	United States of America	51.0	0.4
Joint ventures with Clark Ballpark Residential LLC	Property investment	United States of America	50.0	0.1
Hoffman and True North Three LP	Property development	United States of America	26.7	6.1
Joint venture with ADMNS	Property investment	Canada	43.2	75.5
Joint venture with Transca & Citimark	Property development	Canada	30.7	10.8
Grosvenor Property Asia				
Richly Leader Limited*	Property investment	Hong Kong	50.0	275.2
Imperial Time Limited*	Property development	Hong Kong	20.0	10.3
Nanjing Maoxu Investment Co. Limited	Property investment	China	50.0	91.1
Grosvenor Park Partners Limited	Property development	Cayman Islands	63.3	15.4
Azabu Tokutei Mokuteki Kaisya	Property development	Japan	50.0	16.5
GPT Tokutei Motuteki Kaisya	Property development	Japan	67.8	11.8
Kinshicho Tower Tokutei Mokuteki Kaisya	Property development	Japan	51.0	8.1
Paramount Shine Limited	Property development	Hong Kong	30.0	0.1
Grosvenor Asia Standard (China) Limited	Marketing and research	BVI	50.0	(0.3)
Fortune Joy Properties Limited	Property investment	Hong Kong	50.0	(0.1)

* Associate (all other investments are joint ventures).

Notes to the Financial Statements

19(c) Investments in joint ventures and associates continued

	Principal activities	Country of incorporation/registration	Effective interest %	Group share of net assets £m
Grosvenor Property Europe				
Grosvenor London Office Fund*	Property investment	England and Wales	12.7	18.6
Grosvenor Retail European Properties	Property investment	Luxembourg	14.0	0.2
Grosvenor European Retail Partnership	Property investment	Luxembourg	5.0	1.8
Retail Centres V (Sweden) Limited Partnership	Property investment	England and Wales	17.6	32.0
Urban Value add 1 Spain	Property investment	Spain	50.0	21.0
Madrid Office JV	Property investment	Spain	50.0	24.7
Paris Office JV	Property investment	Paris	50.0	4.7
Diversified Property Investments				
Sonae Sierra SGPS SA	Property investment and development	Portugal	20.0%	129.9
Australian Diversified Healthcare Fund	Property investment	Australia	50.0%	15.1
Stockdale Parking, LLC	Property investment	United States of America	90.0%	13.0
Polish Logistics (UK) LLP	Property investment	England and Wales	99.0%	115.2
AGP JV LLC	Property investment	United States of America	99.0%	87.4
Brazilian Student Housing JV LLC	Property investment	United States of America	80.0%	26.8
MP Fund III Platform JV, LLC	Property investment	United States of America	50.0%	14.3
Gateway Capital Industrial Partnership	Property investment	Australia	97.0%	45.0

* Associate (all other investments are joint ventures).

19(d) Investments in joint ventures and associates

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

19(e) Event after the reporting period

In March 2022, the Group committed to the sale of a 10% stake in Sonae Sierra to Sonae SGPS, which will reduce our holding to 10%.

Notes to the Financial Statements

20 Other financial assets

	2021 £m	2020 £m
Non-current assets		
Equity shares	8.8	2.6
Structured development loans	23.8	29.0
Other financial assets	77.8	105.8
	110.4	137.4
Current assets		
Structured development loans	16.7	12.9
Other financial assets	0.1	-
Current portion of currency swaps	-	-
	16.8	12.9

Included in the above are property-related financial assets of £118.8m (2020: £142.3m).

Structured development loans

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

Notes to the Financial Statements

21 Intangible assets

2021

	Goodwill £m	Total £m
Cost		
At 1 January 2021	7.2	7.2
Additions	0.7	0.7
Disposals	(2.4)	(2.4)
Exchange movements	(0.4)	(0.4)
At 31 December 2021	5.1	5.1
Amortisation/impairment		
At 1 January 2021	–	–
At 31 December 2021	–	–
Carrying amount		
At 1 January 2021	7.2	7.2
At 31 December 2021	5.1	5.1

2020

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

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

Disposal of goodwill relates to the sale of 10% stake in Sonae Sierra in 2021.

Notes to the Financial Statements

22 Trade and other receivables

	2021 £m	2020 £m
Current receivables		
Trade receivables	42.6	43.4
Contract assets	–	1.5
Expected credit loss allowance	(11.6)	(20.5)
	31.0	24.4
Receivables due from joint ventures	16.2	3.1
Other receivables	26.2	32.0
Prepayments	6.0	6.0
Accrued income	4.2	3.5
	83.6	69.0
Non-current receivables		
Receivables due from joint ventures	84.5	125.2
	84.5	125.2
	168.1	194.2

Non-current receivables relate to loans to joint ventures which are considered to be low credit risk. Credit risks for these loans have not increased since their initial recognition.

The expected loss provision mainly relates to rental and other arrears and rent-free debtors in GPUK, with some tenants within this segment continuing to be impacted by the difficult trading conditions caused by Covid-19 in 2021.

Sensitivity to significant changes in unobservable inputs of loss allowance

	Expected credit loss (£m)					
	Recorded on the balance sheet	Recorded on the income statement*	10 percentage point increase in default rate – balance sheet	10 percentage point decrease in default rate – balance sheet	10 percentage point increase in default rate – income statement	10 percentage point decrease in default rate – income statement
Expected credit loss – trade receivables	11.6	1.5	2.3	(2.5)	0.8	(1.0)
Expected credit loss – rent-free debtors*	6.8	–	1.3	(1.3)	1.3	(1.3)

* A further £0.4m of expected credit losses have been recognised on the income statement relating to loans made to joint ventures. A change of 10 percentage points on this balance would lead to a +/- £0.1m impact on the income statement.

Notes to the Financial Statements

23 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

	2021			2020		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Investment property – contingent gains	–	(733.5)	(733.5)	–	(562.8)	(562.8)
Investment property – deferred gains	46.7	–	46.7	36.0	–	36.0
Other property, plant and equipment	–	(14.4)	(14.4)	–	(9.3)	(9.3)
Interest-bearing loans and borrowings	0.5	–	0.5	2.3	–	2.3
Employee benefits	11.8	–	11.8	21.0	–	21.0
Tax value and loss carry-forwards recognised	0.7	–	0.7	0.5	–	0.5
Tax assets/(liabilities)	59.7	(747.9)	(688.2)	59.8	(572.1)	(512.3)

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

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

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

At 31 December 2021, the total of these temporary differences was £830.9m (2020: £717.9m) and the potential tax effect was £41.5m (2020: £35.9m), accruing principally as a result of potential dividend withholding taxes levied by overseas tax jurisdictions.

Unrecognised deferred tax assets

	2021 £m	2020 £m
Tax losses	90.1	80.8

Movement in temporary differences during the year

	Balance at 1 January 2021 £m	Recognised in income £m	Recognised in equity £m	Exchange movement £m	Balance at 31 December 2021 £m
Investment property – contingent gains	(562.8)	(162.1)	(7.3)	(1.3)	(733.5)
Investment property – deferred gains	36.0	11.0	–	(0.3)	46.7
Other property, plant and equipment	(9.3)	(5.1)	–	–	(14.4)
Interest-bearing loans and borrowings	2.3	(0.1)	(1.7)	–	0.5
Employee benefits	21.0	5.1	(14.4)	0.1	11.8
Tax value and loss carry-forwards recognised	0.5	0.2	–	–	0.7
Tax liabilities	(512.3)	(151.0)	(23.4)	(1.5)	(688.2)

Notes to the Financial Statements

24 Trading properties

	2021 £m	2020 £m
At 1 January	347.8	207.8
Additions	46.9	146.4
Capitalised interest	2.4	3.5
Disposals	(3.9)	(11.6)
Provision for impairment	(8.0)	(2.6)
Transfer to investment properties	–	–
Transfer from assets held for sale	–	12.9
Exchange movements	(2.7)	(8.6)
	382.5	347.8

At 31 December 2021, trading properties with a carrying value of £189.2m were pledged as security for bank loans (2020: £104.4m).

25 Cash and cash equivalents

	2021 £m	2020 £m
Bank balances	344.1	466.5
Cash deposits	206.2	233.0
Cash and cash equivalents	550.3	699.5
Cash and cash equivalents in the statement of cash flows	550.3	699.5

The amount of cash and cash equivalents not available for use by the Group totals £55.7m (2020: £57.0m), of which £3.0m (2020: £4.8m) has been pledged as collateral.

26 Interest-bearing loans and borrowings

	2021 £m	2020 £m
Non-current liabilities		
Secured bank loans	426.2	413.6
Secured bond issues	250.9	251.2
Unsecured bond issues	405.0	465.0
Loan from joint ventures	–	–
Deferred finance costs	(6.7)	(3.3)
Currency swaps	(0.2)	2.8
	1,075.2	1,129.3
Current liabilities		
Current portion of secured bank loans	–	51.2
Current portion of unsecured bank loans	60.0	–
	60.0	51.2
	1,135.2	1,180.5

The secured bank loans and secured bonds are secured over investment properties with a carrying value of £2,216.8m (2020: £2,203.1m) and trading properties with a carrying value of £189.2m (2020: £104.4m). Included in secured bond issues is £0.9m (2020: £1.1m) of net unamortised premium.

Notes to the Financial Statements

27 Financial instruments

Capital risk management

The capital structure of the Group comprises debt, which includes the borrowings disclosed in [Note 26](#); cash and cash equivalents disclosed in [Note 25](#); and equity, comprising issued share capital as disclosed in [Notes 33](#) and the SOCIE.

The Group manages its capital to optimise the allocation of equity between the Operating Companies and Indirect Investments and to enable them to meet their short-, medium- and long-term targets. Internal gearing and interest cover limits are set for each Operating Company. Group gearing on an IFRS basis at the year end is 12.2% (2020: 11.2%); while gearing on an economic basis is 31.6% (2020: 25.7%).

Categories of financial instruments and their fair values

2021

	Effective interest rate %	Financial assets at amortised cost £m	At fair value through profit and loss £m	At fair value through other comprehensive income £m	Total carrying amount £m	Fair value £m
Financial assets:						
Equity shares		–	–	8.8	8.8	8.8
Structured development loans (current and non-current)	10.0	–	40.5	–	40.6	40.6
Other financial assets		–	–	69.6	69.6	69.6
Trade and other receivables	6.0	157.9	–	–	157.9	157.9
Cash and cash equivalents	0.0	550.3	–	–	550.3	550.3
Total financial assets		708.2	40.5	78.4	827.1	827.1

Notes to the Financial Statements

27 Financial instruments continued

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

	Effective interest rate %	Financial liabilities at amortised cost £m	Total carrying amount £m	Fair value £m
Financial liabilities:				
Fixed rate loans				
Sterling secured bond 2026	6.5	(200.9)	(200.9)	(247.2)
Sterling secured mortgage 2034	10.4	(50.0)	(50.0)	(93.2)
Sterling unsecured bond 2022	3.4	(60.0)	(60.0)	(62.0)
Sterling unsecured bond 2028	2.8	(100.0)	(100.0)	(108.0)
Sterling unsecured bond 2031	5.6	(95.0)	(95.0)	(124.4)
Sterling unsecured bond 2033	3.0	(105.0)	(105.0)	(113.8)
Sterling unsecured bond 2037	5.0	(30.0)	(30.0)	(39.9)
Sterling unsecured bond 2040	3.1	(45.0)	(45.0)	(47.9)
Sterling unsecured bond 2041	6.1	(30.0)	(30.0)	(45.3)
Canadian Dollars	2.8	(33.7)	(33.7)	(33.7)
Japanese Yen	0.9 – 1.0	(130.5)	(130.5)	(130.5)
Euros	1.5	(30.2)	(30.2)	(30.2)
Total fixed rate loans		(910.3)	(910.3)	(1,076.1)
Floating rate loans fixed through interest rate swaps				
US Dollars	2.9	(101.3)	(101.3)	(101.3)
Canadian Dollars	4.0	(5.1)	(5.1)	(5.1)
Euros	0.9	(21.2)	(21.2)	(21.2)
Total floating rate loans fixed through interest rate swaps		(127.6)	(127.6)	(127.6)
Floating rate loans				
US Dollars	2.3	(36.7)	(36.7)	(36.7)
Canadian Dollars	2.9	(58.3)	(58.3)	(58.3)
Euros	0.9	(8.0)	(8.0)	(8.0)
Total floating rate loans		(103.0)	(103.0)	(103.0)
Lease liabilities	3.3	(21.2)	(21.2)	(21.2)
Loans from joint ventures	1.3	(19.1)	(19.1)	(19.1)
Deferred finance costs		6.7	6.7	6.7
Trade and other payables		(134.0)	(134.0)	(134.0)
Total financial liabilities		(1,308.5)	(1,308.5)	(1,474.3)

Notes to the Financial Statements

27 Financial instruments continued

	At fair value through profit and loss £m	Total carrying amount £m	Fair value £m
Derivatives			
Interest rate swaps			
US Dollars	(0.9)	(0.9)	(0.9)
Canadian Dollars	(0.1)	(0.1)	(0.1)
Total interest rate swaps	(1.0)	(1.0)	(1.0)
Currency swaps			
Euros	0.2	0.2	0.2
Total currency swaps	0.2	0.2	0.2
Total derivatives	(0.8)	(0.8)	(0.8)

Notes to the Financial Statements

27 Financial instruments continued

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

	2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through other comprehensive income				
Equity shares	8.8	–	–	8.8
Other	–	–	69.6	69.6
Financial assets at fair value through profit and loss				
Structured development loans	–	–	40.5	40.5
Total financial assets	8.8	–	110.1	118.9
Financial liabilities at fair value				
Derivatives	–	(0.8)	–	(0.8)
Total financial liabilities	–	(0.8)	–	(0.8)

There were no transfers between levels during the period.

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

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

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

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

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

2020

	Effective interest rate %	Financial assets at amortised cost £m	At fair value through profit and loss £m	At fair value through other comprehensive income £m	Total carrying amount £m	Fair value £m
Financial assets:						
Equity shares		–	–	2.6	2.6	2.6
Structured development loans (current and non-current)	9.0	–	41.9	–	41.9	41.9
Other financial assets		–	–	97.8	97.8	97.8
Trade and other receivables	6.1	184.7	–	–	184.7	184.7
Cash and cash equivalents	0.4	699.5	–	–	699.5	699.5
Total financial assets		884.2	41.9	100.4	1,026.5	1,026.5

Notes to the Financial Statements

27 Financial instruments continued

	Effective interest rate %	Financial liabilities at amortised cost £m	Total carrying amount £m	Fair value £m
Financial liabilities:				
Fixed rate loans				
Sterling secured bond 2026	6.5	(201.0)	(201.0)	(256.1)
Sterling secured mortgage 2034	10.4	(50.0)	(50.0)	(97.4)
Sterling unsecured bond 2022	3.4	(60.0)	(60.0)	(63.4)
Sterling unsecured bond 2028	2.8	(100.0)	(100.0)	(108.8)
Sterling unsecured bond 2031	5.6	(95.0)	(95.0)	(127.1)
Sterling unsecured bond 2033	3.0	(105.0)	(105.0)	(114.3)
Sterling unsecured bond 2037	5.0	(30.0)	(30.0)	(40.4)
Sterling unsecured bond 2040	3.1	(45.0)	(45.0)	(48.0)
Sterling unsecured bond 2041	6.1	(30.0)	(30.0)	(45.9)
US Dollars	4.9	(17.1)	(17.1)	(17.1)
Canadian Dollars	3.7	(67.3)	(67.3)	(68.1)
Japanese Yen	0.9 – 1	(141.9)	(141.9)	(141.9)
Euros	1.8	(10.7)	(10.7)	(10.7)
Total fixed rate loans		(953.0)	(953.0)	(1,139.2)
Floating rate loans fixed through interest rate swaps				
US Dollars	4.7	(24.8)	(24.8)	(24.8)
Canadian Dollars	4.0	(5.2)	(5.2)	(5.2)
Euros	0.9	(22.5)	(22.5)	(22.5)
Swedish Krona	1.7	(30.2)	(30.2)	(30.2)
Total floating rate loans fixed through interest rate swaps		(82.7)	(82.7)	(82.7)
Floating rate loans				
US Dollars	4.0	(80.1)	(80.1)	(80.1)
Canadian Dollars	4.0	(48.9)	(48.9)	(48.9)
Euros	0.9	(8.5)	(8.5)	(8.5)
Swedish Krona	1.7	(7.3)	(7.3)	(7.3)
Total floating rate loans		(144.8)	(144.8)	(144.8)
Lease liabilities	2.9	(44.1)	(44.1)	(44.1)
Trade and other payables		(116.8)	(116.8)	(116.8)
Total financial liabilities		(1,341.4)	(1,341.4)	(1,527.6)

Notes to the Financial Statements

27 Financial instruments continued

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

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

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

There were no transfers between levels during the period.

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

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

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

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

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

Notes to the Financial Statements

27 Financial instruments continued

Financial risk management

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

Treasury policies, approved by the Board, are:

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

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

Interest rate risk

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

The total average cost of debt for the year ended 31 December 2021 was 3.9% (2020: 4.1%).

Notes to the Financial Statements

27 Financial instruments continued

Interest rate sensitivity

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

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

		2021 £m	2020 £m
Increase in results for the year	- interest	2.2	3.2
	- mark to market of interest rate swaps	2.7	1.1
	- tax charge	(0.9)	(0.8)
Total impact on profit and equity		4.0	3.5

Similarly, if interest rates had been 0.5% lower, then Group profit and equity would have decreased by £4.0m (2020: £3.5m).

As part of the Group's interest rate risk management, interest rate swaps exchanging floating for fixed interest with a notional principal of £107.4m (2020: £27.2m) and a fair value liability of £3.2m (2020: £4.1m liability) were designated for cash flow hedge accounting at 31 December 2021.

These hedges were highly effective during the year.

Foreign currency risk

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

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

Equity price risk

The Group is exposed to equity price risks arising from its equity investments disclosed in [Note 20](#). Equity investments designated as fair value through other comprehensive income are held for strategic rather than trading purposes.

Equity price sensitivity

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

If equity prices had been 10% higher/lower, other equity reserves would increase/decrease by £0.9m (2020: increase/decrease by £0.3m) as a result of changes in fair value of equity shares.

Notes to the Financial Statements

27 Financial instruments continued

Credit risk

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

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

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures.

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

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

2021	Note	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Financial assets at amortised cost							
Trade and other receivables	22	N/A	Low risk	12m ECL	85.2	(11.6)	73.6
Loans to joint ventures	22	N/A	Low risk	12m ECL	100.9	(0.2)	100.7
Contract assets	22	N/A	Low risk	12m ECL	–	–	–
Cash and cash equivalents	25	Refer to Note 27	Low risk	12m ECL	550.3	–	550.3
Pledged bank deposits	25	A–	Low risk	12m ECL	40.7	–	40.7

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

	Total cash and cash equivalents at 31 December	
	2021 £m	2020 £m
AAA	209.2	416.5
AA–	35.8	65.0
A+	147.7	116.8
A	146.9	87.4
A–	10.4	13.6
BBB+	0.3	0.2
BBB	–	–
BBB–	–	–
	550.3	699.5

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

Trade receivables at the year end totalled £31.0m net of ECL allowances of £11.6m (2020: £24.4m net of ECL allowances of £20.5m) of which £7.3m was outstanding at 1 March 2022 (1 March 2021: £5.4m). Levels of allowances in 2021 and 2020 reflect the impact of Covid-19.

Notes to the Financial Statements

27 Financial instruments continued

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

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

Liquidity risk

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

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

	Drawn facilities		Undrawn facilities	
	2021 £m	2020 £m	2021 £m	2020 £m
Expiring in less than one year	64.9	51.0	–	24.2
Expiring from one to two years	63.1	60.2	–	50.0
Expiring from two to five years	455.9	355.3	1,216.9	940.1
Expiring after more than five years	576.1	711.2	–	–
Total	1,160.0	1,177.7	1,216.9	1,014.3

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

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

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

2021

	Fixed rate loans £m	Floating rate loans £m	Lease liabilities £m	Other £m	Total £m
Due within one year	100.2	9.2	3.9	124.6	237.9
From one to two years	38.5	66.7	3.6	9.4	118.2
From two to three years	162.7	11.3	2.3	–	176.3
From three to four years	86.2	42.8	2.2	–	131.2
From four to five years	235.2	30.9	2.1	–	268.2
After five years	705.9	22.9	99.6	–	828.4
	1,328.7	183.8	113.7	134.0	1,760.2

Notes to the Financial Statements

27 Financial instruments continued

2020

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

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

	2021		2020	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Due within one year	(20.4)	20.3	(50.2)	48.6
From one to two years	(1.4)	0.9	(0.8)	0.1
From two to three years	(1.6)	1.0	(0.8)	0.2
From three to four years	(1.6)	1.0	(0.8)	0.2
From four to five years	(1.0)	0.6	(0.6)	0.2
After five years	(0.9)	0.5	(21.3)	20.4
	(26.9)	24.3	(74.5)	69.7

28 Trade and other payables

	2021 £m	2020 £m
Current liabilities		
Trade payables	18.6	24.3
Payables due to joint ventures	4.9	0.2
Other payables	105.8	91.0
Accrued expenses	48.2	45.8
Deferred income	38.9	23.7
	216.4	185.0
Non-current liabilities		
Payables due to joint ventures	14.3	–
Other payables	9.4	10.2
Deferred income	176.1	180.7
	199.8	190.9
	416.2	375.9

Deferred income includes £186.5m in respect of deferred lease premium profits (2020: £187.9m).

Other payables include incentive dues to employees, deposits due to tenants and development-related liabilities.

Notes to the Financial Statements

29 Provisions

Development loss provision

	2021 £m	2020 £m
Current liabilities		
At 1 January	0.2	0.3
Utilised in the year	(0.2)	(0.1)
At 31 December	–	0.2
Non-current liabilities		
At 1 January	0.4	–
Recognised in the year	35.8	0.4
Released in the year	(0.4)	–
Utilised in the year	–	–
At 31 December	35.8	0.4
	35.8	0.6

The non-current provision recognised in the year related to GPUK's deferred consideration arising on acquisition of the 65 Davies St asset. The consideration becomes payable on completion of the agreed development.

30 Operating lease commitments

Leases as lessee

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

	2021 £m	2020 £m
Land and buildings	–	–

From 1 January 2019, the Group has recognised right-of-use assets on leases of land and buildings, except for short-term and low-value leases, see [Note 18](#) for further information.

Non-cancellable operating lease rentals are payable as follows:

	2021 £m	2020 £m
Less than one year	0.8	0.1
Between one and five years	0.7	0.3
More than five years	–	–
	1.5	0.4

Leases as lessor

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

	2021 £m	2020 £m
Less than one year	120.1	123.3
Between one and five years	285.0	295.5
More than five years	932.1	940.1
	1,337.2	1,358.9

Notes to the Financial Statements

31 Capital commitments

	2021 £m	2020 £m
Investment properties contracted but not provided	63.8	29.0
Development properties contracted but not provided	87.9	29.1
	151.7	58.1

Included in the above is the Group's share of joint venture and associate capital commitments of £5.4m (2020: £18.9m) relating to development properties.

32 Contingent liabilities

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

33 Share capital

	Authorised number of shares	2021 £m	Authorised number of shares	2020 £m
Allocated, called up and fully paid				
Ordinary shares of £1	5,684,877	5.7	5,684,877	5.7
'A' Preference Shares of £1	5,684,877	5.7	5,684,877	5.7
Non-voting redeemable D1 preference shares of £1	272,874,096	272.9	272,874,096	272.9
	284,243,850	284.3	284,243,850	284.3

Rights of classes of shares

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

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

Notes to the Financial Statements

34 Notes to the consolidated statement of cash flows

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

	2021 £m	2020 £m
Operating activities		
Profit/(loss) from operations including share of profit from joint ventures and associates	311.9	(285.0)
Adjustments for:		
Depreciation	10.7	10.9
Amortisation of capitalised lease incentives	(9.8)	(15.2)
Amortisation of deferred lease premiums	(7.3)	(9.1)
Recognition of income from operating lease incentives	0.4	0.5
Net gains on other investments	(62.7)	(1.0)
Net (gains)/losses on revaluation and sale of investment property	(113.1)	241.1
Share of (profit)/loss from joint ventures and associates	(157.5)	28.7
Impairment loss on trade and other receivables, including contract assets	2.9	13.4
Operating (loss)/profit before changes in working capital and provisions	(24.5)	(15.7)

(b) Analysis of net debt

	Other non-cash movements £m	Exchange £m	31 December 2021 £m
Cash at bank and in hand	–	(2.0)	344.1
Short-term deposits and short-term liquidity investments	–	(1.4)	206.2
Cash and cash equivalents	–	(3.4)	550.3
Borrowings due within one year	0.3	(0.3)	(60.0)
Borrowings due after more than one year	9.2	9.4	(1,075.2)
Total borrowings	9.5	9.1	(1,135.2)
Net debt	9.5	5.7	(584.9)

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

Notes to the Financial Statements

35 Related party transactions

The Group is wholly-owned by Trustees of the Grosvenor Trusts who hold the shares for the benefit of current and future generations of the Grosvenor family headed by The Duke of Westminster. During 2021, the Group entered into the following transactions with the Grosvenor Trusts and members of the Grosvenor family:

	2021 £m	2020 £m
Rent and service charge income	0.5	0.6
Rent and service charge expense	(1.1)	(2.2)
Development management fees	1.4	1.4
Management and administration fees	21.3	16.9

During 2021, the Group entered into the following transactions with other related parties:

	2021 £m	2020 £m
Development and asset management fees received from joint ventures	0.2	0.5
Fees received from joint ventures	2.7	3.6
Fees paid to joint ventures	(0.1)	–
Insurance premiums payable to a related company	(9.8)	(9.2)

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

	2021 £m	2020 £m
Amounts due from joint ventures	100.7	125.2
Amounts due from a related company	(19.1)	0.5

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

Consolidated income statement presented in US Dollars

for the year ended
31 December 2021

	2021 \$m	2020 \$m
Revenue	265.8	270.5
Property costs	(128.6)	(126.4)
Net property income	137.2	144.1
Administrative expenses	(162.7)	(147.7)
Net gains/(losses) on other investments	86.1	1.3
Net gains/(losses) on revaluation and sale of investment property	155.4	(311.3)
Impairment loss on trade and other receivables, including contract assets	(4.0)	(17.3)
Share of profit from joint ventures	216.5	(37.1)
Gain/(loss) from operations including share of joint ventures	428.5	(368.0)
Financial income	21.4	22.5
Financial expenses	(55.1)	(56.6)
Fair value adjustments	15.2	0.8
Net financing costs	(18.5)	(33.3)
Profit/(loss) before tax	410.0	(401.3)
Current tax expense	(43.3)	(4.0)
Deferred tax expense	(207.4)	20.9
Profit/(loss) for the year	159.3	(384.4)
Attributable to:		
Equity holders of the parent	159.3	(384.4)
Non-controlling interests	-	-
Profit/(loss) for the year	159.3	(384.4)

Consolidated balance sheet presented in US Dollars

As at 31 December 2021

	Group	
	2021 \$m	2020 \$m
Assets		
Non-current assets		
Investment property	5,988.7	5,833.1
Other property, plant and equipment	167.2	85.2
Right-of-use assets	12.7	40.1
Investments in joint ventures	1,766.2	1,520.8
Other financial assets	148.9	187.8
Intangible assets	6.9	9.8
Trade and other receivables	113.9	171.1
Deferred tax assets	80.5	69.4
Total non-current assets	8,285.0	7,917.3
Current assets		
Trading properties	515.8	475.4
Assets classified as held for sale	-	-
Trade and other receivables	129.2	94.4
Other financial assets	22.7	17.2
Income tax receivable	12.0	22.8
Cash and cash equivalents	742.1	956.2
Total current assets	1,421.8	1,566.0
TOTAL ASSETS	9,706.8	9,483.3
LIABILITIES		
Non-current liabilities		
Interest bearing loans and borrowings	(1,449.9)	(1,543.9)
Lease liabilities	(24.8)	(56.0)
Trade and other payables	(269.5)	(260.9)
Employee benefits	(30.0)	(108.4)
Deferred tax liabilities	(1,008.5)	(770.1)
Provisions	(48.2)	(0.6)
Total non-current liabilities	(2,830.9)	(2,739.9)
Current liabilities		
Interest bearing loans and borrowings	(80.9)	(69.9)
Lease liabilities	(3.8)	(4.2)
Trade and other payables	(308.3)	(252.5)
Income tax payable	(23.7)	(7.0)
Provisions	-	(0.2)
Total current liabilities	(416.7)	(333.8)
TOTAL LIABILITIES	(3,247.6)	(3,073.7)
NET ASSETS	6,459.2	6,409.6
Equity		
Share capital	383.4	388.7
Share premium	-	38.4
Reserves	693.6	1,025.7
Retained earnings	5,382.9	4,957.4
Shareholders' funds	6,459.9	6,410.2
Non-controlling interests	(0.7)	(0.6)
TOTAL EQUITY	6,459.2	6,409.6

Consolidated income statement presented in Euros

for the year ended
31 December 2021

	2021 €m	2020 €m
Revenue	225.5	236.0
Property costs	(109.1)	(110.3)
Net property income	116.4	125.7
Administrative expenses	(138.0)	(128.9)
Net gains on other investments	73.1	1.1
Net gains/(losses) on revaluation and sale of investment property	131.8	(271.6)
Impairment loss on trade and other receivables, including contract assets	(3.4)	(15.1)
Share of profit/(loss) from joint ventures	183.6	(32.3)
Gain/(loss) from operations including share of joint ventures	363.5	(321.1)
Financial income	18.2	19.6
Financial expenses	(46.7)	(49.3)
Fair value adjustments	12.9	0.7
Net financing costs	(15.6)	(29.0)
Profit/(loss) before tax	347.9	(350.1)
Current tax expense	(36.7)	(3.5)
Deferred tax expense	(176.0)	18.3
Profit/(loss) for the year	135.2	(335.3)
Attributable to:		
Equity holders of the parent	135.2	(335.3)
Non-controlling interests	-	-
Profit/(loss) for the year	135.2	(335.3)

Consolidated balance sheet presented in Euros

as at 31 December 2021

	Group	
	2021 €m	2020 €m
Assets		
Non-current assets		
Investment property	5,286.6	4,773.2
Other property, plant and equipment	147.6	69.7
Right-of-use assets	11.2	32.8
Investments in joint ventures	1,559.2	1,244.4
Other financial assets	131.4	153.9
Intangible assets	6.0	8.0
Trade and other receivables	100.6	140.0
Deferred tax assets	71.1	56.8
Total non-current assets	7,313.7	6,478.8
Current assets		
Trading properties	455.3	389.1
Assets classified as held for sale	–	–
Trade and other receivables	114.0	77.3
Other financial assets	20.0	14.1
Income tax receivable	10.6	18.7
Cash and cash equivalents	655.1	782.5
Total current assets	1,255.0	1,281.7
TOTAL ASSETS	8,568.7	7,760.5
LIABILITIES		
Non-current liabilities		
Interest bearing loans and borrowings	(1,279.9)	(1,263.3)
Lease liabilities	(21.9)	(45.8)
Trade and other payables	(237.8)	(213.5)
Employee benefits	(26.5)	(88.7)
Deferred tax liabilities	(890.3)	(630.2)
Provisions	(42.6)	(0.5)
Total non-current liabilities	(2,499.0)	(2,242.0)
Current liabilities		
Interest bearing loans and borrowings	(71.4)	(57.3)
Lease liabilities	(3.3)	(3.4)
Trade and other payables	(272.1)	(206.6)
Income tax payable	(21.0)	(5.7)
Provisions	–	(0.2)
Total current liabilities	(367.8)	(273.2)
TOTAL LIABILITIES	(2,866.8)	(2,515.2)
NET ASSETS	5,701.9	5,245.3
Equity		
Share capital	338.4	318.1
Share premium	–	31.8
Reserves	612.2	839.3
Retained earnings	4,751.9	4,056.6
Shareholders' funds	5,702.5	5,245.8
Non-controlling interests	(0.6)	(0.5)
TOTAL EQUITY	5,701.9	5,245.3

Ten-year summary

Income statement

	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Revenue	265.5	515.4	254.1	209.1	225.1	378.5	391.8	269.8	209.5	193.5
Property costs	(157.7)	(315.3)	(124.8)	(86.3)	(91.4)	(224.2)	(218.9)	(132.5)	(97.9)	(93.6)
Administrative and other expenses	(91.0)	(98.6)	(94.7)	(103.9)	(108.9)	(116.5)	(125.8)	(123.5)	(127.8)	(121.3)
Net (losses)/gains on other investments	0.9	(17.7)	(0.2)	(0.5)	1.5	6.8	(18.5)	6.1	1.0	62.7
Net (losses)/gains on revaluation and sale of investment properties	329.0	354.7	540.6	386.3	(36.4)	20.1	48.9	135.1	(241.1)	113.1
Impairment of goodwill	–	(4.4)	–	–	(0.3)	–	–	–	–	–
Share of (loss)/profit from joint ventures	58.5	103.2	138.1	151.3	167.7	189.7	145.4	21.5	(28.7)	157.5
Profit/(loss) before net financing costs and tax	405.2	537.3	713.1	556.0	157.3	254.4	222.9	176.5	(285.0)	311.9
Net financing costs	(37.4)	(30.4)	(31.3)	(29.4)	(20.5)	(21.3)	(26.3)	(20.0)	(25.8)	(13.4)
Profit/(loss) before tax	367.8	506.9	681.8	526.6	136.8	233.1	196.6	156.5	(310.8)	298.5
Revenue profit	65.2	153.3	80.1	83.3	79.2	143.5	131.0	65.9	25.4	88.9

Balance sheet

	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
Total property assets including share of joint ventures	5,440.7	5,491.3	6,001.2	6,674.6	6,509.5	6,843.2	6,985.3	7,075.4	6,729.2	7,265.8
Investment property	3,054.4	3,349.0	3,876.7	4,349.4	3,745.2	4,177.1	4,345.8	4,561.0	4,266.8	4,441.0
Investment in joint ventures	1,003.9	964.1	992.9	1,114.0	1,350.1	1,426.3	1,406.3	1,219.8	1,112.5	1,309.8
Other financial assets	52.9	43.6	67.0	83.3	105.3	53.9	105.8	129.5	137.4	110.4
Other non-current assets	120.0	113.0	134.3	218.8	305.9	305.9	201.2	245.4	284.1	282.7
	4,231.2	4,469.7	5,070.9	5,765.5	5,506.5	5,963.2	6,059.1	6,155.7	5,800.8	6,143.9
Trading properties	294.8	124.9	128.1	157.1	336.7	192.7	119.8	207.8	347.8	382.5
Assets classified as held for sale	–	–	–	–	–	–	–	28.9	–	–
Cash and cash equivalents	238.4	516.6	477.6	237.6	741.8	430.8	780.5	766.3	699.5	550.3
Other net current assets/(liabilities)	40.2	(49.2)	(68.7)	(109.6)	(150.0)	(90.4)	(72.0)	(119.3)	(94.6)	(127.5)
	573.4	592.3	537.0	285.1	928.5	533.1	828.3	883.7	952.7	805.3
Borrowings (including current)	(818.9)	(825.8)	(743.4)	(736.4)	(816.2)	(840.9)	(1,025.8)	(1,113.0)	(1,180.5)	(1,135.2)
Deferred tax	(600.1)	(613.7)	(703.4)	(749.1)	(668.3)	(612.6)	(605.4)	(586.1)	(572.4)	(747.9)
Other non-current liabilities	(107.0)	(81.6)	(106.2)	(103.7)	(173.8)	(156.5)	(229.2)	(273.7)	(311.7)	(276.2)
	(1,526.0)	(1,521.1)	(1,553.0)	(1,589.2)	(1,658.3)	(1,610.0)	(1,860.4)	(1,972.8)	(2,064.6)	(2,159.3)
Net assets	3,278.6	3,540.9	4,054.9	4,461.4	4,776.7	4,886.3	5,027.0	5,066.6	4,688.9	4,789.9
Share capital and share premium	130.8	106.8	85.2	85.2	85.2	85.2	312.6	312.6	284.3	284.3
Reserves	3,061.4	3,348.3	3,881.4	4,289.0	4,693.1	4,803.2	4,714.7	4,754.3	4,405.1	4,506.1
Shareholders' funds	3,192.2	3,455.1	3,966.6	4,374.2	4,778.3	4,888.4	5,027.3	5,066.9	4,689.4	4,790.4
Non-controlling interest	86.4	85.8	88.3	87.2	(1.6)	(2.1)	(0.3)	(0.3)	(0.5)	(0.5)
Total equity	3,278.6	3,540.9	4,054.9	4,461.4	4,776.7	4,886.3	5,027.0	5,066.6	4,688.9	4,789.9

Company balance sheet

as at 31 December 2021

	Notes	2021 £m	2020 £m
Fixed assets			
Investments	2	4,688.9	4,688.9
Non-current assets			
Trade and other receivables	3	4.7	–
Current assets			
Trade and other receivables	3	–	3.9
NET ASSETS		4,693.6	4,692.8
Capital and reserves			
Called up share capital	4	284.3	284.3
Share premium account		–	–
Other reserves		4,404.6	4,404.6
Retained earnings		4.7	3.9
Shareholders' funds		4,693.6	4,692.8
Non-controlling interests		–	–
TOTAL EQUITY		4,693.6	4,692.8

Approved by the Board and authorised for
issue on 22 March 2022 and signed on behalf
of the Board

Michael McLintock **Robert Davis**
(Chairman) (Chief Financial Officer)

Company registration number: 12656651

Company statement of changes in equity

for the year ended
31 December 2021

	Share capital £m	Share premium £m	Merger Capital reserve £m	Retained earnings £m	Total equity £m
Balance on incorporation on 9 June 2020	–	–	–	–	–
Shares issued	284.3	–	–	–	284.3
Retained loss for the year	–	–	–	(312.8)	(312.8)
Dividends paid	–	–	–	(16.1)	(16.1)
Arising on issue of shares	–	–	4,737.4	–	4,737.4
Transfer between reserves	–	–	(332.8)	332.8	–
Balance at 31 December 2020	284.3	–	4,404.6	3.9	4,692.8
Changes in equity for 2021					
Retained profit for the year	–	–	–	49.5	49.5
Dividends paid	–	–	–	(48.7)	(48.7)
Balance at 31 December 2021	284.3	–	4,404.6	4.7	4,693.6

Notes to the Company Financial Statements

1 Company accounting policies

(a) General information and basis of preparation

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

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

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

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

(b) Financial Reporting Standard 102 – Reduced Disclosure Exemptions

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

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

- a) The requirements of Section 7 Statement of Cashflows.
- b) The requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29(a), 12.29(b), and 12.29A.

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The Company recognised dividends received in the year of £49.5m which are classified as retained profit in the statement of changes in equity. The Company has no employees.

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

(c) Going concern

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

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

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

(e) Other

Accounting policies for trade and other receivables are the same as those of the Group and are set out on [page 40](#).

Notes to the Company Financial Statements

2 Investments in subsidiary undertakings, associated undertakings and significant holdings

Company

	Shares at cost £m	Shares at cost £m
At 1 January 2021	4,688.9	5,021.7
Impairments	–	(332.8)
At 31 December 2021	4,688.9	4,688.9

At 31 December 2021, the Company had the following subsidiary undertakings, associated undertakings and significant holdings:

Direct subsidiary

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

Indirect subsidiaries

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

United Kingdom

Registered office: 70 Grosvenor Street, London W1K 3JP

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

Notes to the Company Financial Statements

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

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

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

Notes to the Company Financial Statements

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

Australia

Registered office: Suite 6.02, Level 6, 10 Spring Street, Sydney, NSW 2000

GAIPL Management Pty Ltd

GAIPL Co-Invest Trust 1

Grosvenor Australasia Investments Pty Ltd

British Virgin Islands

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

Golden Eternal Limited

Canada

Registered office: 2000-1040 West Georgia

4th Street Station Development Ltd

1300 Marine Holdings Ltd

1146078 B.C Limited

1164 Robson Holdings BT Limited

Brentwood BT Development Limited

Brentwood Office Centre Limited

Edgemont Village BT Ltd¹

Edgemont Village Parking Limited¹

Grosvenor 5th Avenue Holdings Limited

Grosvenor Americas Corporation²

Grosvenor Beltline Holdings II Limited

Grosvenor Beltline Holdings III Limited

Grosvenor Beltline Holdings Limited

Grosvenor Brentwood Development Limited

Grosvenor Canada Limited

Grosvenor Capital Corporation

Grosvenor Development Corporation

Grosvenor Edgemont Holdings Limited

Grosvenor Oak Townhomes Development Limited

Grosvenor International Investments (Canada) Limited

Grosvenor Metrotown Limited

Grosvenor Pacific Development Limited

Grosvenor Properties (2008) Limited

Grosvenor True North Services Canada

Grosvenor True North Services Management Canada

Hornby BT Holdings Ltd

Hornby Pacific GP Limited¹

Marine Drive BT Holdings Limited

Marine Drive WV Development Limited

Oak 37 BT Limited

Pacific BT Holdings Limited

The Pacific Parking Limited

True North GP Limited

True North Two GP Limited¹

True North Residential One LP¹

True North Residential Two LP¹

True North Residential Three LP¹

West 15 Ventures Ltd

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

China

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

Grosvenor Management Consulting (Shanghai) Limited

France

Registered office: 69 Boulevard Haussman, 75008 Paris

Bruyeres 9 SAS

Des Grilles 40 SAS

Grosvenor Continental Europe SAS

Grosvenor Development SAS

Notes to the Company Financial Statements

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

Hong Kong

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

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

Isle of Man

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

Grosvenor Belgravia Investment Limited

Japan

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

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

Jersey

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

Grosvenor Management Jersey Limited

Luxembourg

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

GFM (CE) S.A.	Grosvenor International Sarl
Grosvenor Continental Europe Holdings Sarl	Grosvenor Investments Portugal Sarl
Grosvenor First European Property Investments Sarl	

Spain

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

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

Notes to the Company Financial Statements

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

Sweden

Registered office: Smalandsgatan 10, 4tr, 11146 Stockholm

Grosvenor Fund Management Sweden AB

KB Lidingo NYA Centrum¹

Lidingo Centrum GP AB¹

Lidingo Centrum Investments AB¹

Lidingo Centrum LP AB¹

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

United States of America

Registered office: One California Street, Suite 3000, San Francisco, CA 94111

1 Neal Place, LLC

1645 Pacific Homes LLC

1951 Shattuck LLC

240 Stockton LLC

2610 Orchard Parkway LLC

3800 California Street, LLC

394 Pacific, LLC

560 Winchester LLC

720 Battery LLC

875 California II LLC

875 California LLC

Ballpark Hotel LLC¹

CC Village, LLC

Chelsea at Juantina Village LP

CP6WW LLC

Eckington Residential LLC¹

ElectrIQ Power Inc

FCB Silver Spring LLC¹

Fenton Street Apartments LLC¹

GMOB MP Member LLC

GP Warehouse Investment Member One LLC

Grosvenor Americas Joint Ventures LLC

Grosvenor Americas Partners

Grosvenor Americas USA Inc

Grosvenor Atlantic Limited

Grosvenor California Limited

Grosvenor Capco Limited

Grosvenor Financial California LLC

Grosvenor Financial Inc¹

Grosvenor Fund Management LLC

Grosvenor GP Limited LLC

Grosvenor International (American Freeholds) Limited

Grosvenor International (Westcoast Freeholds) Limited

Grosvenor Investment North American Holdings Inc

Grosvenor Investments North America LLC

Grosvenor Residential GP Limited LLC

Grosvenor USA Limited

Hamilton Marketplace LLC

True North California, LLC

True North US, Inc¹

True North US Two, Inc¹

True North US Three, Inc¹

True North California Two, LLC

True North California Three LLC

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

Notes to the Company Financial Statements

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

Indirectly held joint venture entities, associates and significant undertakings

England and Wales

Registered office: 70 Grosvenor Street, London W1K 3JP

10 Bourdon Street Limited – 66.7% owned

20 Balderton Street Project 1 Limited – 50% owned

7 Green Street Limited⁶ – 33.3% owned

Alpha Place Developments LLP – 33.3% owned

Barton Oxford LLP – 50% owned

Barton Park Estate Management Company – 50% owned

Clan Kensington LLP³ – 33.3% owned

Coton Park Consortium Limited⁴ – 50% owned

GC Bankside LLP³ – 50% owned

GC Campden Hill LLP³ – 16.7% owned

Grosvenor CPPIB (GB) Ltd – 50% owned

Grosvenor Liverpool Fund – 22.94% owned

Grosvenor Liverpool Residential Fund – 22.94% interest

Grosvenor London Office Fund – 12.89% owned

Grosvenor Stow Limited – 50% owned

Grosvenor Stow Projects 2 Limited – 50% owned

Grosvenor Stow Projects Limited – 50% owned

Liverpool One Management Company Limited⁵ – 50% owned

Montrose Place LLP – 50% owned

NLG Campden LLP³ – 33.3% owned

Paris Office JV Limited – 50% owned

Polish Logistics LLP² – 99% owned

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

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

Trumpington Meadows Land Company Limited – 50% owned

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

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

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

³ The Pavilion, 118 Southwark Street, London SE1 0SW; ⁴ The Office, 12 Westfield Close Gravesend Kent DA12 5EH; ⁵ 33 Margaret Street, London, W1G 0LD;

⁶ 33 Kinnerton Street, London, SW1X 8ED

Australia

Registered office

Australian Diversified Healthcare Fund¹ – 50% owned

Gateway Capital Holdings Pty Limited – 11.3% owned

Gateway Capital Industrial Partnership Investment Partnership (GIPI)²

Registered office: ¹ '01' Suite 7, 56 Clarence Street, Sydney NSW 2000; ² Suite 6.02, Level 6, 10 Spring Street, Sydney NSW 2000, Australia

British Virgin Islands

Registered office

Acute Choice Limited – 20% owned

Bonrite Limited – 30% owned

Eagle Wonder Limited – 20% owned

Spring Plus Limited – 50% owned

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

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

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

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

Notes to the Company Financial Statements

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

Canada

Registered office: 1200 Waterfront, Vancouver

1300 Marine LP – 30% owned

Connaught Retail Limited Partnership – 20% owned

Connaught Retail GP Limited – 20% owned

The Cambie Rise Limited Partnership – 50% owned

Greensoil Building Innovation Fund (International) LP – 88.71% owned (38.2% of underlying investments)

Greensoil Building Innovation Fund Co-Investment I, LP

Hornby Pacific Limited Partnership – 50% owned

Oak 37 GP Limited – 49% owned

Oak 37 Limited Partnership – 49% owned

Rise BT Holdings Ltd – 50% owned

The Rise GP Limited – 50% owned

Transca (Polaris) GP Limited¹ – 25% owned

Transca (Polaris) Limited Partnership¹ – 25% owned

True North Three GP Limited – 33.33% owned

West 15 Project Holdings Limited – 50% owned

¹ 2000-1040 West Georgia, Vancouver, Canada

Cayman Islands

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

Grosvenor Park Partners Limited – 63.27% owned

China

Nanjing Maoxu Investment Co., Ltd – 50% owned

Nanjing Fucheng Real Estate Development Co., Ltd – 50% owned

Registered office

No. 1 Hanzhong Road, Qinhuai District, Nanjing

3701 Nanjing International Financial Center, No. 1 Hanzhong Road, Qinhuai District, Nanjing

France

Registered office: 69 Boulevard Haussman, 75008 Paris

A France 85 SAS – 50% owned

Lesault 14 SAS – 50% owned

Hong Kong

Dukes Place Management Services Ltd – 20% owned

GDP Holdings Limited – 38.46% owned

GDP Investment 1A Limited – 38.46% owned

GDP Investment 1B Limited – 38.46% owned

GDPHK Holdings Limited – 50% owned

Imperial Time Limited – 20% owned

Lucky New Investment Limited – 30% owned

Paramount Shine Limited – 50% owned

Richly Leader Ltd – 50% owned

Sino Profit Development Limited – 50% owned

Unity Asian Development Limited – 60% owned

World Gain Holdings Limited – 50% owned

Registered office

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

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

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

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

30th Floor, YF Life Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong

30th Floor, YF Life Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong

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

34/F, Shui On Centre, 6-8 Harbour Road, Hong Kong

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

34/F, Shui On Centre, 6-8 Harbour Road, Hong Kong

Notes to the Company Financial Statements

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

Ireland

Registered office: 21 Lavitts Quay, Cork

Barkhill Limited – 50% owned

Liffey Valley Office Campus Management Company Limited – 50% owned

Dietacaron Limited – 50% owned

Japan

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

Azabu Tower Tokutei Mokuteki Kaisya – 50% owned

GPT Tokutei Mokuteki Kaisya – 50% owned

GDP2 Tokutei Mokuteki Kaisya – 38% owned

Kinshicho Tower Tokutei Mokuteki Kaisya – 51% owned

Luxembourg

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

GERP Luxembourg SARL – 5% owned

Grosvenor Retail European Properties SA – 13.95% owned

Mauritius

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

RMB Westport Fund II – 10.9% owned

Portugal

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

Sonae Sierra SGPS SA (Portugal) – 20% owned

Spain

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

A de Europa Investments 19 SL – 50% owned

H 47 Salamanca Real Estate SL – 50% owned

Alcobendas Investments SL – 50% owned

Jorge J.53 SL – 50% owned

Escorial 4 Investment SLU – 50% owned

Modesto L.26 Investment SL – 50% owned

G De Parades 4 SL – 50% owned

Santa E. 32 Real Estate SL – 50% owned

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

Sweden

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

GERP Balsta Centrum AB – 5% owned

RCV Skarholmen AB – 20.17% owned

GERP Sverige AB – 5% owned

Skarholmen Property Management AB – 20.17% owned

GERP Vasby Centrum AB – 5% owned

Skarholmen Retail AB – 20.17% owned

Notes to the Company Financial Statements

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

United States of America

Registered office: One California Street, Suite 3000, San Francisco, CA 94111

1500 K Street LLC – 20% owned	Grosvenor Maple Leaf Ventures III LP – 20% owned
1701 Pennsylvania LLC – 50% owned	Grosvenor Maple Leaf Ventures V LP – 20% owned
180 Post Street LLC – 50% owned	Grosvenor Maple Leaf Ventures VI LP – 20% owned
185 Post Street LLC – 50% owned	Grosvenor Maple Leaf Ventures VII LP – 20% owned
1900 Duke Street LP ¹ – 25% owned	Grosvenor Maple Leaf Ventures VIII LP – 20% owned
251 Post Street LLC – 50% owned	Grosvenor Urban Maryland ¹ – 25% owned
306 Rodeo Drive LLC – 50% owned	MedProperties Fund III, LP – 15.4% owned
5520 Wisconsin LCC – 25% owned	MedProperties Fund III, Platform JV, LLC – 50% owned
701 North Michigan Avenue LLC – 20% owned	ML7 Residential II, LLC – 19.8% owned
AGP JV LLC ⁴ – 99% owned	ML7 Residential, LLC – 19.8% owned
Ballpark Residential LLC ¹ – 50% owned	Parklands North Creek LLC – 25% owned
Ballpark Square LLC ¹ – 99.4% owned	Rice Lake Square LP – 25% owned
Brazil Student Housing JV LLC ⁵ – 80% owned	Stockdale Parking, LLC ³ – 90% owned
Crossings II LLC – 19.8% owned	The Row Townhouses LLC – 25% owned
Crossings, LLC – 19.8% owned	TN Waterfront Station LLC ¹ – 33.33% owned
District Property Holdings LLC – 25% owned	Urban Retail LLC – 25% owned
Fair Oaks Polo Drive II, LLC – 19.8% owned	
Fair Oaks Polo Drive, LLC – 19.8% owned	
Frontier Drive Metro Centre LP ¹ – 50% owned	
Green Harris LLC – 25% owned	

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

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

⁵ 200 Bellevue Parkway, Suite 210, Wilmington, DE 19809

Notes to the Company Financial Statements

3 Trade and other receivables

	2021 £m	2020 £m
Current receivables		
Receivables due from subsidiaries	–	3.9
	–	3.9
Non-current receivables:		
Receivables due from subsidiaries	4.7	–
	4.7	–

Receivables due from subsidiaries are unsecured, interest free and are repayable on demand. The current year balance has been reclassified to non-current receivables to reflect the intention of the receivables. No change has been made to the prior year classification.

4 Share capital

	Authorised number of shares	2021 £m	Authorised number of shares	2020 £m
Allocated, called up and fully paid				
Ordinary shares of £1	5,684,877	5.7	5,684,877	5.7
‘A’ preference shares of £1	5,684,877	5.7	5,684,877	5.7
Non-voting redeemable D1 preference shares of £1	272,874,096	272.9	272,874,096	272.9
	284,243,850	284.3	284,243,850	284.3

5 Related party transactions

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

Glossary

Assets under management

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

Co-investment

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

Development exposure

The Group's share of development properties, including its share of the future development commitment, as a percentage of property assets including the future development commitment.

Development property

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

ERV (Estimated Rental Value)

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

Equivalent yield

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

Finance lease

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

Financial capacity

Wholly-owned unrestricted cash and undrawn committed facilities.

Future development commitment

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

Gearing

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

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

Gross rental income

Total income from rents from the Group's properties.

Grosvenor Estate

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

Ground-rented

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

Group

Grosvenor Group Limited and its subsidiary undertakings.

IFRS

International Financial Reporting Standard(s).

Indirect Investments

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

Interest rate swap

A contractual agreement with a counterparty (usually a bank) to exchange an interest obligation for an alternative interest obligation for a predetermined period of time (usually used to convert floating rate interest obligation to fixed rate obligations).

Investment property

A property that is held for the purposes of earning rental income or for capital appreciation or both.

Joint venture

An entity in which the Group invests and which it jointly controls with the other investors.

London estate

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

Mark to market

An accounting adjustment to adjust the book value of an asset or liability to its market value.

Market value

Market value is the amount for which an interest in an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. For investment properties, it is determined by independent external valuers.

Net zero carbon

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

Operating Companies

The Group's regional investment and development businesses.

Passing rent

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

Glossary

Performance fees

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

Property assets

Investments in property and property-related instruments – comprises investment properties, development properties, trading properties, structured development loans and equity investments in property companies.

Proportional

The total of the Group's wholly-owned and its share of jointly-owned property assets or net debt as accounted for on an IFRS basis, with the exception of our share of Sonae Sierra, which is accounted for on a management accounts basis.

Proprietary

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

Resilience

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

Revenue profit

Profit before tax, excluding profits on the sale of investment properties, gains or losses on other non-current investments, revaluation movements, major refurbishment costs and derivative fair value adjustments. See also Note 4 to the Financial Statements.

Reversionary yield

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

Running yield

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

Structured development loans

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

Third-party interests

The non-Group share of investments managed by Group.

Total return

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

Trading property

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