GROSVENOR ESTATE HOLDINGS

Registered Number: 1414189

**ANNUAL REPORT**

**31ST DECEMBER 1996**

# *Grosvenor Estate Holdings*

GROSVENOR
ESTATE
HOLDINGS

We are an international property investment, asset management and development group, wholly owned by trusts and members of the Grosvenor family, headed by the Duke of Westminster.

Our objective is to be recognised for the quality of our real estate assets, our business skills and our integrity. We are uniquely placed among property organisations in terms of history and responsibility and we will continue to improve our property portfolio and forge closer partnerships with those who occupy buildings we own, manage or develop.

GROSVENOR
ESTATE
HOLDINGS

# *Board of Directors*

| | |
|---|---|
| • The Duke of Westminster OBE TD DL | *Chairman* |
| • Sir Richard Baker Wilbraham Bt DL | *Deputy Chairman* |
| Jeremy HM Newsum FRICS | *Chief Executive* |
| (Dick) DRJ de Broekert MICE | *Development Director* |
| (Ian) GIM Cockburn ARICS | *Investment Director* |
| Jonathan O Hagger FCA FCT | *Finance Director* |
| • The Earl of Home CBE | *Group Director, Morgan Grenfell & Co Limited* |
| • Hugh AC Edwards FRICS | |
| • John (Jimmy) NC James CBE FRICS | *Secretary and Keeper of the Records, Duchy of Cornwall* |
| • John R Sclater | *President, Equitable Life Assurance Society* |
| Alison A Hargreaves ACA | *Company Secretary* |

• Non Executive

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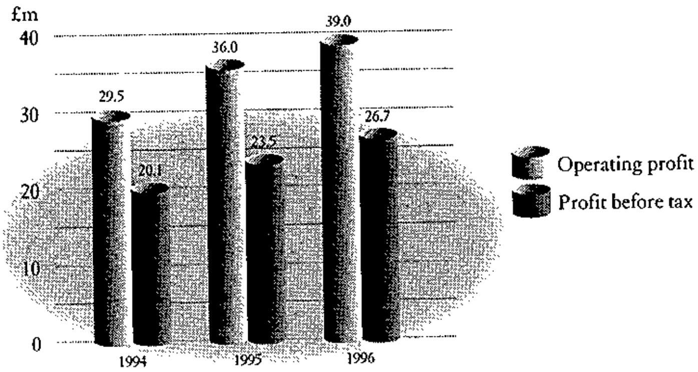
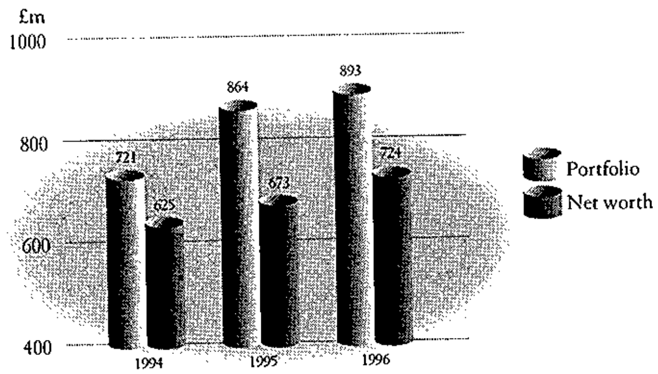
# FINANCIAL HIGHLIGHTS

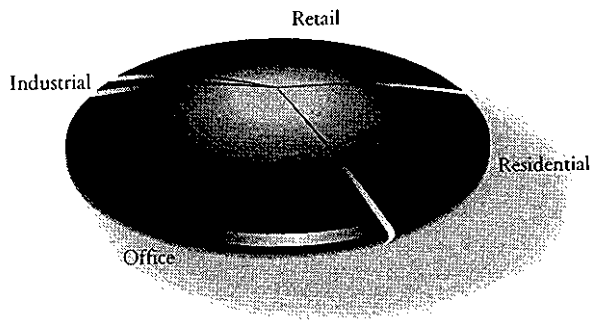
## PROFITS



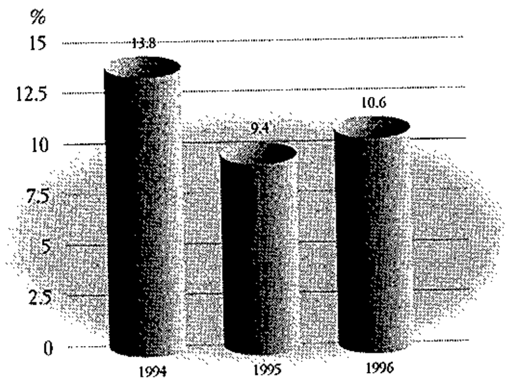

## INVESTMENT PORTFOLIO AND NET WORTH




## PORTFOLIO BY USE




## RETURN ON CAPITAL EMPLOYED



# CHAIRMAN'S STATEMENT

Grosvenor Estate Holdings was created as the main operating entity for the Grosvenor Estate's commercial activities in 1979, the first year of a new Conservative government. The possibility of a change in May after 18 years places a degree of uncertainty over the short term future. Whatever the result, we look for the maintenance of a stable economy in which we can deploy our skills most effectively.

We also face the challenge of European Monetary Union. Whatever the outcome – and the permutations are numerous – the impact will be real but difficult to predict.

I am not pessimistic, but in the mounting euphoria in the UK property market, we have tried to keep conscious of the considerable uncertainties that exist and to make sure our business activities discount the risks. We have been 'buyers' of UK property for over four years and have substantially increased our development programme since 1993. In 1996 the pricing in some sectors, notably shopping centres, moved beyond good value. Such sharp movements are incompatible with stable markets.

Those who know us will be aware of the changes within the organisation which have occurred over the last 18 years. These have profoundly altered both the portfolio and also our approach as property owners. We continue to uphold the tradition and integrity which has always characterised the Grosvenor Estate but international competition requires us to know how our markets will change so that, like the rent we receive, we will be 'in advance' and not 'in arrears'.

We do this by employing talented individuals and ensuring our natural bias is to our 'customers' and to our markets. It takes time for the orientation of an organisation to change and progress is not always smooth, but we are convinced that the combined initiatives give us as good and competitive a property business as any in the UK.

In 1996, we continued our strategy of enhancing returns from the London Estate, diversifying the investment portfolio and making full use of our development expertise.

The Operating Review sets out the main events of 1996 and early 1997, including the sale of the long leasehold interest in the Grosvenor Precinct, Chester, Grosvenor's first covered shopping centre built in 1965. We also made our first investments in Continental Europe. Contrary to many other UK property companies, we believe strongly in the long-term benefits of extending our international presence and experience. Markets are not fully synchronised in Europe and economic cycles can be used to advantage. As property investment becomes more global, those with the best knowledge of world economies and markets should be best placed to succeed. With our representation in America, Canada, Australia, South East Asia, UK, France and Spain, GEH can probably call on a wider range of expertise than any other UK property company. This is of benefit to ourselves and to our various joint venture partners and co-investors.

During the year, Daryl Delmotte retired as Group Chief Executive and President of Grosvenor International, after a career with Grosvenor of 30 years. He was at the heart of the team responsible for the rapid expansion of Grosvenor International's business in the past two decades. His successor is Ralph Hayward.

Our continuing success is the product of a large number of talented people and dedicated support. It is my privilege to be Chairman of such a team and, on the Board's behalf, I thank them without reservation.

The Duke of Westminster OBE TD DL
13 March 1997

# OPERATING REVIEW 1996

## BUSINESS HIGHLIGHTS

- PROFIT BEFORE TAX UP 13.4% ON 1995 TO £26.7M
- TOTAL DEVELOPMENT UNDERWAY AND PLANNED 155,000 SQ M (1.67M SQ FT)
- GROSVENOR PRECINCT, CHESTER SOLD FOR IN EXCESS OF £90M, GROUP'S SHARE £80.5M IN EARLY 1997
- £51M INVESTED IN CONTINENTAL EUROPE
- INVESTMENT PORTFOLIO UNDERLYING INCREASE IN VALUE OF 6.3%

## LONDON ESTATE

The Group enhanced the London portfolio through development and investment in prime areas, including:

- 43 Grosvenor Street – a development of 855 sq m (9,200 sq ft) of new offices behind a retained facade was let to United Utilities plc in June 1996.
- 75 Grosvenor Street – 1,486 sq m (16,000 sq ft) of modern office space is under construction and will be completed in August 1997.
- 8-10 Bourdon Street – 992 sq m (10,675 sq ft) is under construction to provide open plan offices in a new building.
- Buckingham Palace Road – the renovation of a Victorian terrace, total 6,747 sq m (72,600 sq ft) over 5 years, began successfully with the letting of the first phase to the Maiden Group plc of 1,000 sq m (10,750 sq ft) of offices.
- 40 Grosvenor Place – planning permission obtained for redevelopment of 20,000 sq m (215,000 sq ft), one of the largest office projects in the West End.

## RESIDENTIAL DEVELOPMENT

- Grosvenor Crescent Mews – a redevelopment to create eleven houses and two flats totalling 3,530 sq m (38,000 sq ft) was completed in October 1996. All are currently sold or under offer, nine being sold by the year end. The project was a joint venture with the Mountcity Group.
- 1 Eaton Square – a joint venture was established with the Olayan Group to develop thirteen apartments (2,695 sq m, 29,000 sq ft) behind the original facade.

## OFFICE DEVELOPMENT

In addition to considerable activity in Mayfair and Belgravia, the Group has development projects underway at nine locations around the UK. The principal schemes are:

**England**

- 111 Old Broad Street, EC2 – 11,152 sq m (120,000 sq ft) office development in a joint venture with the Unilever Superannuation Fund. Planning permission was obtained in February 1996 and construction began in September to develop a brand new office building due for completion in mid 1998.
- Maidenhead – a development of 5,200 sq m (56,000 sq ft) of offices with extensive car parking, funded by General Accident plc.
- Bristol – an option to acquire a site for up to 18,587 sq m (200,000 sq ft) of offices in 2000 when Bristol & West Building Society move to their new headquarters.

**Scotland**

- Princes Square, East Kilbride – a joint venture development with GA Properties of fifteen new retail units and fifteen refurbishments under a new roof totalling 9,293 sq m (100,000 sq ft) of lettable space.
- Glasgow – an agreement was signed with Norwich Union Life Insurance Society to manage for them the redevelopment of 176 St Vincent Street to create 3,530 sq m (38,000 sq ft) of offices.
- Edinburgh – planning permission was received in June for a second phase of development at South Gyle Business Park, which was acquired in 1995, to create 4,646 sq m (50,000 sq ft) in two new office buildings.

## RETAIL

The development and ownership of shopping centres remains a core activity for the Group.

- Dublin – Quarryvale is a 27,800 sq m (300,000 sq ft) regional centre development to be anchored by Marks & Spencer and C&A. Infrastructure works began on site in September 1996, and the development is due to be completed at the end of 1998.
- Basingstoke – outline planning permission was obtained for New Market Square, a 32,500 sq m (350,000 sq ft), shopping centre with leisure facilities to be developed with Basingstoke & Deane Borough Council. In view of the number of interlocking interests in this town centre redevelopment, a CPO inquiry will take place before the development can commence.
- Chester – after the year end, a 90 per cent interest in the Grosvenor Precinct 16,264 sq m (175,000 sq ft) was sold for in excess of £90 million, of which the Group's share was £80.5m. A Grosvenor trust retained the freehold and a 10% interest. The shopping centre was developed by the Group in 1965.
- Cambridge – also after the year end, contracts were exchanged for the sale of the Grafton Centre 36,245 sq m (390,000 sq ft). The centre is owned 85% by Mercury Asset Management Group plc and 15% by the Group. Phase I was developed by the group in 1983 and Phase II in 1995.
- Bolton – at Market Place 27,900 sq m (300,000 sq ft) the Marks and Spencer's unit was acquired and the new units created were let to Virgin Megastore, Boots the Chemist and Bay Trading. Zone A rents increased to £170 and the value of the property rose 27%.
- Perth – St John's Shopping Centre 9,750 sq m (105,000 sq ft) was renovated at a cost of £2.5 million to upgrade the appearance of the centre and improve lighting and signage.

## Overseas

### North America and Australia

- In July 1996, Daryl Delmotte retired as Group Chief Executive and President of Grosvenor International Holdings Limited (Associated Company), after a distinguished career spanning over thirty years. His successor is Ralph Hayward, a director of GIHL since 1983.
- Operating profit of C$46.3 m is at a similar level to 1995.

### South East Asia

- Turnover increased substantially at Marlin Land Corporation.
- Grosvenor Shaw Asset Management continued to develop its investment programme for South East Asia.
- In October, the Group, in a joint venture with Shaw Land International, acquired the twelfth floor of the Peregrine Tower, Lippo Centre in Hong Kong. However, as the market rose rapidly during November, a sale was concluded to show a 40% profit.

### Continental Europe

The Group made three investments in continental Europe, as part of its strategy for further international diversification.

- **France** – European Prime Properties SA, established with Exor SA, acquired three properties in each of London and Paris.
- **France** – a 7.75% holding was acquired in Société Foncière Lyonnaise SA, a listed property company. SFL's portfolio is concentrated in prime areas of central Paris and evenly split between commercial and residential properties. SFL is controlled by Groupe Victoire, a subsidiary of Commercial Union Plc.
- **Spain** – a 5% holding was acquired in Hermanos Revilla SA, a private property company with a portfolio of prime Madrid office properties.

The Group is represented on the Board of each of these companies and is active in their management.

## Asset Management

- Further investments were made during the year by the Eagle Prime Residential Fund which represents the interests of a number of clients of the United Bank of Kuwait and is managed by the Group. The fund invests only in prime central London residential property.

# FINANCIAL REVIEW 1996

## Results

- Group profit before tax increased in 1996 by 13.4% to £26.7m.
- Profit on sale of investment properties was £6.0m compared to £3.8m in 1995.
- Operating profits increased by 8.2% to £39m.
- Net rental income is at a similar level to last year after allowing for the sale of two properties to European Prime Properties SA and the loss of income on the commencement of new developments.
- The Group's return on capital employed including the revaluation surplus was 10.6% – up on 1995 and producing a three year compound growth at a rate of 11.3%.

## The Portfolio

- The value of direct investment properties was £893m at 31 December 1996 including a year end valuation surplus of £53.0m.
- Adjusting for movements during the year, the surplus represents an increase of 6.3%.
- On the London Estate, the residential element produced growth of nearly 10% with offices and retail at around 4%. Outside London the increase was over 10%.
- The Group has also invested in property through shareholdings in property companies. Shareholdings of between 5% and 50% have been taken in companies in which we are actively involved. The Group's share of net asset value is £118m.
- Development stock at the year end was £50m.

## Financing and Treasury

- Net borrowings increased by £26m to £264.7m during the year.
- £203.5m of borrowings are on fixed rate terms including interest rate hedging instruments in keeping with a broad policy of fixing 90% of the total over a range of maturities.
- The Group is operating comfortably within its committed facilities which have a weighted average life of some 10 years.
- Net gearing of 36.6% remains close to last year's level.
- Interest cover, on a gross interest payable basis, was 1.66 times, only slightly lower than 1.74 in 1995.
- Cash generated from sales exceeded £48m and relates primarily to premiums in Mayfair and Eaton Square.
- Significant acquisitions were investments in Continental Europe and redevelopments on the London Estate.

# DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

The directors present their annual report on the affairs of the Group, together with the financial statements for the year ended 31 December 1996.

## Principal Activities and Business Review

The principal business of the Group is property investment, asset management, development and trading, together with management of properties.

Details of the Group's performance and development of its business are contained in the Chairman's Statement and Operating and Financial Review on pages 3 to 7.

## Directors

The directors of the Company who served during the year were as follows:

The Duke of Westminster OBE TD DL – chairman*
Sir Richard Baker Wilbraham Bt DL – deputy chairman*
J H M Newsum – chief executive
D R J de Broekert
G I M Cockburn
H A C Edwards*
J O Hagger
The Earl of Home CBE*
J N C James CBE*
J R Sclater*
*non executive

## Directors' Interests in Share and Loan Capital

The interests of the directors who served during the year in the share and loan capital of the Company and its subsidiaries are shown in note 20 to the financial statements.

## Corporate Governance

The Board of directors is responsible for the conduct of the Group's business. Its role is to determine commercial and financial strategy, take major decisions on policy and transactions, approve operating plans and budgets, monitor performance and ensure that an effective system of financial control is in place. The composition of the Board is designed to make it capable of maintaining full and effective control over the Group and the executive management. The directors meet monthly and receive appropriate reports.

Certain duties of the Board are delegated to sub-committees. The Audit Committee is responsible for ensuring that the Group maintains effective financial controls. The Remuneration Committee is responsible for recommending to the Board the terms of employment and rewards for executive directors and senior management. Both committees are chaired by Sir Richard Baker Wilbraham. The other members of the Audit Committee are The Earl of Home and Mr J R Sclater.
The other members of the Remuneration Committee are Mr H A C Edwards and Mr J H M Newsum.

The directors consider that the Company complies with the recommendations contained in the Code of Best Practice of the Cadbury Committee on the Financial Aspects of Corporate Governance.

## Directors' Responsibilities

The directors are responsible for ensuring that:

- annual financial statements are prepared which give a true and fair view of the state of affairs of the Parent Company and the Group and of the profit or loss for the year;
- suitable accounting policies are selected and consistently applied in preparing financial statements, the judgements and estimates made are reasonable and prudent, and applicable accounting standards are followed; and
- proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## Internal Financial Control

The directors are responsible for the Group's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance regarding:

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The key procedures in operation which provide effective internal financial control are:

- Control environment – the directors have put in place an organisational structure with clearly defined lines of responsibility and delegation of authority.
- Risk management – significant risks facing each of the businesses are identified, and procedures are in place to mitigate and monitor risks. Risks are formally assessed during the annual business planning process which is monitored by the Board.
- Information systems – the Group has a comprehensive system of financial reporting. The annual budgets and strategic plans of each business are approved by the directors, and the Board approves the overall Group budget and plan. Actual results are reported against budget quarterly and any significant adverse variances are examined by the directors and remedial action taken. There is continuous cash reporting. Revised financial forecasts for the year are prepared each quarter.
- Control procedures – a policies and procedures manual is maintained by the Group. In particular, there are clearly defined policies for capital expenditure including appropriate authorisation levels. Larger transactions require Board approval. Acquisitions and projects are subject to rigorous financial appraisal and due diligence.
- Monitoring – the control system is monitored by the directors.

The Audit Committee has reviewed the effectiveness of the Group's internal financial control system for the year ended 31 December 1996 in relation to the "Criteria for assessing effectiveness" described in "Internal control and financial reporting" issued by the Cadbury Internal Control Working Group.

## Going Concern

The directors have adopted the going concern basis in preparing the accounts.

## Results and Dividends

The results for the year are set out in the consolidated profit and loss account. The directors recommend payment of dividends of £2,944,000.

## Investment Properties

Movements in investment properties during the year are included in note 9 to the financial statements. The Group's investment properties were revalued by the directors as at 31 December 1996. The revaluation has been incorporated into the financial statements and the surplus arising has been added to the revaluation reserve.

## Charitable Contributions

Charitable contributions during the year amounted to £262,000 including an amount of £250,000 to the Westminster Foundation which supports a wide range of charitable causes.

## Employees

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

By Order of the Board

A Hargreaves

A A Hargreaves
Secretary
13 March 1997

Company registration number 1414189

# AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY

We have audited the financial statements on pages 12 to 30.

## Respective Responsibilities of Directors and Auditors

As described in the directors' report on page 9, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

## Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Saffery Champness

Saffery Champness
Chartered Accountants
Registered Auditors
London

13 March 1997

# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

| | Notes | 1996 £000 | 1995 £000 |
|---|---|---|---|
| **Results of continuing operations:** | | | |
| **Turnover** | 2 | 100,061 | 84,110 |
| Direct costs | | (54,350) | (42,107) |
| **Net rental and other income** | | 45,711 | 42,003 |
| Administrative expenses | | (6,744) | (5,983) |
| **Operating profit** | 3 | 38,967 | 36,020 |
| Share of results of associated undertakings | | 515 | 1,086 |
| | | 39,482 | 37,106 |
| Profit on sale of investment properties | | 5,972 | 3,761 |
| **Profit before interest** | 2 | 45,454 | 40,867 |
| Interest | 5 | (18,791) | (17,348) |
| **Profit on ordinary activities before taxation** | 2 | 26,663 | 23,519 |
| Taxation on profit on ordinary activities | 6 | (8,756) | (8,747) |
| **Profit on ordinary activities after taxation** | | 17,907 | 14,772 |
| Minority interest (non-equity) | | (409) | (375) |
| **Profit for the financial year** | 7 | 17,498 | 14,397 |
| Dividends on equity and non-equity shares | 8 | (2,944) | (2,407) |
| **Retained profit for the year attributable to the members of Grosvenor Estate Holdings** | 24 | 14,554 | 11,990 |

# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1996

| | Notes | 1996 £000 | 1995 £000 |
|---|---|---|---|
| Profit for the financial year | | 17,498 | 14,397 |
| Unrealised surplus on revaluation of properties | 22 | 52,987 | 36,520 |
| Unrealised deficit on revaluation of properties in associated undertakings | 22 | (209) | – |
| Taxation on profit on sale of investment properties relating to revaluation gains recognised in prior periods | 22 | (4,425) | (1,166) |
| Deferred taxation on investment property sold in 1997 | 22 | (8,740) | – |
| Currency translation differences on foreign currency net investments | 23 | (3,021) | 420 |
| **Total recognised gains and losses relating to the year** | | 54,090 | 50,171 |

# NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1996

| | 1996 £000 | 1995 £000 |
|---|---|---|
| Reported profit on ordinary activities before taxation | 26,663 | 23,519 |
| Realisation of property revaluation gains of previous years | 14,540 | 7,103 |
| **Historical cost profit on ordinary activities before taxation** | 41,203 | 30,622 |
| **Historical cost profit for the year retained – after taxation, minority interest and dividends** | 24,669 | 17,927 |

The excess of the historical cost profit over the profits included in the profit and loss account represents the additional profit that would have been reported had the investment properties sold during the year not been revalued in earlier years.

# BALANCE SHEETS AT 31 DECEMBER 1996

| | Notes | Group 1996 £000 | Group 1995 £000 | Parent Company 1996 £000 | Parent Company 1995 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | | | | | |
| Investment properties | 9 | 892,726 | 863,940 | – | – |
| Plant and machinery | 10 | 3,609 | 3,883 | – | – |
| Investments | 11, 12 | 117,931 | 55,273 | 197,707 | 162,839 |
| | | 1,014,266 | 923,096 | 197,707 | 162,839 |
| **Current assets** | | | | | |
| Development projects | 13 | 50,377 | 27,017 | – | – |
| Other trading stocks | | 3,499 | 4,474 | – | – |
| Debtors | 14 | 32,311 | 21,340 | 321,242 | 296,083 |
| Cash at bank and in hand | | 2,614 | 5,082 | 1,142 | 2,500 |
| | | 88,801 | 57,913 | 322,384 | 298,583 |
| Creditors: amounts falling due within one year | 15 | (130,927) | (62,520) | (137,012) | (76,839) |
| **Net current (liabilities)/assets** | | (42,126) | (4,607) | 185,372 | 221,744 |
| **Total assets less current liabilities** | | 972,140 | 918,489 | 383,079 | 384,583 |
| Creditors: amounts falling due after more than one year | 16 | (233,262) | (239,850) | (233,162) | (239,750) |
| **Provisions for liabilities and charges** | 17 | (9,967) | (1,283) | – | – |
| **Net assets** | 2 | 728,911 | 677,356 | 149,917 | 144,833 |
| **Capital and reserves** | | | | | |
| Called up share capital | 19 | 55,796 | 55,796 | 55,796 | 55,796 |
| Share premium account | 21 | 61,397 | 61,397 | 61,397 | 61,397 |
| Revaluation reserve | 22 | 501,365 | 471,867 | – | – |
| Other reserves | 23 | 54,479 | 44,206 | 366 | 246 |
| Profit and loss account | 24 | 50,918 | 39,543 | 32,358 | 27,394 |
| **Shareholders' funds** – including non-equity interests | 25 | 723,955 | 672,809 | 149,917 | 144,833 |
| Minority interest (non-equity) | | 4,956 | 4,547 | – | – |
| | | 728,911 | 677,356 | 149,917 | 144,833 |

Approved by the Board on 13 March 1997

The Duke of Westminster OBE TD DL
Chairman

J O Hagger
Director

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1996

| | Notes | 1996 £000 | 1995 £000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 27 | 15,654 | 28,459 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 2,790 | 1,750 |
| Interest paid | | (22,663) | (20,133) |
| Preference dividends paid | | (670) | (670) |
| **Net cash outflow from returns on investments and servicing of finance** | | (20,543) | (19,053) |
| **Taxation** | | | |
| Corporation tax paid | | (8,551) | (5,093) |
| **Capital expenditure and financial investment** | | | |
| Purchases of, and improvements to, property | | (23,777) | (111,326) |
| Sale of freehold property | | 571 | 241 |
| Lease premiums received | | 48,369 | 18,030 |
| Purchase of plant and machinery | | (1,433) | (1,467) |
| Sale of plant and machinery | | 331 | 88 |
| Loans to associated undertakings | | (4,022) | (15,939) |
| **Net cash inflow / (outflow) from capital expenditure and financial investment** | | 20,039 | (110,373) |
| **Acquisitions and disposals** | | | |
| Purchase of shares in associated undertakings | | (23,406) | (668) |
| Purchase of shares in investments | | (7,909) | – |
| Sale of a subsidiary undertaking | | 500 | – |
| **Net cash outflow from acquisitions and disposals** | | (30,815) | (668) |
| **Equity dividends paid** | | (1,737) | (1,147) |
| **Net cash outflow before use of liquid resources and financing** | 28 | (25,953) | (107,875) |
| **Financing** | | | |
| Increase in debt | 28 | 23,485 | 77,000 |
| **Decrease in cash in the year** | 28 | (2,468) | (30,875) |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

### (a) Basis of accounting and consolidation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with the provisions of the Companies Act 1985 and applicable accounting standards.

The Group financial statements incorporate the financial statements of the Parent Company and all of its subsidiary undertakings. The Parent Company has taken advantage of the dispensation under s.230 of the Companies Act 1985 not to publish its own profit and loss account.

### (b) Turnover

Turnover comprises gross income net of VAT including rents receivable and service charges.

### (c) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling on the balance sheet date. The results of the overseas subsidiary and associated undertakings are translated using average rates. Unrealised exchange differences are taken directly to reserves.

### (d) Investment properties

Investment properties are valued annually at open market value by independent surveyors, every three years, or by the directors. Any surplus or deficit on revaluation is transferred to the revaluation reserve. The cost of major improvements, including attributable interest paid, where such interest is reflected in the value of the property, is added to the cost. Net profits and losses on the disposal of freehold and leasehold interests in investment properties are calculated by reference to book value and are included in the profit and loss account.

### (e) Depreciation

In accordance with Statement of Standard Accounting Practice 19 no depreciation is provided on freeholds or on leasehold properties with an unexpired term exceeding twenty years. The directors consider that this departure from the requirement of the Companies Act 1985 for all properties to be depreciated is necessary for the financial statements to show a true and fair view, since depreciation is reflected in the open market valuation and cannot be identified or quantified separately. Compliance with the Companies Act would not result in any change in the net assets of the Group.

Depreciation is provided on short leasehold properties with 20 years or less unexpired over the period of the lease. Plant and machinery are depreciated on a straight line basis so as to spread their cost over their expected useful lives at rates varying between 10% and 33⅓ % per annum.

## 1. Accounting Policies *(continued)*

### (f) Development projects

Development projects are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, professional fees, construction costs and interest charges but excludes overheads. Sales of development projects are recognised on exchange of contracts or, if exchange is conditional, on the date all material conditions have been satisfied. Credit is not taken for profit during the construction period. Provision is made for any foreseeable losses.

In the event that a development project is retained as an investment, it is transferred to the investment portfolio at the lower of cost and net realisable value at the date of transfer and any profit or loss dealt with in the profit and loss account.

### (g) Capitalisation of interest

Interest relating to the financing of development projects and investment properties being improved is capitalised, subject to the resulting value being no higher than net realisable value or market value respectively. Interest capitalised is calculated by reference to the actual interest payable on borrowings made for development purposes or, where a project is financed out of general funds, to the average rate for all borrowings. Interest is capitalised from the commencement of the project until the earliest of the date of sale, full letting, the time when interest cost is exceeded by rental income, or six months after practical completion of the building.

### (h) Other trading stocks

Stocks are stated at the lower of cost or net realisable value.

### (i) Deferred taxation

Provision for deferred taxation is made in respect of short term timing differences where the directors expect the timing differences to reverse in the foreseeable future. No provision is normally made for any taxation which would become payable in the event of the sale of investment properties at their balance sheet values.

### (j) Pension schemes

Pension costs are charged to the profit and loss account on a systematic basis over the period expected to benefit from the service of the employees concerned.

### (k) Associated undertakings

Associated undertakings are those in which the Group holds a qualifying capital interest of at least 20%. The consolidated profit and loss account includes the Group's share of profits less losses of these undertakings and the taxation attributable thereto. In the consolidated balance sheet the investments are stated at cost, less amounts written off, plus the share of post-acquisition reserves attributable to the Group. In the case of Grosvenor International Holdings Limited the accounts are drawn up in accordance with Canadian accounting practices: the major difference, compared with the Group's accounting policies, is that investment properties are included at cost, less provisions for permanent diminutions in value, and not at open market value.

2. SEGMENTAL ANALYSIS

| | Turnover | | Profit/(loss) before taxation | | Net assets | |
|---|---|---|---|---|---|---|
| | 1996 £000 | 1995 £000 | 1996 £000 | 1995 £000 | 1996 £000 | 1995 £000 |
| Property investment | 49,780 | 50,830 | 35,107 | 34,972 | 848,085 | 820,819 |
| Property development and trading | 31,314 | 13,340 | 4,109 | (704) | 69,026 | 46,349 |
| Associated undertakings: | | | | | | |
| Great Britain | – | – | 5 | (48) | 18,881 | 16,731 |
| Overseas | – | – | 510 | 1,134 | 56,413 | 34,784 |
| Profit on sale of investment properties | – | – | 5,972 | 3,761 | – | – |
| Other | 18,967 | 19,940 | (249) | 1,752 | 1,207 | (2,579) |
| | 100,061 | 84,110 | 45,454 | 40,867 | 993,612 | 916,104 |
| Net interest / borrowings | – | – | (18,791) | (17,348) | (264,701) | (238,748) |
| | 100,061 | 84,110 | 26,663 | 23,519 | 728,911 | 677,356 |

The business can be analysed geographically as follows:

| | Profit/(loss) before taxation | | Net assets | |
|---|---|---|---|---|
| | 1996 £000 | 1995 £000 | 1996 £000 | 1995 £000 |
| Great Britain | 43,058 | 39,733 | 928,960 | 881,320 |
| Rest of Europe | (444) | – | 30,030 | – |
| Canada | 353 | 1,042 | 9,579 | 12,905 |
| United States | 906 | 958 | 18,095 | 17,933 |
| Australia | 323 | 143 | 4,794 | 3,946 |
| Far East | 1,258 | (1,009) | 2,154 | – |
| | 45,454 | 40,867 | 993,612 | 916,104 |
| Net interest / borrowings | (18,791) | (17,348) | (264,701) | (238,748) |
| | 26,663 | 23,519 | 728,911 | 677,356 |

## 3. Operating Profit

| (a) Operating profit is stated after charging: | 1996 £000 | 1995 £000 |
|---|---|---|
| Auditors' remuneration: | | |
| Audit | 157 | 157 |
| Non-audit services | 20 | 27 |
| Depreciation of tangible fixed assets | 1,363 | 1,565 |
| Loss on sale of subsidiary undertaking | 96 | – |
| Operating lease payments: | | |
| Plant and machinery | 129 | 236 |
| Land and buildings | 909 | 990 |
| Staff costs: | | |
| Wages and salaries | 9,494 | 8,486 |
| Social security costs | 880 | 722 |
| Other pension costs | 1,226 | 1,100 |
| | 11,600 | 10,308 |

| (b) The average number of persons employed by the Group during the year, including executive directors, was as follows: | 1996 No. | 1995 No. |
|---|---|---|
| Property investment | 129 | 129 |
| Property development and trading | 31 | 28 |
| Other | 268 | 270 |
| | 428 | 427 |

| (c) Directors' emoluments comprised: | 1996 £000 | 1995 £000 |
|---|---|---|
| Fees | – | – |
| Salaries and pension contributions | 958 | 878 |
| Bonus | 100 | 43 |
| | 1,058 | 921 |
| Chairman | – | – |
| Highest paid director – including bonus of £32,000 (1995 – £13,500) but excluding pension contributions | 256 | 226 |

## 3. OPERATING PROFIT *(CONTINUED)*

Number of other directors with emoluments, including bonus but excluding pension contributions, within the following bands:

| | 1996 No. | 1995 No. |
|---|---|---|
| £0 – £5,000 | 5 | 5 |
| £125,001 – £130,000 | – | 1 |
| £145,001 – £150,000 | 1 | – |
| £175,001 – £180,000 | – | 1 |
| £190,001 – £195,000 | – | 1 |
| £200,001 – £205,000 | 1 | – |
| £215,001 – £220,000 | 1 | – |

The Group operates a bonus scheme. The amounts payable under the scheme, which are determined by the Remuneration Committee, are linked to the achievement of performance targets for the Group's property activities.

## 4. PENSION SCHEMES

The Group's main pension scheme is the Grosvenor Estates Pension Scheme, a defined benefit pension scheme. The funds of the scheme are administered by trustees and are separate from the Group. Independent qualified actuaries complete valuations at least every three years and, in accordance with their recommendations, annual contributions are paid to the scheme so as to secure the benefits set out in the rules.

The latest formal valuation to the company for setting the pension cost for the purposes of the Group's accounts was at 31 December 1996. The valuation was carried out using the projected unit funding method. The most important actuarial assumptions used were that investment returns would be ½% to 1½% above the rate of inflationary salary increases, 4½% higher than the annual increase in present and future pensions in payment and 4½% higher than the annual increase in dividend income. At 31 December 1996 the market value of the GEPS assets was £50.4m and the actuarial value of the assets was sufficient to cover 113% of the benefits that had accrued to members, after allowing for expected increases in earnings.

The Group's contributions to the scheme were £716,000 (1995 – £898,000).

The Group operates two additional pension schemes in order to satisfy pension commitments not catered for by the main scheme. The cost of these schemes to the Group was £510,000 (1995 – £202,000).

## 5. INTEREST

| | 1996 £000 | 1995 £000 |
|---|---|---|
| On loans and overdrafts: | | |
| Repayable within five years other than by instalments | 9,337 | 6,532 |
| Repayable after more than five years | 14,102 | 14,134 |
| | 23,439 | 20,666 |
| Bank and other interest receivable | (2,775) | (1,741) |
| Capitalised interest | (1,873) | (1,577) |
| | 18,791 | 17,348 |

Included in cost of sales of development projects sold in 1996 is £370,000 of capitalised interest (1995 – £65,000).

## 6. Taxation on Profit on Ordinary Activities

| | 1996 £000 | 1995 £000 |
|---|---|---|
| Corporation tax at 33% | 5,252 | 5,580 |
| Deferred taxation | (455) | 279 |
| Taxation on profit on sale of investment properties | 6,757 | 2,349 |
| Less proportion relating to revaluation gains recognised in prior periods | (4,425) | (1,166) |
| | 2,332 | 1,183 |
| | 7,129 | 7,042 |
| Adjustment for prior years: | | |
| Corporation tax | 232 | 450 |
| Deferred taxation | – | (10) |
| Taxation on profit on sale of investment properties | 461 | (117) |
| | 7,822 | 7,365 |
| Associated undertakings: | | |
| UK taxation | 8 | – |
| Overseas taxation | 926 | 1,382 |
| | 8,756 | 8,747 |

## 7. Profit for the Year Attributable to the Members of Grosvenor Estate Holdings

Of the consolidated results for the financial year attributable to the members of Grosvenor Estate Holdings, a profit of £7,908,000 (1995 – £7,529,000) has been dealt with in the profit and loss account of the Parent Company.

## 8. Dividends

| | 1996 £000 | 1995 £000 |
|---|---|---|
| Proposed dividends on: | | |
| Ordinary shares, 4.529p per share (1995 – 3.460p) | 252 | 193 |
| Non-voting ordinary shares, 4.529p per share (1995 – 3.460p) | 2,022 | 1,544 |
| | 2,274 | 1,737 |
| 12% Non-cumulative irredeemable preference shares, 12p per share (1995 – 12p) | 670 | 670 |
| | 2,944 | 2,407 |

## 9. Investment Properties

| | Freehold £000 | Long leasehold £000 | Short leasehold £000 | Total £000 |
|---|---|---|---|---|
| Cost or valuation: | | | | |
| Balance at 1 January 1996 | 519,781 | 339,241 | 5,951 | 864,973 |
| Additions | 14,544 | 13,062 | 573 | 28,179 |
| Disposals | (30,993) | (17,736) | (3,492) | (52,221) |
| Surplus transferred to revaluation reserve | 24,769 | 28,176 | 42 | 52,987 |
| Balance at 31 December 1996 | 528,101 | 362,743 | 3,074 | 893,918 |
| Depreciation: | | | | |
| Balance at 1 January 1996 | – | – | (1,033) | (1,033) |
| Charge for the year | – | – | (159) | (159) |
| Balance at 31 December 1996 | – | – | (1,192) | (1,192) |
| Net book value: | | | | |
| 1 January 1996 | 519,781 | 339,241 | 4,918 | 863,940 |
| 31 December 1996 | 528,101 | 362,743 | 1,882 | 892,726 |

| | 1996 £000 | 1995 £000 |
|---|---|---|
| Valuation | 892,259 | 863,314 |
| Depreciated cost | 467 | 626 |
| | 892,726 | 863,940 |

A sample of the freehold and leasehold investment properties (in excess of 75% by value) was valued by directors as at 31 December 1996 on the basis of open market value as defined in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. Any value which the properties might possess for the purposes of redevelopment or any future change of use has been excluded (a special assumption). The remaining properties have had their values adjusted from the last full external valuation in 1995, to reflect the change in value of the sample. External valuations are carried out every three years.

The revaluation has been incorporated into the consolidated financial statements and the surplus has been added to the revaluation reserve.

The historical cost of properties at valuation was £316m (1995 – £325m). The taxation on capital gains which would be payable on the surplus arising on the revaluation of fixed assets, in the event of their sale at their valuation, is estimated to be approximately £89m (1995 – £81m) of which £9m has been provided as deferred taxation (note 17).

## 10. Plant and Machinery

| | Cost £000 | Depreciation £000 | Total £000 |
|---|---|---|---|
| Balance at 1 January 1996 | 11,926 | (8,043) | 3,883 |
| Additions | 1,433 | – | 1,433 |
| Charge for the year | – | (1,204) | (1,204) |
| Disposals | (2,917) | 2,414 | (503) |
| **Balance at 31 December 1996** | 10,442 | (6,833) | 3,609 |

## 11. INVESTMENTS

### (a) Group

| | Associated undertakings £000 | Investments £000 | Total £000 |
|---|---|---|---|
| Shares, at cost: | | | |
| Balance at 1 January 1996 | 14,007 | 204 | 14,211 |
| Movement during the year | 24,852 | 38,879 | 63,731 |
| Balance at 31 December 1996 | 38,859 | 39,083 | 77,942 |
| Loans: | | | |
| Balance at 1 January 1996 | 16,988 | 3,554 | 20,542 |
| Movement during the year | 4,022 | – | 4,022 |
| Balance at 31 December 1996 | 21,010 | 3,554 | 24,564 |
| Share of post-acquisition results: | | | |
| Balance at 1 January 1996 | 20,520 | – | 20,520 |
| Results for the year | (419) | – | (419) |
| Revaluation for the year | (209) | – | (209) |
| Exchange differences | (4,467) | – | (4,467) |
| Balance at 31 December 1996 | 15,425 | – | 15,425 |
| **Total at 31 December 1996** | 75,294 | 42,637 | 117,931 |

### (b) Parent Company

| | Shares in subsidiary undertakings £000 | Shares in associated undertakings £000 | Loans to associated undertakings £000 | Total £000 |
|---|---|---|---|---|
| Balance at 1 January 1996 | 154,802 | 7,445 | 592 | 162,839 |
| Movement during the year | 34,868 | – | – | 34,868 |
| **Balance at 31 December 1996** | 189,670 | 7,445 | 592 | 197,707 |

### (c) Associated undertakings

**Grosvenor International Holdings Limited (GIHL)**

GIHL's principal business is property investment, asset management, development and trading, together with management of properties. The company is incorporated in British Columbia, Canada.

The Parent Company owns 605,835 'D' common shares, being all the issued shares in that class. These shares carry 49% of the voting rights and rank *pari passu* with the 'B' common shares except that they are not entitled to participate in the growth in value of the underlying assets between December 1982 and December 1987. A wholly owned subsidiary owned 74,578 'E' common shares, being the issued equity shares other than the 'B' shares and 'D' shares. These shares rank *pari passu* with 'B' shares except that they are non-voting and redeemable. £32.5m of the Group's interest in associated undertakings at 31 December 1996 (1995 – £34.8m) is in respect of GIHL. Abridged accounts of GIHL are set out in note 26.

**Post balance sheet events**

The 'E' shares have been converted one for one into Second Preference Shares. These shares are non-voting, redeemable but not retractable and have a 6% cumulative dividend. 290,322 new 'F' common shares have been issued. These shares are non-voting fully participating common shares and have a priority 5% non-cumulative dividend. The parent company subscribed for 274,194 shares on 6 January 1997 at a total cost of C$42.5m (£18.9m). The Group's voting rights of 49% remain unchanged.

**Grosvenor Laing Urban Enterprise Limited (GLUEL)**

The business of GLUEL is property development. The Parent Company owns 50% of the issued share capital of GLUEL, a company registered in England and Wales.

11. INVESTMENTS *(CONTINUED)*

(c) Associated undertakings (continued)

**Grosvenor Shaw (Holdings) Limited (formerly Marlin Land (Holdings) Limited)**

Grosvenor Shaw (Holdings) Limited is a holding company for companies whose principal activities are property services and property asset management. The company is incorporated in the British Virgin Islands. A wholly owned subsidiary undertaking owns 20 'A' voting shares, being 50% of the issued shares in that class. 60 'B' shares, in which the Group has no interest, are also in issue and have a conditional right to convert into 'A' shares.

**Grosvenor Shaw Asset Management Limited**

The principal activity of Grosvenor Shaw Asset Management Limited is property asset management. The company is incorporated in the British Virgin Islands. A wholly owned subsidiary undertaking owns 166,667 shares being 16.67% of the issued share capital. The remainder are held by Grosvenor Shaw (Holdings) Limited.

**Realty Assets Three Limited**

The principal activity of Realty Assets Three Limited is property investment. A wholly owned subsidiary undertaking owns 451 deferred shares and 334 redeemable preference shares, being 45.1% of the issued shares in those classes. Realty Assets Three Limited is incorporated in Guernsey.

**Princes Square Development Limited**

The principal activity of Princes Square Development Limited is property development and trading. The company is incorporated in Scotland. A wholly owned subsidiary undertaking owns 50 ordinary shares, being 50% of the issued share capital.

**European Prime Properties SA (EPP)**

The principal activity of EPP is property investment. The company is incorporated in France. A wholly owned subsidiary undertaking owns 1,808,050 ordinary shares, being 50% of the issued share capital. The investment was made on 1 August 1996.

**Barkhill Limited**

The principal activity of Barkhill Limited is property and land investment. The company is incorporated in the Republic of Ireland. A wholly owned subsidiary undertaking owns 400 ordinary shares, being 40% of the issued share capital. The investment was made on 31 May 1996.

**Groex Asset Management Limited**

The principal activity of Groex Asset Management Limited is property asset management. The company is incorporated in England and Wales. The Parent Company owns 50 ordinary shares being 50% of the issued share capital.

**Andovia Limited**

The principal activity of Andovia Limited is property development. The company is incorporated in England and Wales. A wholly owned subsidiary owns one ordinary share being 50% of the issued share capital.

No dividends were received from any of the associated undertakings during 1996.

(d) Investments

**Realty Assets Limited**

A wholly owned subsidiary undertaking owns one deferred share and 50 redeemable preference shares, being 10% of the issued shares in those classes. Realty Assets Limited is incorporated in Guernsey.

**Realty Assets Two Limited**

A wholly owned subsidiary undertaking owns one deferred share and 52 redeemable preference shares, being 10% of the issued shares in those classes. Realty Assets Two Limited is incorporated in Guernsey.

**The Eagle Prime Residential Property Fund Limited (Eagle Prime)**

A wholly owned subsidiary undertaking owns 1,000 participating redeemable preference shares, being 5.4% of the issued share capital. Eagle Prime is incorporated in Guernsey.

11. INVESTMENTS *(CONTINUED)*

(d) Investments (continued)

**Hermanos Revilla SA**

A wholly owned subsidiary undertaking owns 982,476 shares, being 5% of the issued share capital. Hermanos Revilla SA is a property investment company incorporated in Spain. The investment was made on 30 July 1996.

**Société Foncière Lyonnaise SA (SFL)**

A wholly owned subsidiary undertaking owns 438,991 shares, being 7.75% of the issued shared capital. SFL is a property investment company incorporated in France and listed on the French Stock Exchange. The market value of the shares purchased was FFr 260.3m (£29.3m) at 31 December 1996. The investment was made on 6 December 1996.

12. SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings of the Group, each of which is wholly owned and registered in England and Wales, are set out below:

**Property investment**

Grosvenor (Mayfair) Estate*
Grosvenor (Belgravia) Estate*
Eaton Square Properties Limited
Grosvenor Precinct (Chester) Limited†
Market Place Bolton Limited†
Grosvenor Investment Management Limited§
Grosvenor Investments Limited
Grosvenor Overseas Holdings Limited

**Property development and trading**

Grosvenor Developments Limited

**Other**

Grosvenor Estate Management Limited
Realty Insurances Limited
Grosvenor Farms Limited
Chester Grosvenor Hotel Company Limited

*Unlimited company
†Not directly owned by Grosvenor Estate Holdings
§Registered with Investment Management Regulatory Organisation Limited

13. DEVELOPMENT PROJECTS

Capitalised interest included in development projects amounted to £1,150,000 (1995 – £280,000).

14. DEBTORS

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 1996 £000 | 1995 £000 | 1996 £000 | 1995 £000 |
| Trade debtors | 24,585 | 13,488 | – | – |
| Amounts owed by subsidiary undertakings | – | – | 319,056 | 295,027 |
| Taxation recoverable | 1,338 | 1,056 | 2,148 | 1,056 |
| Other debtors | 2,637 | 4,002 | 38 | – |
| Prepayments and accrued income | 3,751 | 2,794 | – | – |
| | 32,311 | 21,340 | 321,242 | 296,083 |

The following amounts included above were due after more than one year:

| | | | | |
|---|---|---|---|---|
| Amounts owed by subsidiary undertakings | – | – | 7,806 | 13,561 |
| Taxation recoverable | 736 | 602 | 736 | 602 |
| Other debtors | 47 | 25 | – | – |

Other debtors includes a secured loan to Mr D R J de Broekert who became a director on 1 January 1991. This loan was made in 1977 and is repayable in 1998. The balance remained at £24,500 throughout 1996.

## 15. Creditors: Amounts Falling Due Within One Year

| | Group 1996 £000 | Group 1995 £000 | Parent Company 1996 £000 | Parent Company 1995 £000 |
|---|---|---|---|---|
| Bank loans and overdrafts | 34,053 | 3,980 | 32,192 | 1,085 |
| Trade creditors | 51,968 | 12,321 | – | – |
| Amounts owed to subsidiary undertakings | – | – | 96,862 | 67,746 |
| Other creditors | 2,506 | 4,687 | – | 21 |
| UK corporation tax on profits | 13,917 | 9,483 | – | 1,226 |
| Other taxes | 2,315 | 1,672 | 590 | 735 |
| Accruals and deferred income | 23,224 | 27,970 | 4,424 | 3,619 |
| Proposed dividends | 2,944 | 2,407 | 2,944 | 2,407 |
| | 130,927 | 62,520 | 137,012 | 76,839 |

## 16. Creditors: Amounts Falling Due After More Than One Year

| | Group 1996 £000 | Group 1995 £000 | Parent Company 1996 £000 | Parent Company 1995 £000 |
|---|---|---|---|---|
| Bank loans repayable other than by instalments – unsecured: | | | | |
| Amounts falling due after one year but within two years | 30,000 | 10,000 | 30,000 | 10,000 |
| Amounts falling due after two years but within five years | 27,278 | 50,000 | 27,278 | 50,000 |
| Amounts falling due after more than five years | 68,134 | 72,000 | 68,134 | 72,000 |
| | 125,412 | 132,000 | 125,412 | 132,000 |
| Other loans repayable other than by instalments: | | | | |
| 12.5% Redeemable loan stock 1996-2010 – unsecured | 5,250 | 5,250 | 5,250 | 5,250 |
| 8.375% Loan stock 2019 – unsecured | 52,500 | 52,500 | 52,500 | 52,500 |
| 10.42% Mortgage debenture 2034 – secured* | 50,000 | 50,000 | 50,000 | 50,000 |
| 4.5% Mortgage – no repayment date – secured* | 100 | 100 | – | – |
| | 107,850 | 107,850 | 107,750 | 107,750 |
| | 233,262 | 239,850 | 233,162 | 239,750 |

*Secured on land and buildings.

Of the Group's bank and other loans due after more than one year outstanding at 31 December 1996 £193.5m were on fixed rate terms at an average interest rate of 9.4% (1995 – 9.7%) with the balance subject to variable market rates of interest.

## 17. Provisions for Liabilities and Charges

| | Deferred taxation £000 | Deferred repairs £000 | Pension obligations £000 | Total £000 |
|---|---|---|---|---|
| Balance at 1 January 1996 | 383 | 462 | 438 | 1,283 |
| Profit and loss account | (455) | 37 | 362 | (56) |
| Transfer from revaluation reserve (note 22) | 8,740 | – | – | 8,740 |
| **Balance at 31 December 1996** | 8,668 | 499 | 800 | 9,967 |

| The analysis of the deferred taxation account is as follows: | 1996 £000 | 1995 £000 |
|---|---|---|
| Capital allowances | 257 | 267 |
| Other | 8,877 | 582 |
| Tax losses | (466) | (466) |
| | 8,668 | 383 |

## 18. Commitments and Contingent Liabilities

| | 1996 £000 | 1995 £000 |
|---|---|---|
| (a) Property expenditure commitments: | | |
| Investment properties: | | |
| Contracted but not provided for | 24,934 | 10,874 |
| Authorised but not contracted | 310 | 6,105 |
| | 25,244 | 16,979 |
| Development projects: | | |
| Contracted but not provided for | 19,191 | 19,802 |
| Authorised but not contracted | 5,693 | 24,000 |
| | 24,884 | 43,802 |

| (b) Annual commitments under non-cancellable operating leases which expire: | 1996 Land and buildings £000 | 1996 Other assets £000 | 1995 Land and buildings £000 | 1995 Other assets £000 |
|---|---|---|---|---|
| Within one year | 345 | – | 316 | – |
| Within two to five years | – | 132 | 20 | 128 |
| After five years | 617 | – | 697 | – |

The Parent Company had no commitments for property expenditure or under operating leases.

(c) Contingent liabilities:
The Parent Company and certain subsidiary undertakings have given performance undertakings to third parties in respect of various contractual obligations entered into in the ordinary course of business.

## 19. SHARE CAPITAL

| | Authorised | Allotted, called up and fully paid |
|---|---|---|
| | £000 | £000 |
| At 1 January 1996 and 31 December 1996 | | |
| Equity interests: | | |
| Ordinary shares of £1 | 8,000 | 5,580 |
| Non-voting ordinary shares of £1 | 64,000 | 44,636 |
| Non-equity interests: | | |
| 12% Non-cumulative irredeemable preference shares of £1 | 8,000 | 5,580 |
| | 80,000 | 55,796 |

The profits which the directors of the Company determine to distribute are to be applied first in paying a fixed non-cumulative dividend of 12% per annum on the amounts paid up on the 12% non-cumulative irredeemable preference shares. The balance of profits for distribution are payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

On a return of the Company's assets to shareholders the assets are to be applied first in repaying to the holders of the 12% non-cumulative irredeemable preference shares the amounts 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.

Holders of the 12% non-cumulative irredeemable preference shares and non-voting ordinary shares are not entitled to vote at General Meetings of the Company except on resolutions varying or abrogating any of the special rights or privileges attaching to their shares.

## 20. DIRECTORS' INTERESTS IN SHARE AND LOAN CAPITAL

| | Ordinary shares | Non-voting ordinary shares | 12% Non-cumulative irredeemable preference shares | Redeemable loan stock 1996-2010 |
|---|---|---|---|---|
| **Grosvenor Estate Holdings** | | | | |
| At 1 January 1996 and 31 December 1996: | | | | |
| **Beneficial** | | | | |
| The Duke of Westminster | 5,579,541 | 44,636,328 | 5,579,541 | – |
| **Non-beneficial** | | | | |
| Sir Richard Baker Wilbraham | 5,076,998 | 40,615,984 | 5,076,998 | – |
| J H M Newsum | 2,572,302 | 20,578,416 | 2,572,302 | – |
| H A C Edwards | 5,232,083 | 41,856,664 | 5,232,083 | – |
| The Earl of Home | 3,788,654 | 30,309,232 | 3,788,654 | – |
| J N C James | 1,911,972 | 15,295,776 | 1,911,972 | 5,250,000 |
| J R Sclater | 2,659,781 | 21,278,248 | 2,659,781 | – |

**Grosvenor Estate International Investments Limited**

The Duke of Westminster had a beneficial interest and Sir Richard Baker Wilbraham, H A C Edwards, The Earl of Home and J R Sclater had non-beneficial interests in 100 preferred 'A' shares of £1 each at 1 January 1996 and 31 December 1996.

The other directors who served during the year had no interests. Where joint interests are involved, the amount of the relative holding has been included against the name of each director interested.

## 21. Share Premium Account

| | £000 |
|---|---|
| Balance at 1 January 1996 and 31 December 1996 | 61,397 |

## 22. Revaluation Reserve

| | Subsidiary undertakings £000 | Associated undertakings £000 | Total £000 |
|---|---|---|---|
| Balance at 1 January 1996 | 471,867 | – | 471,867 |
| Surplus on revaluation of investment properties | 52,987 | – | 52,987 |
| Deficit on revaluation of investment properties in associated companies | – | (209) | (209) |
| Taxation on profit on sale of investment properties relating to revaluation gains recognised in prior periods | (4,425) | – | (4,425) |
| Deferred taxation on investment property sold in 1997 (note 17) | (8,740) | – | (8,740) |
| Transfer to surplus on disposal of investment properties (note 23) | (10,115) | – | (10,115) |
| **Balance at 31 December 1996** | 501,574 | (209) | 501,365 |

Where full historical cost information is not available, the earliest available values have been used to determine the amount of revaluation surplus to be transferred to other reserves on the disposal of investment properties.

## 23. Other Reserves

| | Parent Company £000 | Subsidiary undertakings £000 | Associated undertakings £000 | Total £000 |
|---|---|---|---|---|
| **(a) Surplus on disposal of investment properties** | | | | |
| Balance at 1 January 1996 | – | 26,356 | – | 26,356 |
| Disposals during the year: | | | | |
| Transfer from profit and loss account (note 24) | – | 3,179 | – | 3,179 |
| Transfer from revaluation reserve (note 22) | – | 10,115 | – | 10,115 |
| Balance at 31 December 1996 | – | 39,650 | – | 39,650 |
| **(b) Exchange differences** | | | | |
| Balance at 1 January 1996 | 246 | (625) | 3,780 | 3,401 |
| Unrealised gain / (loss) during the year | 120 | (120) | (3,021) | (3,021) |
| Balance at 31 December 1996 | 366 | (745) | 759 | 380 |
| **(c) Reserve arising on consolidation** | | | | |
| Balance at 1 January 1996 and 31 December 1996 | – | 14,449 | – | 14,449 |
| **Total other reserves at 31 December 1996** | 366 | 53,354 | 759 | 54,479 |

## 24. Profit and Loss Account

| | Parent Company £000 | Subsidiary undertakings £000 | Associated undertakings £000 | Total £000 |
|---|---|---|---|---|
| Balance at 1 January 1996 | 27,394 | (4,226) | 16,375 | 39,543 |
| Retained profit for the year | 4,964 | 10,009 | (419) | 14,554 |
| Transfer to surplus on disposal of investment properties (note 23) | – | (3,179) | – | (3,179) |
| **Balance at 31 December 1996** | 32,358 | 2,604 | 15,956 | 50,918 |

## 25. Reconciliation of Movements in Shareholders' Funds

| | 1996 £000 | 1995 £000 |
|---|---|---|
| Profit for the financial year | 17,498 | 14,397 |
| Dividends | (2,944) | (2,407) |
| | 14,554 | 11,990 |
| Other recognised gains and losses relating to the year (net) | 36,592 | 35,774 |
| Net addition to shareholders' funds | 51,146 | 47,764 |
| Opening shareholders' funds | 672,809 | 625,045 |
| **Closing shareholders' funds** | 723,955 | 672,809 |
| Attributable to: | | |
| Equity shareholders | 718,375 | 667,229 |
| Non-equity shareholders | 5,580 | 5,580 |
| | 723,955 | 672,809 |

## 26. Abridged Accounts of Grosvenor International Holdings Limited

| **Consolidated balance sheet** | 1996 £000 | 1995 £000 |
|---|---|---|
| **Assets** | | |
| Income producing properties (at cost less provisions) | 260,608 | 247,867 |
| Development properties | 12,838 | 15,613 |
| Other assets | 21,009 | 24,485 |
| | 294,455 | 287,965 |
| **Liabilities and preference shares** | | |
| Mortgages and loans | (187,244) | (171,320) |
| Other creditors and provisions | (34,884) | (39,043) |
| Minority interests | (7,231) | (7,691) |
| Preference shares | (435) | (482) |
| | (229,794) | (218,536) |
| **Net assets attributable to equity shareholders** | 64,661 | 69,429 |
| **Equity shareholders' interests** | | |
| Share capital | 10,403 | 11,523 |
| Retained earnings | 50,361 | 54,412 |
| Exchange differences | 3,897 | 3,494 |
| | 64,661 | 69,429 |
| **Consolidated profit and loss account** | | |
| Turnover | 42,834 | 37,187 |
| Operating profit | 26,785 | 21,430 |
| Interest payable | (15,877) | (14,364) |
| | 10,908 | 7,066 |
| Property write-downs | (7,151) | (2,570) |
| Profit before taxation | 3,757 | 4,496 |
| Taxation | (2,084) | (2,900) |
| Profit after taxation | 1,673 | 1,596 |
| Minority interests | (315) | (130) |
| Retained profit for the year | 1,358 | 1,466 |

## 26. Abridged Accounts of Grosvenor International Holdings Limited *(continued)*

| GIHL's principal subsidiaries are as follows: | Holding | Nature of business |
|---|---|---|
| Grosvenor International Canada Limited | 100% | Property investment, development, trading and asset management. |
| Grosvenor International Investments (IFP) Limited | 100% | |
| Grosvenor International (USA) Limited | 77%* | |
| Grosvenor International Australia Pty Limited | 100% | |

*In January 1997 shareholding increased to 85%.

## 27. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

| | 1996 £000 | 1995 £000 |
|---|---|---|
| Operating profit | 38,967 | 36,020 |
| Depreciation | 1,363 | 1,565 |
| Provisions | 402 | 14 |
| Loss on sale of a subsidiary undertaking | 96 | – |
| (Increase) in development projects and other trading stocks | (21,379) | (6,749) |
| (Increase) in debtors | (2,243) | (2,107) |
| (Decrease) in creditors | (1,552) | (284) |
| **Net cash inflow from operating activities** | **15,654** | 28,459 |

## 28. Reconciliation of Net Cash Flow to Movement in Net Debt

| | 1996 £000 | 1995 £000 |
|---|---|---|
| Decrease in cash in the year | (2,468) | (30,875) |
| Cash inflow from increase in debt | (23,485) | (77,000) |
| **Movement in net debt in the year** | **(25,953)** | (107,875) |
| Net debt at the start of the year | (238,748) | (130,873) |
| **Net debt at the end of the year** | **(264,701)** | (238,748) |

## 29. Related Party Transactions

Two long leaseholds were granted on an arms length basis by a wholly owned subsidiary undertaking, Grosvenor (Mayfair) Estate, to an associated undertaking, European Prime Properties SA, at a total cost of £11,040,000.

Two wholly owned subsidiary undertakings purchased two long leaseholds from a Grosvenor Family Trust on an arms length basis at a cost of £890,000.

In the ordinary course of its business, the group provides management and development services to companies and joint ventures in which it has an equity interest and also provides management services to Grosvenor Family Trusts.

# PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

## UK Property Investment and Asset Management

**Grosvenor Investments Limited**
The Grosvenor Office, 53 Davies Street, London W1Y 1FH

**Directors**
J H M Newsum FRICS **Chairman**
G I M Cockburn ARICS **Managing Director**
C J Redman FRICS, J R Milne ARICS, R C Williams FCCA,
J G Wright FRICS, D R J de Broekert MICE,
J O Hagger FCA FCT, G Hammond FRICS,
R S Handley FCA

**Associate Directors**
Mrs S-J Curtis ARICS, N A Hughes ARICS,
J H Lindgren FRICS, Mrs L McConnachie ARICS,
I D McInnes ARICS

## UK Property Development

**Grosvenor Developments Limited**
The Grosvenor Office, 53 Davies Street, London W1Y 1FH

**Directors**
D R J de Broekert MICE **Chairman and Managing Director**
M Aldred FCA, W J A Bullough ARICS,
M L Galloway MICE, G Hammond FRICS, J E Irvine ARICS,
G I M Cockburn ARICS, J O Hagger FCA FCT,
S H R Musgrave ARICS, J H M Newsum FRICS

**Associate Directors**
L S Chadwick FRICS, J D Titchen ARICS

## International Property Investment, Asset Management and Development

### Associated Companies

**Grosvenor International Holdings Limited**
2100 The Grosvenor Building, 1040 West Georgia Street,
Vancouver, British Columbia V6E 4H1, Canada

**Directors**
R G P Styles **Chairman***
R W Hayward ARICS **Group Chief Executive and President**
D A N Murray, D A Taylor CA, J H M Newsum FRICS,
Ms B J Rae*, W K McCourt*, D H Bodel*

**European Prime Properties SA**
19 Avenue Montaigne, 75008 Paris, France

**Directors**
T R Brandolini d'Adda, R S Handley FCA,
J H M Newsum FRICS, R Rio

**Grosvenor Shaw (Holdings) Limited**
**Grosvenor Shaw Asset Management Limited**
30th Floor, Tower 2, The Gateway, 25 Canton Road,
Tsimshatsui, Kowloon, Hong Kong

**Directors**
V F Shaw*, N J Loup, M J Shaw, D T S Shaw,
C R G Wallace, J H M Newsum FRICS,
R W Hayward ARICS, J C C Shaw*, R How, S Cheong*

## Hotel Management

**Chester Grosvenor Hotel Company Limited**
Eastgate Street, Chester CH1 1LT

**Directors**
C B Bond FCA **Chairman***
J W Slater **Managing Director**
J O Hagger FCA FCT

## Farming

**Grosvenor Farms Limited**
Woodhouse Farm, Aldford, Chester CH3 6JD

**Directors**
J H Parker **Chairman***
T J Heywood **Managing Director**
B S Bowden ARICS, J O Hagger FCA FCT,
J Kerr MBE JP DL*, I M P Staines FCA*

## Insurance Management

**Realty Insurances Limited**
31 Davies Street, London W1Y 1LB

**Directors**
J O Hagger FCA FCT **Chairman**
M P L Tompsett FCII **Managing Director**
C M D Hague, A B Roberts

**Associate Director**
L Hackett ACII

*non executive

# FIVE YEAR SUMMARY 1992 TO 1996

| | 1992 £m | 1993 £m | 1994 £m Restated† | 1995 £m | 1996 £m |
|---|---|---|---|---|---|
| **Assets employed** | | | | | |
| Investment properties | 596.8 | 656.4 | 720.9 | 863.9 | **892.7** |
| Investments | 33.0 | 35.1 | 38.5 | 55.3 | **117.9** |
| | 629.8 | 691.5 | 759.4 | 919.2 | **1,010.6** |
| Other tangible fixed assets | 6.2 | 5.0 | 3.9 | 3.9 | **3.6** |
| Development projects | 33.6 | 17.2 | 20.8 | 27.0 | **50.4** |
| Other net current assets/(liabilities) | 13.4 | 17.1 | 8.8 | (31.7) | **(92.3)** |
| Provisions for liabilities and charges | (0.6) | (0.7) | (0.9) | (1.3) | **(10.0)** |
| | 682.4 | 730.1 | 792.0 | 917.1 | **962.3** |
| **Financed by** | | | | | |
| Share capital | 55.8 | 55.8 | 55.8 | 55.8 | **55.8** |
| Reserves | 445.5 | 504.4 | 569.2 | 617.0 | **668.2** |
| Loans (due after more than one year) | 177.6 | 166.1 | 162.8 | 239.8 | **233.3** |
| Minority interest | 3.5 | 3.8 | 4.2 | 4.5 | **5.0** |
| | 682.4 | 730.1 | 792.0 | 917.1 | **962.3** |
| **Turnover** | | | | | |
| Property investment | 38.0 | 39.6 | 45.4 | 50.8 | **49.8** |
| Property development and trading | 36.7 | 46.3 | 24.6 | 13.3 | **31.3** |
| Other | 15.2 | 16.8 | 18.3 | 20.0 | **19.0** |
| | 89.9 | 102.7 | 88.3 | 84.1 | **100.1** |
| **Profit on ordinary activities before taxation** | | | | | |
| Property investment | 24.8 | 27.9 | 30.4 | 35.0 | **35.1** |
| Property development and trading | (2.3) | (5.2) | (1.7) | (0.7) | **4.1** |
| Other | 0.2 | 0.2 | 0.8 | 1.7 | **(0.2)** |
| Operating profit | 22.7 | 22.9 | 29.5 | 36.0 | **39.0** |
| Associated undertakings | – | 3.8 | 2.3 | 1.1 | **0.5** |
| Profit on sale of investment properties | 3.4 | 1.2 | 3.8 | 3.8 | **6.0** |
| Interest | (19.9) | (16.2) | (15.5) | (17.4) | **(18.8)** |
| Profit before taxation | 6.2 | 11.7 | 20.1 | 23.5 | **26.7** |

†The results for 1992 and 1993 have not been restated for the change of accounting policy in 1995 for rents and service charges.