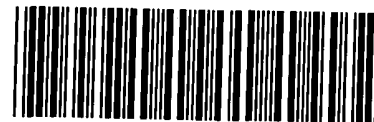


**GROSVENOR
LIMITED
ANNUAL
REPORT &
ACCOUNTS**

2017

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COMPANIES HOUSE

Company Registration No. 2874626

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Strategic Report

The directors present their Strategic report for Grosvenor Limited (the 'Company') and its subsidiaries (together, the 'Group') for the year ended 31 December 2017.

Principal activities

The Group's principal activities are property investment and development. The subsidiary and associated undertakings included in the profits or net assets of the Group in the year are listed in Note 3 of the Company financial statements.

The Group's strategic objectives

Guided by our 'Living cities' philosophy, the Group has two strategic objectives. These are to uphold Grosvenor's reputation for respect, integrity and social responsibility and to deliver attractive long-term returns.

Business review

Financial performance

Revenue profit¹

The Group continues to use revenue profit as one of its three main measures of operating performance. A detailed analysis of revenue profit is contained in Note 2 of the financial statements with a reconciliation to profit before tax.

Revenue profit including the proportional share of revenue profit within joint ventures (excluding co-invested Grosvenor-managed funds) was £48.5m, up from £22.4m achieved in 2016. This was due largely to higher year-on-year activity on trading projects resulted in trading profits of £24.1m (2016: £1.3m loss), principally from joint ventures.

Net rental income² (before major refurbishment costs of £16.0m) reduced to £66.5m (2016: £72.6m) following the asset sales made in 2016. Asset management activity to increase rental income and control costs has helped to offset some of the impact of these sales. Net income from hotel operations was £2.1m, up from £0.5m in 2016.

Fee income increased to £7.8m (2016: £6.2m) while administration costs reduced to £27.4m from £31.0m in 2016 due primarily to lower staff costs. Net financing costs remained at £24.6m (2016: £24.6m).

Profit on disposal of investment property

Premiums received from enfranchisement and on the sale of leases delivered aggregate proceeds of £77.9m (2016: £556.5m) and contributed profits of £19.4m (2016: £59.2m), £11.8m of which was recognised in the year. £7.6m will be recognised over the remaining period of the leases (of 3 to 125 years).

Revaluation of investment property

The directly owned investment property portfolio, primarily properties within Mayfair and Eaton Square in Belgravia, reduced in value by £24.4m (0.8%) during the year (2016: £80.4m reduction).

Share of gain from interests in joint ventures

The share of profit from joint ventures was £18.7m, up from £3.6m in 2016. This principally relates to trading profit arising from the Campden Hill development through the interest in NLG Campden LLP.

¹ Revenue profit is 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 2 to the financial statements.

² Net rental income in the income statement is £50.5m and includes £16.0m of costs relating to major refurbishments. For revenue profit purposes the major refurbishment costs are excluded.

Profit before tax

Profit before tax was £20.0m, an improved performance compared to the loss of £49.0m in 2016. This was largely due to higher trading profits and a lower level of losses on revaluation of the investment property portfolio.

Taxation

The tax charge for 2017 of £3.9m (2016: £34.5m tax credit) is comprised of a current tax charge of £6.5m and a deferred tax credit of £2.6m. The effective tax rate is 20.0% (2016: 70.5%), slightly higher than the UK corporation tax rate of 19.25% (2016: 20.0%).

Total return³

The Group's second main measure of performance is total return. Total pre-tax return on property assets and cash was 1.2% (2016: 0.3%) compared to a weighted average cost of capital of 4.3% (2016: 5.5%).

Sustainable earnings⁴

Along with revenue profit and total return, sustainable earnings is used to assess the performance of the business; in particular it tests our ability to implement our strategy to pay our regular dividend out of recurring income sources rather than through other sources such as asset disposals.

We calculate sustainable earnings by taking items of income we consider to be recurring and deducting recurring costs. It includes a proportional share of the results of joint ventures. We believe it represents a robust indicator of the sustainability of the income earned in a given year, removing the impact of any fluctuations in trading profit and property values as we move through the property cycle and providing a valuable tool for management in assessing the performance of the business.

2017 sustainable earnings totalled £41.2m, £3.1m higher than 2016. The increase is largely due to higher trading profits of £12.8m and lower administration costs of £3.6m partly offset by a reduction in net rental income of £6.1m and higher repair element of major refurbishments of £6.8m.

The regular dividend paid during the year was £49.9m (2016: £49.3m), £8.7m (2016: £11.2m) higher than the level of sustainable earnings.

³ 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 recognized in reserves, as a percentage of average property assets (before current year revaluations) and cash. Joint ventures and associates are treated proportionately for the purposes of this calculation.

⁴ Sustainable earnings is calculated as net rental income, a capped level of trading profit, sustainable reversionary gains in revaluation and other income, less net interest, overheads and tax at the corporate tax rate of 19.25%. (Sustainable reversionary gains represent the element of revaluation gain attributable to moving a year closer to the reversion of a lease to the Group.)

The calculation of sustainable earnings and reconciliation to profit before tax is shown below:

	2017			2016
	Group £m	Joint ventures £m	Total £m	Total £m
Net rental income before major refurbishments	66.5	-	66.5	72.6
Net income from hotel operations	2.1	-	2.1	0.5
Other income	7.8	-	7.8	6.2
Trading profit*	5.3	6.2	11.5	(1.3)
Cash dividend received from Grosvenor-managed funds	-	-	-	2.4
Reversionary gains on investment property	27.2	-	27.2	28.0
Total earnings	108.9	6.2	115.1	108.4
Administrative expenses	(27.4)	-	(27.4)	(31.0)
Repair element of major refurbishments	(11.9)	-	(11.9)	(5.1)
Net financing costs	(24.6)	-	(24.6)	(24.6)
Notional tax charge at corporation tax rate	(8.8)	(1.2)	(10.0)	(9.6)
Sustainable earnings	36.2	5.0	41.2	38.1
Reconciliation:				
Trading profit**	-	12.6	12.6	-
Share of profit from Grosvenor managed funds***	-	-	-	0.7
Net loss on revaluation and sale of investment property****	(39.8)	-	(39.8)	(94.1)
Non repair element of major refurbishments	(4.1)	-	(4.1)	(3.0)
Net gain on disposal of investment	0.2	-	0.2	0.5
Impairment of goodwill	-	-	-	(0.3)
Less notional tax charge at corporate tax rate	8.8	1.1	9.9	9.6
Profit before tax	1.3	18.7	20.0	(48.5)

* Trading profits are capped at a level which is regarded as a "steady state" level which the Group could potentially achieve over the medium to long term

** Trading profits in excess of the "steady state" level

*** In excess of cash dividends received

**** Excluding sustainable reversionary gains

Financial position

Property assets

The Group's total property assets on a proportional basis (including owner occupied property and the Group's share of property assets in joint ventures) reduced by £17.2m during the year to £3.4bn (see Note 16). This is mainly due to acquisitions of £167.7m and development expenditures of £24.0m offset by disposals of £156.7m and a net valuation reduction of £24.4m.

At the balance sheet date the Group's future committed investment and development expenditure was £27.6m (2016: £14.7m).

Interests in joint ventures

Interests in property joint ventures increased from £20.9m to £36.2m primarily due to profits arising from trading sales at the Campden Hill development.

Interests in Grosvenor-managed funds

The Group's remaining interest in the Grosvenor Liverpool Fund was sold to a fellow subsidiary of Grosvenor Group Limited (together with its subsidiaries "Grosvenor Group") on 1 January 2017 at net asset value less the applicable deferred tax liability. 50% of the proceeds were distributed by way of special dividend in the year.

Deferred taxation

Net deferred tax reduced by £17.0m to £384.2m (2016: £401.2m) and represents the corporation tax liability that would be due if the Group were to sell its assets at the value held in the balance sheet. The movement is due to the sales of investment property made in the year combined with the reduction in valuation of investment property. Deferred tax is provided at 17.0% (2016: 17%).

Deferred premium income

Of the profit arising on enfranchisement and the sale of leases £7.6m (2016: £44.9m) was deferred until later years, and together with £3.2m (2016: £3.1m) of net deferred premiums released to the income statement, resulted in a net increase in the deferred premium liability of £4.2m to £119.4m (2016: £115.2m).

Debt

Net debt (excluding cash held on behalf of third parties) at the end of 2017 was £388.1m (2016: £235.8m) comprising external borrowings of £517.5m (2016: £517.5m), less cash and cash equivalents of £129.4m (2016: £281.7m). Cash held on behalf of third parties was £37.2m (2016: £32.2m).

Gross debt within joint ventures was nil at the end of 2017 (2016: £68.9m). Cash within joint ventures was £13.1m (2016: £20.2m).

Shareholder's funds

Shareholder's funds reduced from £2,520.0m at 31 December 2016 to £2,482.1m at 31 December 2017. The reduction is due to the profit after tax for the year of £16.1m and other comprehensive income of £15.4m less dividends paid of £68.9m and a reduction in non-controlling interests of £0.5m.

Gearing and liquidity

Committed debt facilities (drawn and undrawn) at 31 December 2017 were £941.4m (2016: £940.9m) and had a weighted average remaining life of 7.8 years (2016: 8.5 years). Committed undrawn bank facilities were £425.0m (2016: £425.0m) at year end and together with cash of £129.4m (2016: £281.7m) resulted in headroom (being cash and committed undrawn facilities) of £554.4m (2016: £706.7m).

Average gross debt in 2017 was £517.5m (2016: £520.0m) and the average cash balance was £205.6m (2016: £175.5m). Gearing⁵ at year end was 15.6% (2016: 9.3%). The fair value of the Group's debt and financial instruments was £185.9m higher (2016: £164.9m higher) than its book value due to continued low interest rates.

At year end 48% (2016: 49%) of drawn borrowings were secured and 100% (2016: 100%) were at fixed rates of interest. Interest cover⁶ for 2017 was 1.2 times (2016: 1.2 times).

The weighted average cost of gross debt was 6.4% during 2017 (2016: 6.4%).

Cash flow

Cash and cash equivalents reduced by £152.3m in 2017 to £129.4m (2016: £212.5m increase). Acquisitions and development of investment property of £191.7m were partly offset by sales of investment property of £77.9m and £37.9m from the sale of interests in joint ventures. Dividends of £68.9m were paid in the year.

Key performance indicators

Key performance indicator	Why is it measured	2017 £m	2016 £m
Revenue profit	To identify underlying performance, excluding revaluation movements	£48.5m	£22.4m
Total return	To show how the property portfolio has performed, including both income and capital returns	1.2%	0.3%
Sustainable earnings	To identify the recurring level of income	£41.2m	£38.1m
Profit before tax	To show the return on assets delivered in absolute terms	£20.0m	£(49.0)m
Property assets	To quantify the Group's financial investment in property assets	£3,415.1m	£3,432.3m
Shareholder's funds	To report the total value of the shareholder's investment in the Group	£2,482.1m	£2,520.0m

The directors of Grosvenor Group Limited manage their direct proprietary operations on a geographical basis through operating companies of which the Company is the operating company for its Great Britain and Ireland business. The performance of Grosvenor Group, which includes the Company, is discussed in the annual report of that company which does not form part of this report. For this reason, the directors believe that further disclosure of non-financial key performance indicators for the Company are neither necessary nor appropriate for an understanding of the development, performance or position of the business of the Company.

Future developments

Against the context of external uncertainty, we remain cautiously positive about the UK market and positive in our outlook for London's long term future prospects. However we believe that the property market is late in the cycle across key sectors, and anticipate total return to be lower than average over the next year or two.

⁵ Gearing is calculated as total debt (excluding finance lease liabilities) less cash and cash equivalents (excluding third party balances), divided by total equity.

⁶ Interest cover is calculated as net rental income (excluding the amortisation of deferred lease premiums), net income from hotel operations and other income, less administrative expenses, as a proportion of financing costs before the capitalisation of interest.

Risks and uncertainties

Set out below is a summary and explanation of the principal risks faced by the business. Risks are reviewed by the Audit Committee with processes in place to monitor and mitigate them where possible.

Market risk

Property markets are cyclical and the Group's businesses will always be subject to variations in the value of the portfolio. Taking a long-term view, the Group's focus is less on short-term value fluctuations and more on underlying income and value-generating potential. Exposure to market risk is primarily mitigated by a low level of gearing.

It is also mitigated through the allocation of capital to investment and development activity and to property sectors. Short-term market risk is more relevant to development activity, where market conditions may affect leasing terms and capitalisation rates. The Group commits to development projects only after taking careful account of the market outlook. Development exposures are on occasion reduced by working in joint ventures.

Property risks

Investment properties

A significant risk in property investment is the loss of income. The Group ensures that properties are properly maintained and managed, occupancy is maximised and exposure to individual sectors is managed. Over the long term the level of income and value of properties are linked to the attractiveness of the West End.

Asset management is undertaken by teams with overall responsibility for the properties within their portfolios. Day-to-day property management is largely 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. This includes 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 project management teams using external contractors.

Property investment and development risks are mitigated by the employment of appropriately qualified and experienced in-house teams working to well defined processes and policies, detailed research into markets and diversification of the portfolio.

In-house resources are supplemented by external professional advice and support where required. The risks inherent in larger developments are sometimes shared with joint venture partners.

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 strategic planning and budgeting process. 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.

Financial and tax risks

The principal financial risks faced by the Group are liquidity, credit and interest rate risk. Each of these risks is explained in more detail and analysed in Note 26 to the Accounts.

Tax risks are reviewed annually by the Audit Committee as stipulated by Grosvenor Group's tax policy and are managed by an in-house tax team which works alongside external tax advisers.

Health and safety

We are committed to ensuring that high standards of health and safety management are maintained in the Group's operation. The director responsible for Health & Safety is Craig McWilliam with support from the Board, the Executive Committee, the internal Health and Safety Director and external consultants. The Group is certificated to the international health and safety management system standard OHSAS 18001.

Legal compliance

The Group has adopted a number of policies and procedures to ensure that we not only meet our legal obligations, but also behave ethically and act with integrity. These include policies on anti-bribery and corruption, anti-money laundering, the UK Modern Slavery Act and the UK Criminal Finances Act. The Group has been undertaking work to ensure its policies and processes in relation to the management of personal data are consistent with the requirements of the General Data Protection Regulations coming into force in May 2018. All employees are made aware of the Group's policies and receive training appropriate to their roles and responsibilities.

Information technology

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

Environmental policy

The Group takes a long-term view of its activities and responsibilities and environmental considerations are an important factor. We aim to make a positive contribution to sustainable development and we continue to focus on reducing our resource consumption.

The director responsible for environmental policy is Will Bax.

Employees

The success of the business depends heavily on the performance of its staff. The recruitment, development, motivation and retention of staff are therefore critically important. The Group employs human resource professionals to ensure that these risks are effectively managed through suitable policies and procedures.

Compensation is regularly benchmarked against the market, with particular attention paid to the lower paid and legislative requirements. The Group rewards loyalty, excellence and effort. Grosvenor strives to be an inclusive organisation that welcomes, respects and encourages diversity.

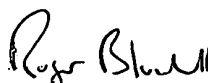
The directors recognise the importance of good communications and relations with the Group's employees and place considerable value on informing them on matters affecting them as employees.

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.

This strategic report was approved by the directors on 1 March 2018 and signed on its behalf by:



Craig McWilliam
Chief Executive
1 March 2018



Roger Blundell
Executive Director, Finance
1 March 2018

Corporate governance

For each of the following aspects of corporate governance, the Company has established clear policies and procedures:

- the Board has an appropriate number of non-executive directors, of whom one is the Chairman, who provide an independent challenge to management;
- each of Graham Pimlott, Heather Rabbatts and Stephen Lovegrove is considered to be independent; and
- the Board has appointed an Audit Committee and a Remuneration Committee and each meets on average three times a year. Each committee has written terms of reference and comprises only non-executive directors. The Remuneration Committee has put in place effective systems for the purpose of attracting, retaining and motivating executives of an appropriate calibre.

The members of the Audit Committee are:

Heather Rabbatts	Non-executive Director (Chairman)
Graham Pimlott	Non-executive Director
Nicholas Scarles	Non-executive Director

The members of the Remuneration Committee are:

Stephen Lovegrove	Non-executive Director (Chairman)
Graham Pimlott	Non-executive Director
Peter Vernon	Non-executive Director

The Board has reviewed the effectiveness of the Company's systems of internal control. There is clearly documented delegation of authority from the Board, matters reserved to the Board and defined procedures for obtaining approval of major transactions and financings. The Board reviews and approves the Company's strategic plan and annual budget and receives regular financial and operational reports. The Company has implemented a process for identifying, evaluating and managing its own and its subsidiaries' significant risks.

Internal controls

The Board acknowledges its responsibility for the oversight of the Group's systems of internal control and for reviewing their effectiveness. The Group's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It provides reasonable but not absolute assurance against material misstatement or loss.

The Chief Executive and his Executive Committee is responsible for the review of risk management and the Group's control environment. Its objective is to provide reliable, valued and timely assurance to the Board and the Audit Committee over the effectiveness of controls, and to mitigate current and evolving high risks. The Group engages the risk assurance services of PricewaterhouseCoopers to provide internal audit services. The Audit Committee approves a rolling three year internal audit plan which is updated annually and carried out by PricewaterhouseCoopers. The findings from the internal audit reports are reviewed by the Audit Committee together with the plans from management to address any weakness in internal controls.

No instances of fraud or material misstatements have been identified during the year.

Committees

The Board has delegated authority for the approval of certain property transactions and internal management decisions to the Chief Executive. The Chief Executive has formed an Executive Committee and the current members of this committee are:

Craig McWilliam	Chief Executive and Chairman of the Executive Committee
Roger Blundell	Executive Director Finance
Will Bax	Executive Director London Estate Investment and Development
Jo Banfield	Human Resources Director
Karima Fahmy	General Counsel
Simon Harding-Roots	Executive Director Major Projects
Jorge Mendonca	Portfolio Director

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2017.

In line with the requirements of the Companies Act 2006, the directors have prepared a separate Strategic Report (see pages 3 to 10) to be read in conjunction with the Directors' Report. Principal risks and uncertainties, future developments, key performance indicators and business overview have therefore been included within the Strategic Report, in line with the latest guidance and further detail on the areas noted below.

Principal activities

The principal activities during the year were property investment and development. The directors do not anticipate any significant change in the activity of Grosvenor Limited or the Group.

The Company is a wholly owned subsidiary of Grosvenor Group Limited, its ultimate parent company.

Information on the Group's business and an analysis of its performance during the year are presented in the Strategic Report on pages 3 to 10.

Results and dividends

The consolidated results for the year have been prepared under International Financial Reporting Standards as adopted by the EU (IFRSs) and are set out in the consolidated income statement on page 19. The profit for the year after taxation was £16.1m (2016: £14.5m loss). Dividends paid during the year totalled £68.9m (2016: £249.3m).

The balance sheet on page 21 shows that the Group's net assets reduced by £37.9m to £2,482.1m during the year.

Directors

The directors of the Company, all of whom were directors throughout the year, were:

Graham Pimlott*
Stephen Lovegrove*
Heather Rabbatts*
Nicholas Scarles*
Peter Vernon*
Craig McWilliam
Will Bax
Roger Blundell
Simon Harding-Roots

*Non-executive directors.

Directors' interests in contracts

Transactions between the Group, Grosvenor Group shareholder companies and Grosvenor Trusts are disclosed in Note 33 to the financial statements.

Certain of the Company's non-executive directors are also directors of other companies with which the Group may from time to time enter into transactions on normal commercial terms. Any such circumstances are declared to and reviewed by the Board in accordance with the provisions of the articles of the Company and the Companies Act 2006. In the opinion of the Board, none of these relationships is such as to prejudice the independence of the non-executive directors concerned.

The Group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' report (continued)

Going concern

The financial statements have been prepared on a going concern basis as discussed in note 1 to the financial statements.

Charitable and political contributions

Charitable contributions during the year amounted to £1.6m (2016: £1.7m) part of which was donated by wholly owned subsidiaries. No political contributions were made during the year (2016: £nil).

Policy on payment of suppliers

Payment terms are agreed with suppliers on an individual basis. It is the policy of the Group to abide by the agreed terms, provided that the suppliers also comply with all relevant terms and conditions. In respect of the Group's activities, trade creditors at 31 December 2017 represented 18 days purchases (2016: 26 days).

Auditor and disclosure of information

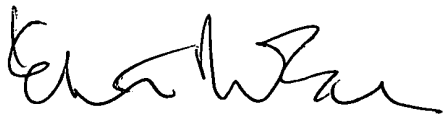
Each of the persons who is a director at the date of approval of this report confirms that:

- a) so far as he or she is aware, there is no relevant audit information of which the auditor is unaware; and
- b) he or she has taken the steps that he/she ought to have taken as a director 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 in accordance with s.418 of the Companies Act 2006.

Deloitte LLP has indicated its willingness to be appointed for a further year and is deemed to be reappointed accordingly.

By order of the Board



Katie Robinson
Secretary
1 March 2018

Company registration number: 2874626
Registered Office: 70 Grosvenor Street, London W1K 3JP

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS regulations and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 these financial statements, International Accounting Standards require that the 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 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.

Responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, 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.

Independent auditor's report to the members of Grosvenor Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework", and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Grosvenor Limited (the 'parent company') and its subsidiaries (the 'Group') 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 cash flow statement;
- the related notes 1 to 33 to the consolidated statements; and
- the related notes 1 to 9 to the company statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 101 Reduced Disclosure Framework.

Basis for 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 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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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.

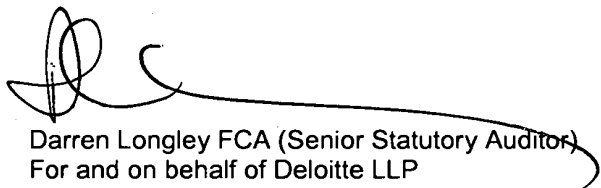
In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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.



Darren Longley FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
1 March 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

	Note	2017 £m	2016 £m
Total revenue	3	177.7	137.3
Gross rental income	3	102.2	110.2
Property outgoings	4	(51.7)	(45.7)
Net rental income		50.5	64.5
Net income from hotel operations	5	2.1	0.5
Other income	6	7.8	6.2
Administrative expenses	7	(27.4)	(31.0)
Net gain on disposal of investment		0.2	0.5
Net gain/(loss) on trading properties	11	5.3	(2.3)
Net loss on revaluation and sale of investment property	12	(12.6)	(66.1)
Share of profit from interests in joint ventures	19	18.7	3.6
Impairment of goodwill		-	(0.3)
Gain/(loss) from operations including share of joint ventures and associates		44.6	(24.4)
Financial income	13	3.8	4.4
Financial expenses	13	(28.4)	(29.0)
Net financing costs		(24.6)	(24.6)
Profit/(loss) before tax		20.0	(49.0)
Current income tax expense	14	(6.5)	(72.7)
Deferred tax credit	14	2.6	107.2
Profit/(loss) for the year		16.1	(14.5)
Attributable to:			
Equity holders of the parent		16.1	(14.5)
Non-controlling interest		-	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

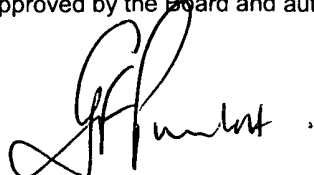
	Note	2017 £m	2016 £m
Profit/(loss) for the year		16.1	(14.5)
Items that will not be reclassified subsequently to the income statement:			
Revaluation of other property, plant and equipment	18	0.2	(3.6)
Re-measurement of net defined benefit liability	9	17.8	(14.7)
Tax relating to items that will not be reclassified subsequently to profit or loss		(2.6)	3.5
		15.4	(14.8)
Items that may be reclassified subsequently to the income statement			
Fair value adjustment on cash flow hedges			
- Joint ventures and associates		-	(3.0)
- Tax relating to items that may be reclassified subsequently to profit or loss		-	0.5
		-	(2.5)
Other comprehensive income/(loss) for the year		15.4	(17.3)
Total comprehensive income/(loss) for the year		31.5	(31.8)
Attributable to:			
Equity holders of the parent		31.5	(31.8)
Non-controlling interest		-	-

CONSOLIDATED BALANCE SHEET

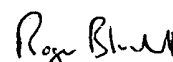
as at 31 December 2017

	Note	2017 £m	2016 £m
ASSETS			
Non-current assets			
Investment property	17	3,242.1	3,116.6
Other property, plant and equipment	18	129.0	127.1
Interests in joint ventures and associates	19	63.8	100.7
Deferred tax assets	15	44.2	57.2
Total non-current assets		3,479.1	3,401.6
Current assets			
Trading properties	20	10.2	41.6
Trade and other receivables	21	50.5	68.2
Cash and cash equivalents	22	166.6	313.9
Total current assets		227.3	423.7
TOTAL ASSETS		3,706.4	3,825.3
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	25	(517.5)	(517.5)
Deferred lease premium income	23	(116.0)	(112.0)
Employee benefits	9	(6.1)	(18.0)
Deferred tax liabilities	15	(428.4)	(458.4)
Provisions	24	(0.2)	(3.8)
Total non-current liabilities		(1,068.2)	(1,109.7)
Current liabilities			
Trade and other payables	23	(144.6)	(152.7)
Provisions	24	(6.2)	(13.2)
Interest-bearing loans and borrowings	25	(0.1)	-
Income tax payable		(5.2)	(29.7)
Total current liabilities		(156.1)	(195.6)
TOTAL LIABILITIES		(1,224.3)	(1,305.3)
NET ASSETS		2,482.1	2,520.0
Equity			
Share capital	31	499.1	499.1
Reserves		(15.3)	(16.6)
Retained earnings		2,000.5	2,039.2
Non-controlling interest		(2.2)	(1.7)
SHAREHOLDER'S FUNDS		2,482.1	2,520.0

Approved by the Board and authorised for issue on 1 March 2018 and signed on behalf of the Board:



Graham Pimlott
(Chairman)



Roger Blundell
(Finance Director)

Company registration number: 2874626

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital	Merger reserve	Revaluation reserve	Cashflow hedging reserve	Retained earnings	Non-controlling interest	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2016	499.1	(33.4)	21.2	0.6	2,315.3	-	2,802.8
Changes in equity							
Loss for the year	-	-	-	-	(14.5)	-	(14.5)
Other comprehensive expense	-	-	(3.6)	(3.0)	(14.7)	-	(21.3)
Tax on other comprehensive expense	-	-	1.1	0.5	2.4	-	4.0
Total comprehensive income	-	-	(2.5)	(2.5)	(26.8)	-	(31.8)
Dividends	-	-	-	-	(249.3)	-	(249.3)
Non-controlling interest	-	-	-	-	-	(1.7)	(1.7)
Profit attributable to non-controlling interest	-	-	-	-	-	-	-
Balance at 31 December 2016	499.1	(33.4)	18.7	(1.9)	2,039.2	(1.7)	2,520.0
Changes in equity							
Profit for the year	-	-	-	-	16.1	-	16.1
Other comprehensive income	-	-	0.2	-	17.8	-	18.0
Tax on other comprehensive income	-	-	0.4	-	(3.0)	-	(2.6)
Total comprehensive income	-	-	0.6	-	30.9	-	31.5
Dividends	-	-	-	-	(68.9)	-	(68.9)
Acquisition of non-controlling interest	-	-	-	-	-	(0.5)	(0.5)
Transfers between reserves	-	-	(0.9)	1.6	(0.7)	-	-
Profit attributable to non-controlling interest	-	-	-	-	-	-	-
Balance at 31 December 2017	499.1	(33.4)	18.4	(0.3)	2,000.5	(2.2)	2,482.1

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Cash flow from operations	27	45.4	66.6
Income taxes paid		(20.8)	(68.3)
Interest expense paid	13	(36.1)	(35.7)
Interest income received	13	3.8	4.4
Net cash flows used in operating activities		(7.7)	(33.0)
Investing activities			
Proceeds from sale of investment property		77.9	556.5
Acquisition of investment property	17	(167.7)	(40.6)
Development of investment property	17	(24.0)	(21.7)
Acquisition of property, plant and equipment	18	(3.2)	(5.2)
Proceeds from sale of investments		-	0.5
Proceeds from sale of joint venture	19	37.9	-
Net cash flow from joint ventures		3.4	5.3
Net cash flows (used in)/from investing activities		(75.7)	494.8
Financing activities			
Dividends paid	32	(68.9)	(249.3)
Net cash flows used in financing activities		(68.9)	(249.3)
Net (decrease)/increase in cash and cash equivalents	27	(152.3)	212.5
Cash and cash equivalents at 1 January	27	281.7	69.2
Cash and cash equivalents at 31 December	22	129.4	281.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRSs as adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The business activities of Grosvenor Limited and its subsidiaries ('the Group'), together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report on pages 3 to 10. The Strategic Report describes the principal risks and uncertainties faced by the Group on page 8. In addition, Note 26 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 its exposure to interest rates, credit risk and liquidity risk, including financial covenant risk, arising from potential falls in property values.

Going Concern

As part of its regular evaluation of liquidity risk, the Group models its principal risks and uncertainties using cash flow projections looking forward for the next 12 months, including an assessment of compliance with banking covenants and the implications of any facilities that are due to expire in this period. Based on these projections, and taking account of the committed but undrawn facilities available to the Group, the Group is satisfied that it has sufficient headroom on both facilities and banking covenants.

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

The financial statements are prepared on the historical cost basis, except for the revaluation of investment properties, group occupied properties, certain financial assets and derivatives that are measured at revalued amounts or fair value and deferred tax thereon. The principal accounting policies adopted are set out below.

During the year the Group operated in one business segment, being property investment and development in Great Britain & Ireland and as such no further information is provided as per the requirements of *IFRS 8: Operating Segments*.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

1. ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- (i) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- (ii) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- (iii) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests are recognised at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

For a business combination that is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate for the disposal of that interest.

(d) Foreign currency transactions

The consolidated financial statements are expressed in pounds sterling, which is the functional currency of the Group and the presentation currency for the consolidated financial statements. At entity level, transactions denominated in foreign currencies are translated into sterling at the exchange rates ruling on the date the transaction is recorded. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date or, if hedged, at the exchange rates under the related hedging transaction and the resultant exchange differences are dealt with in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1. ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency transactions (continued)

On consolidation, the results of overseas companies are translated into Sterling at the average exchange rates for the period and their assets and liabilities are translated into Sterling at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of foreign operations, and of related hedges, are taken to equity. 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 rates for the period.

(e) Investment property

Investment properties, including freehold and leasehold properties, are those which are held either to earn rental income or for capital appreciation or for both. Investment properties include property that is being developed for 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 future 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 re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

(f) Leases

Group as lessor

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

Leases to tenants where substantially all the risks and rewards of ownership are retained by the Group as lessor, are classified as operating leases. Payments received under operating leases, including prepayments and lease premiums, net of the carrying value of the corresponding lease interest granted in return for a premium and any incentives provided by the Group, are deferred in the balance sheet and recognised in 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 value. 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 value and the carrying value of the property derecognised.

1. ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

Group as lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

(g) Other property, plant and equipment

Other 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 comprehensive income.

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 12.5% and 33% per annum, except for freehold property occupied by the Group which is depreciated where material over its expected useful life.

Depreciation rate ranges applied as follows:

Leasehold improvements	12.5%
Computer and IT equipment	20% - 33.3%
Fixtures, fittings and motor vehicles	12.5% – 25%

(h) Trade receivables and other financial assets

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as loans and receivables. Loans and receivables are stated 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. A provision for doubtful debts is made for trade receivables which are older than 90 days or in legal debt recovery.

Financial assets available for sale are stated at fair value which is determined by reference to an active market and any resultant gain or loss is recognised in equity reserves.

Where the Group has the positive intent and ability to hold a financial asset to maturity, it is stated at amortised cost, less impairment losses.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the investment have been negatively impacted.

(i) 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.

1. ACCOUNTING POLICIES (CONTINUED)

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, including balances held with Grosvenor Group Limited which are payable on demand. 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 component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Derivative financial instruments

Derivative 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 any ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecast 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. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

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 or 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 forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement in 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) 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 initial fair value and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(m) 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

1. ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

their service in the current and prior periods; that benefit is discounted to determine its present value.

The calculation is performed by a qualified 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 defined benefit pension costs as estimated by the actuary is included in the income statement and comprises the current service cost, the interest cost on the future benefit liability and the expected return on plan assets.

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

(n) Revenue

The Group recognises revenue on an accruals basis, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Revenue is measured at the fair value of the consideration received or receivable.

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

Revenue from development is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due. Provision is made for anticipated development losses.

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

The Group is responsible for providing service charge services. Service charge income and costs are shown gross in the Income Statement with service charge recoveries from tenants recorded as a component of Group revenue. Where recovery of service charges is doubtful, a provision for impairment is made.

Revenue from hotel operations is recognised net of VAT. Revenue from the rental of rooms is recognised when rooms are occupied and food and beverage sales recognised at the point of sale. Turnover excludes staff discretionary service charges.

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

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

1. ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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.

(q) Income tax

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

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. 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 tax rates that have been enacted or substantively enacted by the end of the reporting period; refer to Note 14 for the reconciliation. The income tax payable on the balance sheet includes VAT payable.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets and liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. The Group provides deferred tax on investment properties by reference to the tax that would be due on the ultimate sale of the properties. Recognition on this basis means that, where applicable, indexation allowance is taken into account in the tax base cost.

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

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 by 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.

1. ACCOUNTING POLICIES (CONTINUED)

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past events, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

(s) Adoption of standards

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs 2014-2016 Cycle

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 and in some cases have not yet been adopted by the EU:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- IFRS 2 (amendments) Classification and Measurement of Share Based Payment Transactions
- IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.
- IAS 40 (amendments) Transfers of Investment Property
- Annual improvements to IFRSs 2014 – 2016 Cycle Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures.
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRSs: 2014-16 Cycle

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, except that: at 31 December 2017 the Group has non-cancellable operating lease commitments of £61m. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead certain information is disclosed as operating lease commitments in note 28. Consistent with the requirements of IFRS 16 the Group expects to recognise a right-of-use asset and a corresponding liability in respect of these leases which is currently estimated at £41m as at 31 December 2019. In contrast for finance leases where the Group is a lessee, as the Group has already recognised an asset and related finance lease liability for the lease arrangement, and in cases where the Group is a lessor (for both operating and finance leases), the directors do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

(t) 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 (which are dealt with separately below) 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.

Leases

The accounting treatment for a lease is determined by its classification as either an operating lease or a finance lease. Lease classification requires judgement in determining whether substantially all of the risks and benefits associated with ownership have been transferred between the lessor and lessee.

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

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 property yields and the estimated future rental income assumed in the valuations. See note 17 for details of the estimates used in deriving the valuations.

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.

2. REVENUE PROFIT

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

	2017		
	Group £m	Joint ventures £m	Total £m
Gross rental income	102.2	-	102.2
Property outgoings excluding major refurbishments	(35.7)	-	(35.7)
Net rental income	66.5	-	66.5
Net income from hotel operations	2.1	-	2.1
Fees and other income	7.8	-	7.8
Trading profit	5.3	18.8	24.1
Administrative expenses	(27.4)	-	(27.4)
Net financing costs	(24.6)	-	(24.6)
Revenue profit	29.7	18.8	48.5
Reconciliation:			
Joint venture tax	-	(0.1)	(0.1)
Net loss on revaluation and sale of investment property	(12.6)	-	(12.6)
Net gain on disposal of investments	0.2	-	0.2
Major refurbishment expenditure	(16.0)	-	(16.0)
Profit before tax	1.3	18.7	20.0

	2016		
	Group £m	Joint ventures £m	Total £m
Gross rental income	110.2	0.1	110.3
Property outgoings excluding major refurbishments	(37.6)	(0.1)	(37.7)
Net rental income	72.6	-	72.6
Net income from hotel operations	0.5	-	0.5
Fees and other income	6.2	-	6.2
Trading (loss)/profit	(2.3)	1.0	(1.3)
Administrative expenses	(31.0)	-	(31.0)
Net financing costs	(24.6)	-	(24.6)
Revenue profit	21.4	1.0	22.4
Reconciliation:			
Joint venture tax	-	(0.3)	(0.3)
Net loss on revaluation and sale of investment property	(66.1)	(0.2)	(66.3)
Gain on Group's interest in Grosvenor managed funds	-	3.1	3.1
Net gain on disposal of investments	0.5	-	0.5
Impairment of intangible assets	(0.3)	-	(0.3)
Major refurbishment expenditure	(8.1)	-	(8.1)
(Loss)/profit before tax	(52.6)	3.6	(49.0)

3. TOTAL REVENUE

	2017 £m	2016 £m
Gross lease payments receivable	89.9	99.9
Amortisation of deferred lease premiums	9.2	7.6
Amortisation of lease incentives	3.1	2.7
Gross rental income	102.2	110.2
Proceeds from sale of trading property	40.9	9.9
Service charge income	12.1	10.5
Income from hotel operations	14.7	0.5
Other income	7.8	6.2
Total revenue	177.7	137.3

The majority of investment properties that are leased out under operating leases have unexpired terms of between six months and 20 years in length.

4. PROPERTY OUTGOINGS

	2017 £m	2016 £m
Service charge income	12.1	10.5
Service charge expenses	(12.1)	(10.5)
Net service charge expenses	-	-
Major refurbishment expenses	(16.0)	(8.1)
Other property operating expenses	(35.7)	(37.6)
Total net property outgoings	(51.7)	(45.7)

Other property operating expenses include irrecoverable service charges.

Major refurbishment expenses include the cost of repairing investment properties incurred as part of a larger redevelopment and costs of upgrading the public realm.

5. NET INCOME FROM HOTEL OPERATIONS

	2017 £m	2016 £m
Revenue	14.7	2.8
Operating expenses	(12.6)	(2.3)
Net income from hotel operations	2.1	0.5

Net income from hotel operations arise from activities of an entity over which the Group has control (as defined by IFRS 10 "Consolidated Financial Statements") since 28 October 2016. The Group does not hold any shares in the entity and it remains 100% owned outside the Group and is not a subsidiary or subsidiary undertaking as defined by the Companies Act.

6. OTHER INCOME

	2017 £m	2016 £m
Project management fees	4.1	3.2
Other income	3.7	3.0
	7.8	6.2

7. ADMINISTRATIVE EXPENSES

	2017 £m	2016 £m
Staff costs	(24.7)	(27.0)
Fees payable to the Company's auditor and its associates:		
– for the audit of the Company's annual accounts	(0.2)	(0.2)
– for the audit of the Company's subsidiaries pursuant to legislation	(0.1)	(0.1)
Total audit fees	(0.3)	(0.3)
Total non-audit fees		
– other assurance services	(0.1)	(0.1)
Other professional fees	(4.6)	(4.1)
Other administrative expenses	(16.8)	(17.5)
Recharged to related parties	19.1	18.0
	(27.4)	(31.0)

Included within other administrative expenses is £0.4m (2016: nil) relating to hotel operations.

8. EMPLOYEE INFORMATION

	2017 £m	2016 £m
Staff costs		
Wages and salaries	(34.6)	(31.7)
Social security contributions	(3.2)	(2.8)
Other staff costs	(2.6)	(2.5)
Pension costs		
Contributions to defined contribution plans	(0.9)	(1.0)
Net cost of defined benefit plans	(7.9)	(5.4)
	(49.2)	(43.4)
Included in administrative expenses	(24.7)	(27.0)
Included in property outgoings	(17.7)	(13.4)
Included in trading costs	(1.4)	(3.0)
Included in hotel operating expenses	(5.4)	-
	(49.2)	(43.4)

Monthly average number of employees by activity

	2017	2016
Property investment	151	145
Property trading	8	18
Management and administration	116	109
Hotel operations	182	-
	457	272

The costs of staff directly engaged in investment activities are included in property outgoings, those directly engaged in development activities for sale are included in development costs and those engaged in hotel activities are included in operating expenses of hotel operations. All employees are located in the United Kingdom. Directors' remuneration is shown in Note 10.

The Company has no employees (2016: nil).

9. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes. The Group contributes a percentage of salary into the 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 £0.9m (2016 - £1.0m).

Defined benefit schemes

The Group operates defined benefit schemes which have benefits based on service and average or final salary. The plans are approved by Her Majesty's Revenue and Customs for tax purposes, and are operated separately from the Group and managed by member and employer nominated Trustees. The Trustees are responsible for payment of the benefits and management of the plan's assets. The schemes are subject to UK regulations, which require the Group and Trustees to agree a funding strategy and contribution schedule for the scheme. The formal process results in the production and adherence to a Schedule of Contributions, both for regular on-going contributions, and if required any additional deficit contributions. This is signed by both the company and pension trustees and certified 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.

The defined benefit schemes 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 so as 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 scheme. These risks include investment risks and demographic risks, such as the risk of members living longer than expected. The 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 £554.4m, the Group is comfortably positioned to make further contributions to the scheme should they be required.

The scheme is a multi-employer scheme because it provides pensions for both the Group and employees of other entities owned by the ultimate shareholders of the Grosvenor Group. The Group accounts for its proportionate share of defined benefit obligations, scheme assets and cost of this schemes 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 employee would become liable to pay their share of the scheme's liabilities (their section 75 debt).

The most recently completed triennial valuation was carried out at 31 December 2014. The valuation has been updated to 31 December 2017 where appropriate. The results of this valuation together with the key assumptions used are set out below. The triennial valuation as at 31 December 2017 is in the course of being completed.

The weighted average duration to payment of the expected benefit cash flows from the scheme in respect of accrued service at the end of the accounting period is approximately 21 years (2016: 21 years).

In addition to the defined benefit scheme set out above, the Group operates an unfunded defined benefit scheme to satisfy pension commitments not catered for by the funded schemes.

9. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Analysis of defined benefit schemes

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

	2017 £m	2016 £m
Current service cost	(7.9)	(5.3)
Past service cost	(0.1)	-
Curtailment	0.5	-
Net interest cost	(0.4)	-
	(7.9)	(5.3)

The amounts included in the balance sheet in respect of defined benefit schemes are as follows:

	2017 £m	2016 £m
Present value of unfunded obligations	(0.3)	(0.3)
Present value of funded obligations	(160.9)	(160.2)
Present value of total defined benefit obligations	(161.2)	(160.5)
Fair value of scheme assets	155.1	142.5
Net defined benefit pension scheme deficit	(6.1)	(18.0)
Included in the balance sheet as:		
Non-current liabilities	(6.1)	(18.0)

The amounts included in comprehensive income in respect of defined benefit schemes are as follows:

	2017 £m	2016 £m
Actuarial gain/(loss)	17.8	(14.7)

Included within actuarial gains and losses is a gain of £6.5m (2016: £nil) due to changes in demographic assumptions.

Movements in the present value of defined benefit obligations were:

	2017 £m	2016 £m
At 1 January	(160.5)	(117.6)
Allocation	-	(2.1)
Current service cost	(7.9)	(5.3)
Past service cost	(0.1)	-
Curtailment	0.5	-
Interest cost	(4.1)	(4.5)
Actuarial gain/(loss)	7.4	(33.7)
Benefits paid	3.5	2.7
At 31 December	(161.2)	(160.5)

9. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Movements in the fair value of scheme assets were:

	2017 £m	2016 £m
At 1 January	142.5	117.7
Allocation	-	2.1
Interest on plan assets	3.7	4.5
Actual return on plan assets less interest on plan assets	10.4	19.0
Regular contributions by the employer	2.0	1.9
Benefits paid	(3.5)	(2.7)
At 31 December	155.1	142.5

Movements in the net defined benefit obligations were:

	2017 £m	2016 £m
At 1 January	(18.0)	0.1
Charged to profit and loss	(7.9)	(5.3)
Amount recognised outside of profit and loss	17.8	(14.7)
Employer contributions	2.0	1.9
At 31 December	(6.1)	(18.0)

Analysis of the scheme assets:

	2017 £m	2016 £m
Equities	122.0	113.1
Bonds	18.0	15.1
Multi-asset credit funds	13.4	12.2
Other	1.7	2.1
At 31 December	155.1	142.5

9. RETIREMENT BENEFIT SCHEMES (CONTINUED)

The plan does not invest directly in property occupied by the Group or in financial securities issued by the Group.

The plan's assets are invested in a diversified range of asset classes as set out in this note. These assets include liability matching assets and annuity policies purchased by the Trustees which aim to match the benefits to be paid to some members from the plan and therefore remove the investment, inflation and demographic risks in relation to those liabilities.

The assumptions used in the scheme were:

	2017	2016
Discount rate*	2.36%	2.60%
Expected rate of salary increases	4.90%	4.80%
Expected rate of future pension increases	3.17%	3.30%
Inflation*	3.17%	3.30%
Life expectancy of a 65 year old today*	Male 24.2 Female 25.9	Male 24.8 Female 26.6
Life expectancy of a 65 year old in 20 years*	Male 25.9 Female 27.4	Male 27.1 Female 28.5

The sensitivity to the key assumptions (denoted * above) above of the total defined benefit obligation and approximate income statement expense is set out as follows:

	Total defined benefit obligation £m	Approximate expense in 2017 £m
Based on the assumptions above		
Approximate impact of:		
Increase in discount rate by 0.25%	(9.3)	(0.3)
Increase in inflation rate by 0.25%	9.8	0.3
Increase in life expectancy by 1 year at 65	6.6	0.2

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.

10. DIRECTORS' REMUNERATION

Aggregate remuneration

Emoluments

Performance-related bonus

Long-term incentive scheme

2017 £'000	2016 £'000
1,906	2,609
981	1,235
668	1,918
3,555	5,762

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

During the year nil (2016: £162,000) was paid to a former director as compensation for loss of office.

The highest paid director serving at 31 December 2017 received emoluments of £481,000 (2016: £566,000).

Retirement benefits accrued to three (2016: five) executive directors during the year under defined benefit schemes sponsored by Group companies. The total annual accrued pension under the defined benefit pension schemes for these directors was £10,500 (2016: £14,500). Retirement benefits accrued to one (2016: five) executive directors during the year under money purchase pension schemes. Total contributions in respect of money purchase pension benefits were £1,200 (2016: £58,000).

11. NET GAIN/(LOSS) ON TRADING ACTIVITIES

Development costs

Impairment of trading and development properties

Proceeds from sale of trading properties

Carrying value of trading properties sold

Net gain/(loss) on trading activities

2017 £m	2016 £m
(2.0)	(3.3)
(0.6)	-
40.9	9.8
(33.0)	(8.8)
5.3	(2.3)

12. NET LOSS ON REVALUATION AND SALE OF INVESTMENT PROPERTY

	2017 £m	2016 £m
Net valuation loss on investment property	(24.4)	(80.4)
Profit on disposal of investment property	11.8	14.3
Net loss on revaluation and sale of investment property	(12.6)	(66.1)

13. NET FINANCING COSTS

	2017 £m	2016 £m
Financial income (including interest income)	3.8	4.4
Interest expense	(33.3)	(33.2)
Commitment and other financing costs	(2.8)	(2.5)
Interest capitalised	7.7	6.7
Financial expenses	(28.4)	(29.0)
Net financing costs	(24.6)	(24.6)

The average rate of interest capitalised in the year was 6.4% (2016: 6.4%).

14. TAXATION

Recognised in the income statement

Current corporate income tax

Current year

Adjustment for prior years

Deferred tax

Origination and reversal of temporary differences

Effect of tax rate change

Adjustment for prior years

Total income tax expense/(credit) in the income statement

2017 £m	2016 £m
6.6	72.3
(0.1)	0.4
6.5	72.7
(3.7)	(83.7)
0.8	(22.7)
0.3	(0.8)
(2.6)	(107.2)
3.9	(34.5)

14. TAXATION (CONTINUED)

Reconciliation of effective tax

Profit/(loss) before tax	
Less: share of profit of joint ventures	
Add: joint venture profit where the tax is directly attributable to the Group	
Adjusted Group profit/(loss) before tax	
Income tax using the corporate tax rate 19.25% (2016: 20.0%)	
Expenses not deductible for tax purposes	
Foreign tax rate applied to investment in Liffey Valley	
Adjustment for indexation	
Adjustments in respect of prior years	
Effect of tax rate change on deferred tax balance	
Impact of Corporate Interest Restriction rules	
Historic deferred tax provisions no longer required	
Total income tax expense in the income statement	

2017 £m	2016 £m
20.0	(49.0)
(18.7)	(3.6)
18.3	3.7
19.6	(48.9)
3.8	(9.8)
1.0	0.9
-	1.8
(3.7)	(4.3)
0.2	(0.4)
0.8	(22.7)
2.4	-
(0.6)	-
3.9	(34.5)

Reconciliation of effective tax rate

UK corporation tax rate 19.25% (2016: 20.0%)	
Expenses not deductible for tax purposes	
Foreign tax rate applied to investment in Liffey Valley	
Adjustment for indexation	
Adjustments in respect of prior years	
Effect of tax rate change on deferred tax balance	
Impact of Corporate Interest Restriction rules	
Historic deferred tax provisions no longer required	
Effective tax rate in the income statement	

2017 £m	2016 £m
19.25%	20.00%
5.5%	(1.8%)
-	(3.7%)
(19.0%)	8.8%
1.0%	0.8%
4.0%	46.4%
12.3%	-
(3.1%)	-
20.0%	70.5%

Recognised in other comprehensive income

Total deferred tax charge/(credit)	
------------------------------------	--

2017 £m	2016 £m
2.6	(4.0)

On 1 April 2017, the UK corporation tax rate was reduced from 20% to 19%. From 1 April 2020, the UK corporation tax rate will reduce further to 17% (Finance Act 2016).

A current tax rate of 19.25% has been applied to the year ended 31 December 2017.

A deferred tax rate of 17% has been applied to opening balances and movements in deferred tax in the year ended 31 December 2017.

15. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities are attributable to the following items:

	Assets 2017 £m	Liabilities 2017 £m	Net 2017 £m	Assets 2016 £m	Liabilities 2016 £m	Net 2016 £m
Investment property – contingent gains	21.0	(420.1)	(399.1)	28.5	(446.8)	(418.3)
Investment property – deferred income	20.2	-	20.2	20.6	-	20.6
Other property, plant and equipment	-	(8.3)	(8.3)	-	(9.9)	(9.9)
Interest bearing loans and borrowings	-	-	-	0.5	(0.8)	(0.3)
Employee benefits	3.0	-	3.0	7.6	(0.9)	6.7
Tax assets/(liabilities)	44.2	(428.4)	(384.2)	57.2	(458.4)	(401.2)

Movement in temporary differences during the year:

	Balance at 1 January 2017 £m	Recognised in income £m	Recognised in other comprehensive income £m	Transfers £m	Balance at 31 December 2017 £m
Investment property – contingent gains	(418.3)	4.5	0.5	14.2	(399.1)
Investment property – deferred income	20.6	(0.4)	-	-	20.2
Other property, plant & equipment	(9.9)	(1.2)	-	2.8	(8.3)
Interest bearing loans & borrowings	(0.3)	0.3	-	-	-
Employee benefits	6.7	(0.6)	(3.1)	-	3.0
Tax assets/(liabilities)	(401.2)	2.6	(2.6)	17.0	(384.2)

15. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

	Balance at 1 January 2016 £m	Recognised in income £m	Recognised in other comprehensive income £m	Balance at 31 December 2016 £m
Investment property – contingent gains	(516.3)	96.9	1.1	(418.3)
Investment property – deferred income	13.2	7.4	-	20.6
Other property, plant & equipment	(9.1)	(0.8)	-	(9.9)
Interest bearing loans & borrowings	(0.7)	(0.1)	0.5	(0.3)
Employee benefits	3.9	0.4	2.4	6.7
Provisions	0.7	(0.7)	-	-
Other items	(4.1)	4.1	-	-
Tax assets/(liabilities)	(512.4)	107.2	4.0	(401.2)

On 1 January 2017, the deferred tax assets of Grosvenor Liverpool Fund were transferred upon disposal to Grosvenor Europe Investments Limited, a fellow subsidiary of Grosvenor Group Limited.

At the balance sheet date the Group has unused tax losses of £12.6m (2016: £14.5m) for which no deferred tax asset has been recognised.

16. 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.

		Note	2017 £m	2016 £m
Investment property	- Group	17	3,242.1	3,116.6
	- Share of joint ventures	19	-	97.4
Trading properties	- Group	20	10.2	41.6
	- Share of joint ventures and associates	19	44.2	58.4
Owner-occupied property		18	118.6	118.3
Total property assets			3,415.1	3,432.3

17. INVESTMENT PROPERTY

2017	Completed property		Under development		Total		Total
	Freehold £m	Leasehold £m	Freehold £m	Leasehold £m	Freehold £m	Leasehold £m	£m
Balance at 1 January	7.2	2,927.1	79.9	102.4	87.1	3,029.5	3,116.6
Acquisitions	-	167.7	-	-	-	167.7	167.7
Development costs capitalised	-	15.4	8.6	-	8.6	15.4	24.0
Capitalised interest	-	1.3	6.4	-	6.4	1.3	7.7
Disposals	-	(58.5)	-	-	-	(58.5)	(58.5)
Revaluation gains/(losses)	0.4	(10.7)	(14.1)	-	(13.7)	(10.7)	(24.4)
Amortisation of deferred rent	-	3.1	-	-	-	3.1	3.1
Other	0.1	5.8	-	-	0.1	5.8	5.9
Transferred between categories	-	(26.2)	-	26.2	-	-	-
Balance at 31 December	7.7	3,025.0	80.8	128.6	88.5	3,153.6	3,242.1

2016	Completed property		Under development		Total		Total
	Freehold £m	Leasehold £m	Freehold £m	Leasehold £m	Freehold £m	Leasehold £m	£m
Balance at 1 January	108.8	3,517.9	69.1	-	177.9	3,517.9	3,695.8
Acquisitions	7.0	17.0	16.6	-	23.6	17.0	40.6
Development costs capitalised	2.5	14.4	4.7	-	7.2	14.4	21.6
Capitalised interest	-	0.3	5.6	-	5.6	0.3	5.9
Disposals	(111.2)	(390.3)	-	-	(111.2)	(390.3)	(501.5)
Revaluation gains/(losses)	0.1	(64.4)	(16.1)	-	(16.0)	(64.4)	(80.4)
Amortisation of deferred rent	-	(0.1)	-	-	-	(0.1)	(0.1)
Other	-	4.8	-	-	-	4.8	4.8
Transferred to other plant property and equipment	-	(70.1)	-	-	-	(70.1)	(70.1)
Transferred between categories	-	(102.4)	-	102.4	-	-	-
Balance at 31 December	7.2	2,927.1	79.9	102.4	87.1	3,029.5	3,116.6

The historical cost of the Group's investment properties was £1,320.8m (2016 - £1,120.0m).

During the year, capitalised interest charged to the income statement was £1.0m (2016 – £5.9m).

At 31 December 2017 investment properties with a carrying amount of £1,673.0m were pledged as security for borrowings (2016 – £1,601.2m).

At 31 December 2017 the Group had investment properties with a fair value of £1.0m (2016 - £20.8m) under offer from third parties.

The property rental income earned by the Group from its investment property amounted to £102.2m (2016: £110.2m). Direct operating expenses arising on the investment property amounted to £51.7m (2016: £45.7m).

The Group has obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements of £13.1m (2016: £9.0m).

17. INVESTMENT PROPERTY (CONTINUED)

Fair value disclosure

Class of Property	Fair Value Hierarchy	Valuation/ FV 2017 £m	Valuation/ FV 2016 £m	Valuation technique	Valuation inputs	Average property 2017	Average property 2016
Office	Level 3	1,007	1,012	Investment method and market comparable method	Weighted Average ERV psf	£62 psf	£67 psf
					ERV range psf	£10-£125 psf	£10-£125 psf
					Weighted Average Eq yld	4.2%	4.2%
					Equivalent yield range	3.4%-6.3%	3.4%-6.3%
Retail	Level 3	1,033	896	Investment method and market comparable method	Weighted Average ERV psf	£62 psf	£64 psf
					ERV range psf	£12-£178 psf	£12-£178 psf
					Weighted Average Eq yld	3.6%	3.5%
					Equivalent yield range	2.9%-5.5%	2.8%-5.5%
Residential	Level 3	1,090	1,048	Investment method and market comparable method Residual Approach for development sites	Average Rev'n capital value psf	£1,508 psf	£1,461 psf
					Capital value range psf	£780-£3,840 psf	£800-£3,964 psf
Hotels	Level 3	102	95	Discounted Cashflow method and market comparable method	Weighted Average ERV psf	£53 psf	£63 psf
					ERV range psf	£38-£54 psf	£36-£55 psf
					Weighted Average Eq yld	4.9%	4.6%
					Discount rate range	6.75%-8.00%	6.75%-8.25%
Investment properties under development	Level 3	129	183	Residual Approach	Average capital value psf	£1,775 psf	
					ERV range psf	£35-£86	£60-£119
					Weighted Average Exit yield	3.75%	3.70%
Total		3,361	3,235				

The table above includes owner occupied property of £118.6m (2016: £118.3m)

17. INVESTMENT PROPERTY (CONTINUED)

Fair value disclosure (continued)

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

Fair value hierarchy: all the properties are level 3 in the fair value hierarchy as at 31 December 2017 and there were no transfers between levels during the year.

Valuation technique: there were no changes in the valuation technique.

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.

ERV - Estimated Rental Value

Valuation processes, policies and procedures

- The portfolio is valued on an annual basis by independent and qualified valuers.
- The portfolio was valued by Cushman & Wakefield, Chartered Surveyors at 31 December 2017 on a fair value basis in accordance with the RICS Valuation - Professional Standards guidelines and performed in accordance with IVS.
- The fair value at 2017 represents the highest and best use.
- The fee payable to the valuers is on a fixed basis.
- Investment properties have been valued using the investment method which involves applying a yield to rental income streams. Inputs include yield, current rent, ERV or on a market comparable basis of value per square foot derived and adjusted from actual market transactions. 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 Company e.g. current rents and lease terms which is derived from the company's financial and property management systems and is subject to the company'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.

Sensitivity to significant changes in unobservable inputs

An increase/decrease to rents/ERVs will increase/decrease the valuation, while an increase/decrease to yield decreases/increases the valuation.

An increase/decrease in estimated costs to complete of a development project would decrease/increase the valuation of development properties.

There are inter-relationships between all these unobservable inputs as they are determined by market conditions. An increase in more than one unobservable input would magnify the impact on the valuation. The impact on the valuation will be mitigated by the interrelationship of two unobservable inputs moving in opposite directions e.g. an increase in rent may be offset by an increase in yield, resulting in no net impact on the valuation.

18. OTHER PROPERTY, PLANT AND EQUIPMENT

2017	Land and buildings £m	Other property, plant and equipment £m	Total £m
Cost			
Balance at 1 January	118.3	19.8	138.1
Additions	0.1	3.1	3.2
Disposals	-	(2.8)	(2.8)
Revaluation gain	0.2	-	0.2
Balance at 31 December	118.6	20.1	138.7
Accumulated depreciation			
Balance at 1 January	-	(11.0)	(11.0)
Depreciation charge for the year	-	(1.5)	(1.5)
Disposals	-	2.8	2.8
Balance at 31 December	-	(9.7)	(9.7)
Net book value			
At 1 January	118.3	8.8	127.1
At 31 December	118.6	10.4	129.0

2016	Land and buildings £m	Other property, plant and equipment £m	Total £m
Cost			
Balance at 1 January	51.8	14.6	66.4
Additions	-	5.2	5.2
Revaluation loss	(3.6)	-	(3.6)
Transfer from Investment property	70.1	-	70.1
Balance at 31 December	118.3	19.8	138.1
Accumulated depreciation			
Balance at 1 January	-	(9.8)	(9.8)
Depreciation charge for the year	-	(1.2)	(1.2)
Balance at 31 December	-	(11.0)	(11.0)
Net book value			
At 1 January	51.8	4.8	56.6
At 31 December	118.3	8.8	127.1

Land and buildings comprise £118.6m (2016 - £118.3m) of long leasehold property. This property was valued at 31 December 2017 by an independent valuer – Cushman & Wakefield, Chartered Surveyors, on the basis of market value for existing use in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The historical cost of the Group's revalued land and buildings at 31 December 2017 was £70.3m (2016: £70.2m).

19. INTERESTS IN JOINT VENTURES

	2017 £m	2016 £m
Share of profit of joint ventures	18.7	3.6
Net profit from interests in joint ventures in the income statement	18.7	3.6
Share of assets and liabilities of joint ventures	36.2	75.8
Loans and other long-term receivables	27.6	24.9
Net interest in joint ventures in the balance sheet	63.8	100.7

Share of profit of joint ventures:

Gross rental income
Net rental and other income less administrative expenses
Net gains on revaluation and sale of investment property
Trading profit
Net financing costs
Tax
Profit after tax

2017 £m	2016 £m
-	4.7
-	3.4
-	0.7
18.8	1.0
-	(1.2)
(0.1)	(0.3)
18.7	3.6

Share of assets and liabilities of joint ventures:

Non-current assets	- investment properties
Current assets	- trading properties
	- other
Non-current liabilities	
Current liabilities	
Net assets	
Borrowings included in liabilities	

2017 £m	2016 £m
-	97.4
44.2	58.4
20.7	28.6
(5.3)	(78.6)
(23.4)	(30.0)
36.2	75.8
-	(68.9)

The figures above include interests in Grosvenor-managed funds.

19. INTERESTS IN JOINT VENTURES (CONTINUED)

At 31 December 2017 the Group had the following principal interests in joint ventures:

(a) incorporated companies:

	Principal activities	Place of business and country of registration	Effective interest
Trumpington Meadows Land Company Ltd	Property Development	England and Wales	50.0%
20 Balderton Street Project 1 Limited	Property Development	England and Wales	50.0%
Grosvenor Stow Projects 2 Limited	Property Development	England and Wales	50.0%
Grosvenor Stow Limited	Property Development	England and Wales	50.0%

(b) limited liability partnerships:

	Principal activities	Place of business and country of registration	Effective interest
GC Bankside LLP	Property Development	England and Wales	50.0%
Alpha Place Developments LLP	Property Development	England and Wales	33.3%
Barton Oxford LLP	Property Development	England and Wales	50.0%
GC Campden Hill LLP	Property Development	England and Wales	33.3%

On 1 January 2017, the remaining interest in the Grosvenor Liverpool Fund was disposed to Grosvenor Europe Investments Limited, a fellow subsidiary of Grosvenor Group Limited, at net asset value less the applicable deferred tax liability.

20. TRADING PROPERTIES

	Note	2017 £m	2016 £m
Balance at 1 January		41.6	42.0
Additions		-	5.8
Development costs capitalised		2.2	1.9
Interest capitalised		-	0.7
Disposals	11	(33.0)	(8.8)
Impairment of trading properties	11	(0.6)	-
Balance at 31 December		10.2	41.6

21. TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Current		
Gross trade receivables	21.3	30.6
Allowance for bad debt	(0.6)	(1.4)
Net trade receivables	20.7	29.2
Other receivables due from shareholder companies	7.0	23.9
Other receivables	13.9	12.4
Prepayments and accrued income	8.9	2.7
At 31 December	50.5	68.2

22. CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Bank balances	3.2	2.4
Cash held in Money Market Funds	126.2	279.3
Cash and cash equivalents in the statement of cash flows	129.4	281.7
Restricted cash held on behalf of third parties	37.2	32.2
Cash and cash equivalents in the balance sheet	166.6	313.9

Bank balances held on behalf of third parties includes funds held in relation to service charges, sinking fund accounts and tenant deposits.

23. TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
Current liabilities		
Trade payables	(5.6)	(7.8)
Other payables	(85.2)	(84.1)
Accrued expenses	(50.4)	(57.6)
Deferred lease premium income	(3.4)	(3.2)
	(144.6)	(152.7)

Deferred lease premium income of £116.0m (2016: £112.0m) is included within non-current liabilities.

24. PROVISIONS

	2017 £m	2016 £m
Non-current liabilities		
At 1 January	(3.8)	(6.4)
Recognised in the year	-	(3.2)
Transferred to current liabilities	3.6	5.8
At 31 December	(0.2)	(3.8)

	2017 £m	2016 £m
Current liabilities		
At 1 January	(13.2)	(11.0)
Transferred from non-current liabilities	(3.6)	(5.8)
Utilised in the year	10.6	3.6
At 31 December	(6.2)	(13.2)

The provisions disclosed above relate to an obligation in respect of an ongoing development.

25. INTEREST-BEARING LOANS AND BORROWINGS

Non-current liabilities

10.42% Mortgage debenture stock 2034
6.5% Debenture stock 2026
8.375% Unsecured loan stock 2019
5.57% Private placement bond 2031
6.05% Private placement bond 2041
3.38% Private placement bond 2022
4.97% Private placement bond 2037
Finance lease liabilities
Deferred finance costs

2017 £m	2016 £m
(50.0)	(50.0)
(201.6)	(201.6)
(52.5)	(52.5)
(95.0)	(95.0)
(30.0)	(30.0)
(60.0)	(60.0)
(30.0)	(30.0)
(1.4)	(1.6)
3.0	3.2
(517.5)	(517.5)

Current liabilities

Other borrowings

2017 £m	2016 £m
(0.1)	-
(0.1)	-

Included in the debenture stock due in 2026 is £1.6m (2016: £1.6m) of net unamortised premium.

The debenture stocks due in 2026 and 2034 are secured over investment properties with a carrying value of £1,673.0m (2016: £1,601.2m).

Finance lease liabilities

2017

Less than one year
Between one and five years
More than five years

Minimum lease payments £m	Interest £m	Principal £m
(0.4)	(0.3)	(0.1)
(1.4)	(1.3)	(0.1)
(72.2)	(71.0)	(1.2)
(74.0)	(72.6)	(1.4)

2016

Less than one year
Between one and five years
More than five years

Minimum lease payments £m	Interest £m	Principal £m
(0.3)	(0.3)	-
(1.3)	(1.3)	-
(73.0)	(71.4)	(1.6)
(74.6)	(73.0)	(1.6)

26. FINANCIAL INSTRUMENTS

Capital risk management

The capital structure of the Group comprises debt, which includes the borrowings disclosed in Note 25, cash and cash equivalents disclosed in Note 22 and equity, comprising issued share capital, reserves and retained earnings as shown in the Statement of Changes in Equity.

The Group manages its capital to optimise returns over the long term. Gearing and interest cover limits are set by the Group's shareholder. Group gearing at the balance sheet date was 15.6% (2016: 9.3%).

Financial instruments and their fair values

The directors consider that the carrying amounts of financial assets and liabilities carried at amortised cost in the financial statements approximate their fair values, except as detailed in the following table.

2017

Financial liabilities:

Sterling fixed rate loans

Mortgage debenture 2034
Debenture 2026
Unsecured loan 2019
Private placement bond 2031
Private placement bond 2041
Private placement bond 2022
Private placement bond 2037

Carrying value at amortised cost	Fair value
£m	£m
(50.0)	(97.3)
(201.6)	(267.4)
(52.5)	(58.3)
(95.0)	(128.7)
(30.0)	(47.7)
(60.0)	(64.5)
(30.0)	(41.1)

2016

Financial liabilities:

Sterling fixed rate loans

Mortgage debenture 2034
Debenture 2026
Unsecured loan 2019
Private placement bond 2031
Private placement bond 2041
Private placement bond 2022
Private placement bond 2037

Carrying value at amortised cost	Fair value
£m	£m
(50.0)	(91.3)
(201.6)	(254.9)
(52.5)	(62.0)
(95.0)	(127.1)
(30.0)	(44.6)
(60.0)	(65.6)
(30.0)	(38.9)

26. FINANCIAL INSTRUMENTS (CONTINUED)

All financial assets and liabilities held by the Group are categorised as fair value hierarchy level 3, with the exception of the 2026 Debenture Stock, which is categorised as fair value hierarchy level 2 as its measurements are derived from inputs other than quoted prices but are observable for the liability. The fair value of this liability is determined with reference to quoted market prices.

The fair values of financial assets and liabilities, with fair value hierarchy level 3, 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 other non-derivative financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The fair value of financial assets and liabilities as stated above incorporates an adjustment in respect of credit risk.

Financial risk management

The Group has a 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:

- ensure sufficient committed loan facilities are available to support anticipated business requirements as they arise;
- ensure that the Group's debt can be supported from maintainable cash flow through clear internal guidelines;
- manage interest rate exposure with a combination of fixed rate debt and interest rate swaps so that a minimum of 60% of borrowings are at fixed interest rates for the next three years;
- not hedge long-term net asset positions held in foreign currencies; and
- invest short-term cash with approved institutions within limits agreed by Grosvenor Group.

Transactions in financial instruments including derivatives are either governed by specific delegations 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. Covenant compliance reporting (including gearing and interest cover reporting) is performed on a quarterly basis for management reporting purposes. Risks include market risk (interest rates, currency and pricing), credit risk and liquidity risk.

26. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk in respect of its surplus cash deposits, trade receivables, loans to joint ventures and receivables in respect of sales of properties to third parties. The Group manages this risk by performing an assessment of the credit risk specific to each counterparty prior to entering the transaction.

Surplus cash is deposited with major financial institutions with credit ratings at or above a specified level. Limits are set to restrict the total amount of funds that can be deposited with any single counterparty. At the year-end deposits were invested as follows, using ratings from major, reputable credit rating intuitions.

	Total deposits at 31 December	
	2017 £m	2016 £m
AAA	106.6	271.2
AA	-	-
AA-	3.0	-
A+	5.0	-
A	14.8	9.5
A-	-	-
BBB+	37.2	33.2
	166.6	313.9

Trade receivables consist of a large number of tenants, spread across diverse industries. Credit checks are carried out before commencement of tenancies and before entering into joint venture partnership agreements and ongoing credit evaluation ensures any receivables are provided for as required. Trade receivables are small relative to total assets and therefore do not present a significant risk to the Group. Net trade receivables at 31 December 2017 totalled £20.8m. (2016: £29.3m) of which £3.0m (2016: £2.3m) were still outstanding at 1 March 2018 (2016: 3 March 2018).

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 without taking account of the value of any collateral obtained.

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 at least 60% of debt are at fixed interest rates. The interest rate profile is reviewed on a monthly basis.

Cash flow hedging

As part of the Group's interest rate risk management, interest rate swaps within joint ventures, exchanging floating for fixed interest with a notional principal of £nil (2016: £40.0m) and a fair value liability of £nil (2016: £1.9m), were designated for cash flow hedge accounting at 31 December 2017. These hedges were highly effective during the year.

26. FINANCIAL INSTRUMENTS (CONTINUED)

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

2017	Effective interest rate %	Floating interest rate £m	Fixed interest rate			Non-interest bearing £m	Total £m
			< 1 year £m	1-5 years £m	> 5 years £m		
Financial assets:							
Other receivables due from shareholder companies	-	-	-	-	-	7.0	7.0
Trade and other receivables	-	-	-	-	-	43.5	43.5
Loans to joint ventures	4.5	27.6	-	-	-	-	27.6
Cash and cash equivalents	0.3	166.6	-	-	-	-	166.6
Total financial assets		194.2	-	-	-	50.5	244.7
Financial liabilities:							
Sterling fixed rate loans							
Mortgage debenture 2034	10.4	-	-	-	(50.0)	-	(50.0)
Debenture 2026	6.5	-	-	-	(201.6)	-	(201.6)
Unsecured loan 2019	8.4	-	-	(52.5)	-	-	(52.5)
Private placement bond 2031	5.6	-	-	-	(95.0)	-	(95.0)
Private placement bond 2041	6.1	-	-	-	(30.0)	-	(30.0)
Private placement bond 2022	3.4	-	-	(60.0)	-	-	(60.0)
Private placement bond 2037	5.0	-	-	-	(30.0)	-	(30.0)
Total fixed rate loans		-	-	(112.5)	(406.6)	-	(519.1)
Sterling floating rate loans							
Finance lease liabilities	6.0	-	-	-	(1.4)	-	(1.4)
Trade and other payables	-	-	-	-	-	(144.6)	(144.6)
Total financial liabilities		-	-	(112.5)	(408.0)	(144.6)	(665.1)

The total average cost of debt for the year ended 31 December 2017 was 6.4% (2016: 6.4%).

26. FINANCIAL INSTRUMENTS (CONTINUED)

	Effective interest rate %	Floating interest rate £m	Fixed interest rate			Non-interest bearing £m	Total £m
			< 1 year £m	1-5 years £m	> 5 years £m		
2016.							
Financial assets:							
Other receivables due from shareholder companies	-	-	-	-	-	23.9	23.9
Trade and other receivables	-	-	-	-	-	43.7	43.7
Loans to joint ventures	4.5	24.9	-	-	-	-	24.9
Cash and cash equivalents	0.5	313.2	-	-	-	-	313.2
Total financial assets		338.1	-	-	-	67.6	405.7
Financial liabilities:							
Sterling fixed rate loans							
Mortgage debenture 2034	10.4	-	-	-	(50.0)	-	(50.0)
Debenture 2026	6.5	-	-	-	(201.6)	-	(201.6)
Unsecured loan 2019	8.4	-	-	(52.5)	-	-	(52.5)
Private placement bond 2031	5.6	-	-	-	(95.0)	-	(95.0)
Private placement bond 2041	6.1	-	-	-	(30.0)	-	(30.0)
Private placement bond 2022	3.4	-	-	-	(60.0)	-	(60.0)
Private placement bond 2037	5.0	-	-	-	(30.0)	-	(30.0)
Total fixed rate loans		-	-	(52.5)	(466.6)	-	(519.1)
Sterling floating rate loans							
Finance lease liabilities	6.0	-	-	-	(1.6)	-	(1.6)
Trade and other payables	-	-	-	-	-	(150.8)	(150.8)
Total financial liabilities		-	-	(52.5)	(468.2)	(150.8)	(671.5)

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities and cash balances, it is assumed that the liability or asset at the balance sheet date was outstanding for the whole year. For illustrative purposes interest rate sensitivity has been estimated based on a 50 basis point increase or decrease to interest rates.

26. FINANCIAL INSTRUMENTS (CONTINUED)

If interest rates had been 0.5% higher and all other variables are held constant, the impact on the Group's profit for the year would have been:

	2017 £m	2016 £m
Increase in profit for the year		
- interest receivable	0.7	1.4
- tax charge	(0.1)	(0.3)
Total increase in profit and equity	0.6	1.1

Similarly, if interest rates had been 0.5% lower, then Group profit and equity would have decreased by £0.6m (2016: £1.1m decrease).

Liquidity risk

The Group obtains financing from a number of sources, including secured lending at project level together with secured and unsecured borrowing at the corporate level. To ensure sufficient cash is available to meet operating plans, the Group maintains cash flow projections and stressed cash flow analysis on a monthly basis.

At 31 December 2017 the Group had the following drawn and undrawn committed borrowing facilities available:

	Drawn facilities		Undrawn facilities	
	2017 £m	2016 £m	2017 £m	2016 £m
Expiring less than 1 year	-	-	35.0	-
Expiring from 1 to 2 years	52.2	-	25.0	35.0
Expiring from 2 to 5 years	58.5	50.7	365.0	390.0
Expiring after more than 5 years	405.7	465.3	-	-
Total	516.4	516.0	425.0	425.0

The Group also monitors its resilience to potential falls in property market values. Resilience is defined as the extent to which the Group's property interests could fall in value before financial covenants are breached assuming no property sales or debt repayments.

26. FINANCIAL INSTRUMENTS (CONTINUED)

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

2017	Fixed rate loans	Floating rate loans	Finance lease liabilities	Other borrowings	Total
	£m	£m	£m	£m	£m
Due within 1 year	33.2	-	0.4	-	33.6
From 1 to 2 years	81.9	-	0.4	-	82.3
From 2 to 5 years	146.1	-	1.0	-	147.1
After 5 years	612.0	-	72.3	-	684.3
	873.2	-	74.1	-	947.3
Effect of discount/financing rates	(357.1)	-	(72.7)	-	(429.8)
	516.1	-	1.4	-	517.5

2016	Fixed rate loans	Floating rate loans	Finance lease liabilities	Other borrowings	Total
	£m	£m	£m	£m	£m
Due within 1 year	33.2	-	0.3	-	33.5
From 1 to 2 years	33.2	-	0.3	-	33.5
From 2 to 5 years	139.5	-	1.0	-	140.5
After 5 years	700.5	-	72.7	-	773.2
	906.4	-	74.3	-	980.7
Effect of discount/financing rates	(390.5)	-	(72.7)	-	(463.2)
	515.9	-	1.6	-	517.5

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit from operations including share of joint ventures to cash flow from operations

	Note	2017 £m	2016 £m
Operating activities			
Profit(loss) from operations including share of joint ventures		44.6	(24.4)
Adjustments for:			
Depreciation on property, plant and equipment	18	1.5	1.2
Net amortisation of deferred lease premiums		(3.2)	(3.1)
Amortisation of lease incentives	3	(3.1)	(2.7)
Gain on disposal of investment		(0.2)	-
Net loss on revaluation of investment property	12	24.4	80.4
Gains on sale of investment property	12	(11.8)	(14.3)
Impairment of trading properties	11	0.6	-
Impairment of intangible assets		-	0.3
Share of profit of joint ventures and associates	19	(18.7)	(3.6)
Difference between pension contributions paid and amounts recognised in the income statement	9	5.9	3.6
Operating profit before changes in working capital and provisions		40.0	37.4
Decrease in trading properties		30.8	0.4
Decrease in trade and other receivables		17.7	0.3
(Decrease)/increase in trade and other payables		(32.5)	28.9
Decrease in provisions	24	(10.6)	(0.4)
Cash flow from operations		45.4	66.6

(b) Analysis of net debt

	1 January 2017 £m	Cash flow £m	31 December 2017 £m
Total cash and cash equivalents in the balance sheet	313.9	(147.3)	166.6
Restricted cash held on behalf of third parties (Note 22)	(32.2)	(5.0)	(37.2)
Total cash and cash equivalents in cash flow statement	281.7	(152.3)	129.4
Borrowings	(517.5)	-	(517.5)
Net borrowings	(235.8)	(152.3)	(388.1)

28. OPERATING LEASE COMMITMENTS

Leases as lessee

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

	2017 £m	2016 £m
Land and buildings	4.6	4.6

The future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

	2017 £m	2016 £m
Less than one year	4.6	4.6
Between one and five years	18.2	18.3
More than five years	38.2	40.6
	61.0	63.5

Leases as lessor

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

	2017 £m	2016 £m
Less than one year	75.1	71.1
Between one and five years	204.5	181.9
More than five years	1,141.3	1,037.6
	1,420.9	1,290.6

29. CAPITAL COMMITMENTS

	2017 £m	2016 £m
Investment properties contracted but not provided	24.9	9.4
Capital commitments in respect of joint ventures	2.7	5.3
	27.6	14.7

30. CONTINGENT LIABILITIES

Certain Group companies have given performance and financial undertakings to third parties in respect of various contractual obligations entered into in the ordinary course of business. None of these are considered to be significant.

31. SHARE CAPITAL

Authorised

Equity interests:

Ordinary shares of £1

Non-equity interests:

5% Cumulative redeemable preference shares of £1

2017		2016	
Number of shares	£m	Number of shares	£m
1,000,000,000	1,000.0	1,000,000,000	1,000.0
450,000,000	450.0	450,000,000	450.0
1,450,000,000	1,450.0	1,450,000,000	1,450.0

Allocated, called up and fully paid

Equity interests:

Ordinary shares of £1

2017		2016	
Number of shares	£m	Number of shares	£m
499,147,808	499.1	499,147,808	499.1

RIGHTS OF CLASSES OF SHARES

Profits determined by the directors as available for distribution are to be applied first in paying a fixed cumulative dividend of 5% per annum on the amounts paid up on any 5% cumulative redeemable preference shares. The balance of profits available for distribution is payable to the holders of the 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 any 5% cumulative redeemable preference shares the amounts paid up on their shares. The balance of the assets is payable to the holders of the ordinary shares in proportion to the amounts paid up on their shares.

The holders of any 5% cumulative redeemable preference shares are not entitled to vote at general meetings of the members of the Company except on resolutions varying or abrogating any of the special rights or privileges attaching to their shares or when the preferential dividend due on those shares is in arrears.

32. DIVIDENDS

Amount recognised as distributions to equity holders in the period:

Final regular dividend for the year ended 31 December 2017 of 10.0p (2016: 9.8p) per share

Special dividend for the year ended 31 December 2017 of 3.8p (2016: £40.0p) per share

2017 £m	2016 £m
49.9	49.3
19.0	200.0
68.9	249.3

33. RELATED PARTY TRANSACTIONS

Grosvenor Limited is wholly owned by Grosvenor Group Limited, which in turn is wholly owned by Trusts on behalf of the Grosvenor Family headed by the Duke of Westminster. During the year, the Group paid £1.9m (2016: £2.0m) in arm's length rentals and management fees to the Grosvenor Trusts and received £0.6m (2016: £0.4m) in arm's length rentals and service charges from certain directors, Trustees and members of the Grosvenor Family and the Grosvenor Trusts.

In the ordinary course of its business the Group provides services to Grosvenor Trusts and some members of the Grosvenor Family. Income from these services totalled £21.1m (2016: £20.2m).

In 2017 the Group arranged insurance cover on normal commercial terms through a related company. Aggregate premiums paid in the year were £8.2m (2016: £7.7m). At the year end the balance payable was £0.1m (2016: £0.1m).

In 2017 the Group received administration fees of £1.6m (2016: £0.2m) in arm's length agreements from the Grosvenor Trusts, £0.3m (2016: £0.6m) from joint ventures and £4.5m (2016: £4.4m) from other Grosvenor Group companies.

At 31 December 2017, £0.4m (2016: £nil) was due from Grosvenor Trusts, and £0.1m (2016: £0.1m) from joint ventures. The amount receivable from Grosvenor Group companies was £7.0m (2016: £23.9m).

Transactions between Grosvenor Limited and its subsidiaries eliminate on consolidation and are not disclosed in this note.

At the year end the Group had loan balances receivable from joint ventures of £27.6m (2016: £24.9m).

None of the balances are secured. All of the related party transactions are made on terms equivalent to those that prevail in arm's length transactions.

GROSVENOR LIMITED

COMPANY BALANCE SHEET AND NOTES TO THE ACCOUNTS

BALANCE SHEET

as at 31 December 2017

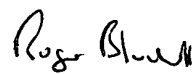
	Note	2017 £m	2016 £m
Fixed assets			
Investment in subsidiaries	3	1,122.0	1,122.0
Total non-current assets		1,122.0	1,122.0
Current assets			
Other debtors		1.3	3.3
Debtors	4	574.8	527.2
Cash at bank and in hand		126.4	280.9
Total current assets		702.5	811.4
Creditors: amounts falling due within one year	5	(889.0)	(1,088.5)
Net current liabilities		(186.5)	(277.1)
Total assets less current liabilities		935.5	844.9
Creditors: amounts falling due after more than one year			
Interest bearing loans and borrowings	6	(314.9)	(314.5)
NET ASSETS		620.6	530.4
Capital and reserves			
Called up share capital	7	499.1	499.1
Profit and loss account	8	121.5	31.3
SHAREHOLDER'S FUNDS		620.6	530.4

The profit of the Company for the year ended 31 December 2017 was £159.1m (2016: £115.7m loss).

Approved by the Board and authorised for issue on 1 March 2018 and signed on behalf of the Board:



Graham Pimlott
(Chairman)



Roger Blundell
(Finance Director)

Company registration number: 2874626

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Note	Share capital £m	Retained earnings £m	Total £m
At 1 January 2016		499.1	396.3	895.4
Loss for the year	9	-	(115.7)	(115.7)
Dividends		-	(249.3)	(249.3)
At 31 December 2016		499.1	31.3	530.4
Profit for the year	9	-	159.1	159.1
Dividends		-	(68.9)	(68.9)
At 31 December 2017		499.1	121.5	620.6

NOTES TO THE COMPANY BALANCE SHEET

as at 31 December 2017

1. ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical costs convention and in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The Company has elected under Section 408 of the Companies Act not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 December 2017 of £159.1m (2016: £115.7m loss).

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

The Company is in a net asset position at 31 December 2017. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources for the foreseeable future and for a minimum of 12 months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Company's financial statements.

(b) Financial Reporting Standard 101 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

(c) Investments

Investments held as fixed assets are stated at cost less provision for any impairments.

1. ACCOUNTING POLICIES (CONTINUED)

(d) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full in respect of timing differences between the recognition of income and expenditure for accounting and taxation purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The Company settles the current taxation obligations of its subsidiary companies on their behalf. The benefit provided to the subsidiary companies under this arrangement is recognised as tax expense (or tax credit where a tax benefit is received) with all current tax assets and liabilities of subsidiary companies recorded in the balance sheet of Grosvenor Limited.

2. 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 directors do not believe that there are any significant accounting judgements that would result in a material difference to the accounts in the next 12 months.

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:

Recoverability of amounts owed by Group undertakings

Due to the size of amounts owed by Group undertakings, changes in the estimated recoverability of these amounts could have a significant impact on the results and financial position of the Company. This estimate of recoverability includes assessing the credit quality, level of future profitability and future liquidity of counterparties.

3. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

Company

At 1 January 2017 / At 31 December 2017

Shares at cost
£m
1,122.0

The Company has investments in a number of subsidiary and joint venture entities, the details of which are listed below.

Direct subsidiaries

The following companies are directly held 100% subsidiaries incorporated in England & Wales:

1-5 GP Management Limited	Grosvenor Keysign Limited
32-42 BPR Limited	Grosvenor London Properties Limited*
65 Davies Street Development Limited*	Grosvenor Mayfair Properties Limited*
65 Davies Street Investment Limited*	Grosvenor Ninety Limited*
Bankside 4 Limited	Grosvenor Policy Management Limited*
Belgravia Estate Services Limited	Grosvenor Properties
Belgrave House Developments Limited*	Grosvenor Property Advisers Limited*
Belgravia Leases Limited	Grosvenor Property Asset Management Limited*
Cambridge Retail Investment Limited*	Grosvenor Property Developments Limited
Eaton Square Properties Limited	Grosvenor Property Group Limited
Fountain North Limited	Grosvenor Property Holdings Limited*
GEB2 Limited*	Grosvenor Realty Investments Limited*
Grosvenor (Basingstoke) Limited*	Grosvenor Seventy Nine Limited*
Grosvenor Commercial Properties*	Grosvenor Technopole Investment Limited*
Grosvenor Developments (GB) Limited*	Grosvenor UK Finance plc
Grosvenor Developments Limited	Grosvenor West End Properties
Grosvenor Eighty Three Limited*	Liverpool PSDA Limited
Grosvenor Eighty Four Limited*	London Leasehold Flats Limited
Grosvenor Eighty Five Limited*	Mayfair Leasehold Properties Limited*
Grosvenor Eighty Six LLP*	Montrose Place Development Limited
Grosvenor Eighty Seven Limited*	Preston Tithebar Investment Limited**
Grosvenor Eighty Eight Limited*	Quarryvale Two Limited
Grosvenor Eighty Nine Limited*	Southwark Holding LP*
Grosvenor Estate Management Limited	Southwark LP
Grosvenor Estates Limited*	Urban Neighbourhood Holdings Limited*
Grosvenor Investments Limited	

In addition to the above companies, the Company has a 100% investment in the ordinary share capital of Fountain North Limited, a company incorporated in Scotland.

All direct subsidiaries are registered at 70 Grosvenor Street, W1K 3JP, London, with the exception of Fountain North Limited which is registered at 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

* Preston Tithebar Investments Limited was struck off on 27 February 2018.

3. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Indirect subsidiaries

Grosvenor Limited indirectly owns 100% of the ordinary share capital of the following companies incorporated in England & Wales:

29-37 Davies Street Limited
64-70 South Audley Street Limited
Drummond Road Limited
Coton Park Limited*
Due West Investments Limited
Fournier Securities Limited
GCH Investments (1) Limited
GCH Investments (2) Limited
GCH Investments LLP
Grosvenor Alpha Place LLP
Grosvenor Belgravia Investment Limited
Grosvenor Developments (UK) Limited*
Grosvenor Lothbury Investment Limited*
Grosvenor Quarryvale Limited*
Liffey Valley Limited
Liverpool Site 11 Hotel Limited*
Liverpool Site 12 Limited
London Leasehold Properties Limited
One Park West Limited*
Sekmount Properties Limited*
Southwark GP 1 Limited*
Southwark GP 2 Limited*
Southwark GP Nominee 1 Limited*
Southwark GP Nominee 2 Limited*
Southwark Holding LLP
Southwark LP
Southwark Real Estate Investments Limited
UNHEM Construction Limited*
Urban Neighbourhoods Limited*

All indirect subsidiaries are registered at 70 Grosvenor Street, W1K 3JP, London, with the exception of Southwark Real Estate Investments Limited which is registered at 240 Blackfriars Road, SW1 8WW, London and Grosvenor Belgravia Investments Limited which is registered at 2nd floor, St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EE

3. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Indirect joint ventures

The Company has an indirect investment in the ordinary share capital of each of the following joint ventures, each of which is incorporated in England and Wales:

Joint Venture	% Shareholding
7 Green Street Limited	33.3%
20 Balderton Street Project 1 Limited	50.0%
59/60 South Audley Street (Management) Limited	11.1%
Alpha Place Developments LLP	33.3%
Barton Oxford LLP	50.0%
Barton Park Estate Management Company Limited*	50.0%
Coton Park Consortium Limited	50.0%
GC Bankside LLP	50.0%
Grosvenor Stow Limited	50.0%
Grosvenor Stow Projects 2 Limited	50.0%
Grosvenor Stow Projects Limited*	50.0%
Halkin Street LLP*	50.0%
Montrose Place LLP*	50.0%
Headfort Place Garages Limited*	50.0%
NEOD Investments LLP	12.5%
NEOD Trade Limited	12.5%
NLG Campden LLP	33.3%
The Grouss Residential Investment Partnership LLP*	31.8%
Trumpington Meadows Land Company Limited	50.0%
GC Campden LLP	33.3%

All indirect joint ventures are registered at 70 Grosvenor Street, London, W1K 3JP with the exception of 7 Green Street which is registered at 33 Kinnerton Street, London, SW1X 8ED, 59/60 South Audley Street (Management) Limited registered at 59 South Audley Street, London, W1K 2QN, Coton Park Consortium Limited registered at Temple House, 20 Holywell Row, London, EC2A 4XH, NEOD Investments LLP and NEOD Trade Limited registered at Haslers, Old Station Road, Loughton, Essex IG10 4PL, GC Bankside LLP and NLG Campden Hill registered at The Pavilion, 118 Southwark Street, London, SE1 0SW.

* These companies are dormant and are exempt from the requirement to prepare individual accounts

4. DEBTORS

	2017	2016
	£m	£m
Amounts owed by Group undertakings	574.8	527.2

Included in amounts owed by Group undertakings is £74.9m (2016: £73.1m) with Due West Investments Limited which bears interest at a rate of 2.33% (2016: 2.52%). The remainder of amounts owed by Group undertakings are repayable on demand and do not bear interest.

5. CREDITORS

	2017	2016
	£m	£m
Amounts falling due within one year		
Amounts due to other Group undertakings	(880.5)	(1,061.8)
Accruals and deferred income	(4.7)	(4.8)
Other creditors	(3.8)	(21.9)
	(889.0)	(1,088.5)

Included in amounts due to other Group undertakings is £210.7m (2016: £210.1m) with Grosvenor UK Finance Plc which bears interest at a fixed rate of 6.7%. The remainder of amounts due to other Group undertakings are repayable on demand and do not bear interest.

6. INTEREST BEARING LOANS AND BORROWINGS

	2017	2016
	£m	£m
Non-current liabilities		
10.42% Mortgage debenture stock 2034	(50.0)	(50.0)
8.375% Unsecured loan stock 2019	(52.5)	(52.5)
5.57% Private placement bond 2031	(95.0)	(95.0)
6.05% Private placement bond 2041	(30.0)	(30.0)
3.38% Private placement bond 2022	(60.0)	(60.0)
4.97% Private placement bond 2037	(30.0)	(30.0)
Capitalised finance costs	2.6	3.0
	(314.9)	(314.5)

The 10.42% mortgage debenture stock 2034 is secured over investment properties in the Company's subsidiaries with a carrying value of £254.4m (2016: £245.5m).

6. INTEREST BEARING LOANS AND BORROWINGS (continued)

Maturity profile of interest-bearing loans and borrowings

From 1 to 2 years

From 2 to 5 years

After 5 years

2017 £m	2016 £m
(52.5)	-
(60.0)	(52.5)
(202.4)	(263.2)
(314.9)	(315.7)

7. SHARE CAPITAL

Authorised

Equity interests:

Ordinary shares of £1

Non-equity interests:

5% Cumulative redeemable
preference shares of £1

2017		2016	
Number of shares	£m	Number of shares	£m
1,000,000,000	1,000.0	1,000,000,000	1,000.0
450,000,000	450.0	450,000,000	450.0
1,450,000,000	1,450.0	1,450,000,000	1,450.0

Allocated, called up and fully paid

Equity interests:

Ordinary shares of £1

2017		2016	
Number of shares	£m	Number of shares	£m
499,147,808	499.1	499,147,808	499.1

RIGHTS OF CLASSES OF SHARES

Profits determined by the directors as available for distribution are to be applied first in paying a fixed cumulative dividend of 5% per annum on the amounts paid up on any 5% cumulative redeemable preference shares. The balance of profits available for distribution is payable to the holders of the 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 any 5% cumulative redeemable preference shares the amounts paid up on their shares. The balance of the assets is payable to the holders of the ordinary shares in proportion to the amounts paid up on their shares.

The holders of any 5% cumulative redeemable preference shares are not entitled to vote at general meetings of the members of the Company except on resolutions varying or abrogating any of the special rights or privileges attaching to their shares or when the preferential dividend due on those shares is in arrears.

8. RECONCILIATION OF SHARE CAPITAL AND RESERVES

	Share capital £m	Profit and loss account £m	Total £m
At 1 January 2017	499.1	31.3	530.4
Profit for the year	-	159.1	159.1
Dividends to shareholders	-	(68.9)	(68.9)
At 31 December 2017	499.1	121.5	620.6

The Company's profit after tax was £159.1m (2016: £115.7m loss). Auditor's remuneration for the Company of £79,421 (2016: £50,326) was borne by Grosvenor Estate Management Limited, a subsidiary undertaking.

9. DIVIDENDS

	2017 £m	2016 £m
Final regular dividend for the year ended 31 December 2017 of 10.0p (2016: 9.8p) per share	49.9	49.3
Special dividend for the year ended 31 December 2017 of 3.8p (2016: £40.0p) per share	19.0	200.0
	68.9	249.3

10. CONTROLLING PARTY

The Company's ultimate parent undertaking is Grosvenor Group Limited, a company incorporated in Great Britain and registered in England and Wales which is wholly owned by trusts on behalf of the Grosvenor family, headed by the Duke of Westminster.

The ultimate parent undertaking heads the largest group of undertakings of which the Company is a member and for which group accounts are prepared. The Company, an intermediate holding company, heads the smallest group of undertakings of which the Company is a member and for which group accounts are prepared.