GROSVENOR LIMITED ANNUAL REPORT & ACCOUNTS

2018

Company Registration No. 02874626

CONTENTS

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 2018.

Principal activities

The directors of Grosvenor Group Limited, the Company's ultimate parent undertaking, 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 Group's principal activities are property investment and development. The Group seeks to improve properties and places to deliver lasting commercial and social benefit. To live up to this ambition we have adopted an approach we call Living Cities which inspires our activities and encourages us to be far-sighted, locally engaged and to share and benefit from the Grosvenor Group's international experience.

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.

Business review

An overview of financial performance during the year is included with the Annual Review of Grosvenor Group Limited.

Financial performance

Revenue profit[1]

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 was £40.2m, £8.3m lower than the £48.5m achieved in 2017. This reduction is principally due to a large trading disposal in the prior year not recurring, and the expensing of development costs incurred in the year on land promotion projects where the Group does not have an interest in the land.

Net property income[2] (before major refurbishment costs of £14.4m) was £58.2m, £7.5m lower than 2017. Higher gross rental income of £5.5m following rent reviews and asset management activity was offset by a reduced level of sales of residential trading properties as the number of trading schemes reduced, resulting in trading profits of £18.6m (2017: £24.1m), principally arising through joint ventures.

Net income from hotel operations was £0.6m, down from £2.1m in 2017 following the sale of the Beaumont Hotel in 2018.

Income from project management fees and other income was £5.5m, £2.3m lower than 2017 as the level of development activity reduced.

Other operating expenses were £4.9m (2017: £nil) following expensing of development costs incurred in the year on land promotion projects where the Group does not have an interest in the land, consistent with the requirements of IFRS 15 'Revenue from Contracts with Customers' which is effective from 1 January 2018.

Administration costs reduced to £26.2m (2017: £27.4m) due primarily to lower professional fees.

---

[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 property income in the income statement is £58.2m (2017: £65.6m) and includes £14.4m (2017: £16.0m) of costs relating to major refurbishments. For revenue profit purposes the major refurbishment costs are excluded.

Following the introduction of IFRS 9 'Financial Instruments' on 1 January 2018 a forward looking assessment of expected credit losses on financial assets is now required. As a result, an impairment of £3.3m has been recognised, principally relating to loans to joint ventures (see note 1 and note 17).

Net financing costs were £23.4m, £1.2m lower than 2017 due to an increase in the amount of interest capitalised during the year on developments of investment property.

Net loss on sale of group occupied property

On 29 September 2018 the Group granted a long lease of a property classified within land and buildings as group occupied property. The profit realised will be recognised on a straight line basis over the lease term. A loss of £7.1m has been recognised in the income statement in 2018 relating to associated costs of disposal.

Profit on disposal of investment property

Proceeds from sale of investment property were £54.2m (2017: £77.9m) and generated profits of £35.2m (2017: £19.4m), £19.3m of which was recognised in the year. £15.9m 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, comprising primarily properties within Mayfair and Eaton Square in Belgravia, reduced in value by £2.4m during the year (2017: £24.4m reduction).

Share of gain from interests in joint ventures

The share of profit from joint ventures was £20.3m, up from £18.7m in 2017. This principally relates to trading profit arising from the Campden Hill development through the interest in NLG Campden LLP.

Profit before tax

Profit before tax was £35.9m, an improved performance compared to the profit of £20.0m in 2017. This was largely due to a lower level of losses on revaluation of the investment property portfolio and higher gross rental income, partly offset by lower trading profit and higher other expenses.

Taxation

The tax charge for 2018 of £7.1m (2017: £3.9m) is comprised of a current tax charge of £14.1m (2017: £6.5m) and a deferred tax credit of £7.0m (2017: £2.6m). The effective tax rate is 21.3% (2017: 20.0%), slightly higher than the UK corporation tax rate of 19.0% (2017: 19.25%).

Total return[3]

The Group's second main measure of performance is total return. Total pre-tax return on property assets and cash was 3.2% (2017: 1.2%) reflecting the relatively low level of growth in market values. This compared to a weighted average cost of capital of 5.0% (2017: 4.3%).

Sustainable earnings[4]

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.

---

[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 and expenses, less net interest, overheads and tax at the corporate tax rate of 19.0%. (Sustainable reversionary gains represent the element of revaluation gain attributable to moving a year closer to the reversion of a lease to the Group.)

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. Sustainable earnings is used as a performance measure in the Group's long term incentive scheme for senior management.

2018 sustainable earnings totalled £37.5m, £3.7m lower than 2017. Total earnings were £2.3m lower as higher gross rental income of £5.5m was offset by lower other income and project management fees of £2.3m and lower revenue from hotel operations of £3.9m. Costs were higher following expensing of £4.9m (2017: £nil) of project costs incurred in the year on land promotion projects where the Group do not have an interest in the land. Expected credit losses of £3.3m (2017: £nil) were recognised.

The regular dividend paid during the year was £51.6m (2017: £49.9m), £14.1m (2017: £8.7m) higher than the level of sustainable earnings.

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

	2018			2017
	Group	**Joint ventures**	**Total**	**Total**
	£m	**£m**	**£m**	**£m**
Total revenue excluding trading activity	136.1	0.1	**136.2**	136.8
Trading (loss)/profit, capped at steady state level*	(1.7)	13.4	**11.7**	11.5
Reversionary gains on investment property	25.4	-	**25.4**	27.2
Total earnings	**159.8**	**13.5**	**173.3**	**175.5**
Property outgoings excluding trading actvity and major refurbishments	(61.8)	-	**(61.8)**	(60.3)
Administrative expenses	(26.2)	-	**(26.2)**	(27.4)
Impairment of trade and other receivables	(3.3)	-	**(3.3)**	-
Repair element of major refurbishments	(12.4)	-	**(12.4)**	(11.9)
Net financing costs/(income)	(23.4)	0.1	**(23.3)**	(24.6)
Notional tax charge at corporate tax rate	(6.2)	(2.6)	**(8.8)**	(10.0)
Sustainable earnings	**26.5**	**11.0**	**37.5**	**41.2**
Reconciliation:				
Net loss on sale of group occupied property	(7.1)	-	**(7.1)**	-
Trading profit**	-	6.9	**6.9**	12.6
Net loss on revaluation and sale of investment property***	(8.5)	-	**(8.5)**	(39.8)
Non repair element of major refurbishments	(2.0)	-	**(2.0)**	(4.1)
Net gain on disposal of investment	0.5	-	**0.5**	0.2
Tax on joint ventures	-	(0.2)	**(0.2)**	(0.1)
Notional tax charge at corporate tax rate	6.2	2.6	**8.8**	10.0
Profit before tax	**15.6**	**20.3**	**35.9**	**20.0**

* 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. In 2018 this cap was £11.7m (2017: £11.5m).

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

*** Excluding reversionary gains. Refer to footnote 4, page 4 for further details.

Financial position

Property assets

The Group's total property assets (including owner occupied property and the Group's share of property assets in joint ventures) increased by £48.3m during the year to £3,463.4m. This is mainly due to Group acquisitions of £106.3m and development expenditures of £46.1m offset by disposals of £84.1m and a net valuation reduction of £4.8m. The Group's share of property assets in joint ventures reduced by £22.0m.

At the balance sheet date the Group's future committed investment and development expenditure was £38.0m (2017: £27.6m) including capital commitments in respect of joint ventures.

Interests in joint ventures

Interests in property joint ventures reduced from £63.8m to £36.7m primarily due to sales of trading properties during the year and distribution of proceeds.

Taxation

The net deferred tax liability reduced by £6.5m to £377.7m (2017: £384.2m) 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 reduction is due to sales of investment property made in the year combined with the reduction in valuation of investment property. Deferred tax is provided at 17.0% (2017: 17.0%).

Income tax and VAT payable at 31 December 2018 was £22.0m (2017: £5.2m).

Deferred premium income

Of the profit arising on sale of investment property £66.7m (2017: £7.6m) was deferred until later years, and together with £3.7m (2017: £3.2m) of net deferred premiums released to the income statement, resulted in a net increase in the deferred premium income of £63.0m to £182.4m (2017: £119.4m).

Debt

Net debt (excluding cash held on behalf of third parties) at the end of 2018 was £405.9m (2017: £388.1m) comprising external borrowings of £765.9m (2017: £517.5m), less cash and cash equivalents of £360.0m (2017: £129.4m). Cash held on behalf of third parties was £39.1m (2017: £37.2m).

Gross debt within joint ventures was £nil at the end of 2018 (2017: £nil). Cash within joint ventures was £11.4m (2017: £13.1m).

Shareholder's funds

Shareholder's funds reduced from £2,482.1m at 31 December 2017 to £2,470.4m at 31 December 2018. The reduction of £11.7m is due to the profit after tax for the year of £28.8m and other comprehensive income of £9.6m, less dividends paid of £51.6m and the disposal of non-controlling interest liabilities of £2.2m.

Gearing and liquidity

Committed debt facilities (drawn and undrawn) at 31 December 2018 were £1,254.6m (2017: £941.4m), including additional debt raised during 2018 of £250.0m from the private placement market and additional undrawn bank facilities of £65.0m. Committed debt facilities had a weighted average remaining life of 11.0 years (2017: 7.8 years). Committed undrawn bank facilities were £490.0m (2017: £425.0m) at year end and together with cash of £360.0m (2017: £129.4m) resulting in financial headroom (being cash and committed undrawn facilities) of £850.0m (2017: £554.4m).

Average gross debt in 2018 was £641.7m (2017: £517.5m) and the average cash balance was £244.7m (2017: £205.6m). Gearing[5] at year end was 16.4% (2017: 15.6%). The fair value of the Group's debt and financial instruments was £75.1m higher (2017: £185.9m higher) than its book value due to continued low interest rates.

At year end 33% (2017: 48%) of drawn borrowings were secured and 100% (2017: 100%) were at fixed rates of interest. Interest cover[6] for 2018 was 1.0 times (2017: 1.2 times).

The weighted average cost of gross debt was 5.3% at 31 December 2018 (2017: 6.4%). On 15 February 2019 £52.5m of debt was repaid on maturity and consequently the weighted average cost of debt reduced to 5.0%.

Cash flow

Cash and cash equivalents increased by £230.6m in 2018 to £360.0m (2017: £152.3m reduction). Sales of investment and group occupied property generated cash proceeds of £170.2m, with net cash received from joint ventures of £44.3m and proceeds from new debt issued of £250.0m. These were partly offset by a net cash outflow from operating activities of £45.7m, acquisitions and development of investment property of £139.4m and dividends paid in the year of £51.6m.

Key performance indicators

Key performance indicator	**Why is it measured**	**2018 £m**	**2017 £m**
Revenue profit	To identify underlying performance, excluding revaluation movements	£40.2m	£48.5m
Total return	To show how the property portfolio has performed, including both income and capital returns	3.2%	1.2%
Sustainable earnings	To identify the recurring level of income	£37.5m	£41.2m
Profit before tax	To show the return on assets before tax delivered in absolute terms	£35.9m	£20.0m
Property assets	To quantify the Group's financial investment in property assets	£3,463.4m	£3,415.1m
Shareholder's funds	To report the total value of the shareholder's investment in the Group	£2,470.4m	£2,482.1m

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 Limited, 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 financial and 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

The Group's profitability is largely linked to the performance of the London property and occupier markets. The current economic and political uncertainty, much of which relates to Brexit (see page 8), could negatively impact the amount of income generated and value of the Group's portfolio over the next

[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 gross financing costs before any capitalisation of interest.

few years. However we remain positive in our outlook for London's long term future prospects and any related decrease in profitability over the next 12 months is not expected to impact the long term strategy of the Group (see Risks and uncertainties below)

We believe that the property market is late in the cycle across key sectors, and as we have seen in 2017 and 2018 anticipate total return to be lower than long term average over the next year or two.

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 and Board with processes in place to monitor, manage and where appropriate, mitigate them.

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.

Market risk 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 sales and development activity, where market conditions may affect the rate of sale, 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 shared by working in joint ventures.

There are current challenges within the commercial sector with both office and retail going through a disruptive period. For retailers, this relates to long term buying trends moving online, higher business rates and higher employment costs is putting pressure on affordability of property leases for the sector. The Group has customer management plans in place and focuses on developing relationships with our tenants to understand better their financial performance and affordability of the rent that they pay. We are increasing the flexibility and range of leases in place and are innovating to consider new ways to provide services to our retail tenants. The Group promotes and hosts customer events to support activity on our main retail streets and we are also investing in technology to understand better customer profiling and behavior.

Impact of Brexit

The Group has been preparing and implementing practical plans to mitigate the potential impact on the Group's activities that may arise as a consequence of leaving the European Union (the 'EU').

The Group's exposure to some of the potentially most material issues associated with a no-deal Brexit has been limited by the following:

(i) There are no material committed UK development projects onsite, or significant contracts expected to be placed within the first six months of 2019.
(ii) There are no material UK trading schemes planned for sale in the next 24 months.
(iii) There are no material UK financings required in the next 24 months.

The Group considers there to be four key issues by reference to the likely residual impact they could have on the Group following mitigation:

(i) Impact on critical suppliers' ability to continue to meet the Group's needs.
(ii) Increasing levels of tenant failure
(iii) Negative impact on UK property capital values and rents
(iv) Implications for financing and cash management.

The Group continues to manage the risks posed by Brexit through the establishment of the Brexit working group attended by internal experts across the different teams.

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 of London where the majority of the portfolio is located.

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 key risks include obtaining appropriate planning consents which can be challenging to achieve in a timely manner. Growing expectations from local authorities on the financial and non-financial contributions that developers should make, may put pressure on the profitability of future schemes or their commercial viability.

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.

The current pace of societal and technological change is rapid and there is a risk that properties sought for rental or purchase by customers in future generations may have different requirements to those of today. Current properties and developments may not appeal or may require modification to suit.

These 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 future trends 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.

Suppliers

The Group's ability to carry out development and construction activity and meet the ongoing needs of customers is closely linked to the ability of our suppliers to perform. A key supplier failure, triggered by an economic downturn, Brexit, or other cause could lead to short term disruption or increased cost. The Group develops and implements procurement strategies for large developments and significant contracts and monitors exposure to key suppliers. The Group assesses their financial robustness on an annual basis and has contingency plans in place for its largest suppliers.

Desirability of property locations

The Group owns property in some of the most desirable locations in the West End of London and South East of England. A high profile incident in or near one of these locations, such as a terrorist incident, could damage this desirability and reduce the attractiveness of the location over the short or long term.

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 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 24 to the Accounts.

Sustainable earnings (see page 4) is used to assess the performance of the business and in particular it tests the Group's ability to implement its strategy to pay the regular dividend out of recurring income sources.

Changes in public policy and tax risks

Changes in public policy and legislation in the future could lead to an increase in the cost of property ownership, an increased number of the Group's residential properties becoming subject to enfranchisement and/or a reduction in enfranchisement premium receipts. There may be higher taxes associated with owning or buying and selling property. Future changes in responsibilities between freeholders, leaseholders and tenants could lead to increases in costs or additional responsibilities.

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.

People

The Group takes considerable care in recruiting, retaining and developing Grosvenor people. A wide range of development opportunities exist for people to undertake tailored learning.

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

Health and safety

We are committed to ensuring that high standards of health and safety management are maintained in the Group's operation including in property compliance, development, construction and staff activity risks. 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 undertaken 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 which came 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 system changes.

New technology, digital disruption and corresponding emerging business models may disrupt the property industry and the traditional sectors that we operate in resulting in reduced income and reduced property value. The Group's research team undertakes ongoing horizon scanning for such industry trends and our newly established Innovation Committee seeks ways to ensure that we are able to take advantage of new technologies.

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.

At Grosvenor Group level, we seek to understand the risks and opportunities presented by global mega trends, particularly climate change. The sustainability landscape within the property industry is evolving and we consider the impacts of climate change on our portfolio but we recognise that further analysis is required to help inform longer term decision making.

The Group is continuing to embed sustainability into the 10 year business plan and this is one of the ways the Group implements its Living Cities philosophy. This includes providing requirements for our supply chain, customers, and updating our own policies to ensure we are leading by example.

The Group monitors, benchmarks and actively seeks to improve the energy, water and waste performance of the Group's directly managed buildings.

As well as the beneficial environmental impact resulting from these measures, this also helps to reduce the risk of obsolescence of the Group's properties, and lessen the impact of utility price fluctuations and increasing legislation.

The director responsible for environmental policy is Jorge Mendonca.

Employees

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

Grosvenor strives to be an inclusive organisation that welcomes, respects and encourages diversity. The Group gives full and fair consideration to applications by disabled persons for employment. At Grosvenor we aim to build a diverse workforce, reflecting the communities in which we operate in order to ensure the success of our business. We will achieve this by attracting the best people from as wide a pool as possible and retaining them within an inclusive culture.

This strategic report was approved by the directors on 7 March 2019 and signed on its behalf by:

Craig McWilliam
Chief Executive
7 March 2019

Roger Blundell
Executive Director, Finance
7 March 2019

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, Stephen Lovegrove and Dawn Airey 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
Dawn Airey	Non-executive Director (appointed 1 March 2019)

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 are 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 business 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 have been identified during the year.

A prior year adjustment has been made in the Grosvenor Limited company statutory accounts to correct a historic over impairment of intercompany balances.

Executive Committee

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
Simon Harding-Roots	Executive Director Major Projects
Jorge Mendonca	Executive Director Grosvenor Developments
Jo Banfield	Human Resources Director
Anna Bond	London Estate Portfolio Director
Karima Fahmy	General Counsel
Amelia Staveley	London Estate Development and Placemaking Director

Directors' Report

The directors present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2018.

In line with the requirements of the Companies Act 2006, the directors have prepared a separate Strategic Report (see pages 3 to 11) 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.

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 11.

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 £28.8m (2017: £16.1m). Dividends paid during the year totalled £51.6m (2017: £68.9m).

The balance sheet on page 22 shows that the Group's net assets reduced by £11.7m to £2,470.4m during the year.

The Group has adopted IFRS 9 'Financial Instruments' and IFRS15 'Revenue from Contracts with Customers' both with an effective date of 1 January 2018. On initial application the equity position of the Group at 1 January 2018 is reduced by £0.7m. Further information is included in note 32.

Directors

The directors of the Company, all of whom were directors throughout the year (unless otherwise stated), were:

Graham Pimlott* (Chairman)	
Dawn Airey*	(appointed 1 March 2019)
Stephen Lovegrove*	
Heather Rabbatts*	
Nicholas Scarles*	
Peter Vernon*	
Craig McWilliam	
Will Bax	(resigned 1 June 2018)
Roger Blundell	
Simon Harding-Roots	
Jorge Mendonca	(appointed 7 June 2018)

*Non-executive directors.

Related party transactions and directors' interests in contracts

Transactions between the Group, Grosvenor Group shareholder companies and Grosvenor Trusts are disclosed in Note 31 to the financial statements.

Directors' Report (continued)

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.

Going concern

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

In addition to its regular Going Concern analysis, the Group has been preparing and implementing practical plans to mitigate the potential impact on the Group's activities that may arise as a consequence of leaving the EU.

The Brexit Working Group (see Strategic Report) continues to monitor risks associated with Brexit and establish further mitigations to reduce the residual impact of a no-deal Brexit. The directors consider that the risks are sufficiently mitigated so as not to impact on their assessment of the going concern status of the Group.

Charitable and political contributions

Charitable contributions during the year amounted to £1.5m (2017: £1.6m) part of which was donated by wholly owned subsidiaries. No political contributions were made during the year (2017: £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 2018 represented 6 days purchases (2017: 18 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 and should be inspected 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

Derek Lewis
Secretary
7 March 2019

Company registration number: 02874626
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 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 of Grosvenor Limited (the "parent company") and its subsidiaries (the "Group") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 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 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 statement of accounting policies;
- the related notes 1 to 32 to the consolidated statements; and
- the related notes 1 to 11 to the company statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and 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 Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Darren Longley FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
7 March 2019

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2018

	Note	2018 £m	2017 £m
Total revenue	3	**136.3**	177.7
Property costs	4	**(78.1)**	(112.0)
Net property income		**58.2**	65.7
Administrative expenses	5	**(26.2)**	(27.4)
Net gain on disposal of investment		**0.5**	0.2
Net gain / (loss) on revaluation and sale of investment property	10	**16.9**	(12.6)
Net loss on sale of group occupied property		**(7.1)**	-
Share of gain from interests in joint ventures	17	**20.3**	18.7
Impairment of trade and other receivables, including contract assets	19	**(3.3)**	-
Gain from operations including share of joint ventures and associates		**59.3**	44.6
Financial income	11	**3.8**	3.8
Financial expenses	11	**(27.2)**	(28.4)
Net financing costs		**(23.4)**	(24.6)
Profit before tax		**35.9**	20.0
Current income tax expense	12	**(14.1)**	(6.5)
Deferred tax credit	12	**7.0**	2.6
Profit for the year		**28.8**	16.1
Attributable to:			
Equity holders of the parent		**28.8**	16.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	2018 £m	2017 £m
Profit for the year		**28.8**	**16.1**
Items that will not be reclassified subsequently to the income statement:			
Revaluation of other property, plant and equipment	*16*	**(2.3)**	0.2
Re-measurement of net defined benefit liability	*7*	**11.7**	17.8
Other		**0.7**	-
Income tax relating to items that will not be reclassified subsequently to profit or loss		**(0.5)**	(2.6)
		9.6	**15.4**
Other comprehensive income for the year		**9.6**	**15.4**
Total comprehensive income for the year		**38.4**	**31.5**
Attributable to:			
Equity holders of the parent		**38.4**	**31.5**
Non-controlling interest		**-**	**-**

CONSOLIDATED BALANCE SHEET

as at 31 December 2018

ASSETS	Note	2018 £m	2017 £m
Non-current assets			
Investment property	*15*	3,384.4	3,242.1
Other property, plant and equipment	*16*	52.6	129.0
Interests in joint ventures and associates	*17*	36.7	63.8
Deferred tax assets	*13*	32.8	44.2
Employee benefits	*7*	0.2	-
Total non-current assets		3,506.7	3,479.1
Current assets			
Trading properties	*18*	12.7	10.2
Trade and other receivables	*19*	58.8	50.5
Cash and cash equivalents	*20*	399.1	166.6
Total current assets		470.6	227.3
TOTAL ASSETS		3,977.3	3,706.4
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	*23*	(713.4)	(517.5)
Deferred lease premium income	*21*	(178.7)	(116.0)
Employee benefits	*7*	-	(6.1)
Deferred tax liabilities	*13*	(410.5)	(428.4)
Provisions	*22*	-	(0.2)
Total non-current liabilities		(1,302.6)	(1,068.2)
Current liabilities			
Trade and other payables	*21*	(128.9)	(144.6)
Provisions	*22*	(0.9)	(6.2)
Interest-bearing loans and borrowings	*23*	(52.5)	(0.1)
Income tax and VAT payable		(22.0)	(5.2)
Total current liabilities		(204.3)	(156.1)
TOTAL LIABILITIES		(1,506.9)	(1,224.3)
NET CURRENT ASSETS		266.3	71.2
NET ASSETS		2,470.4	2,482.1
Equity			
Share capital	*29*	499.1	499.1
Reserves		(7.5)	(15.3)
Retained earnings		1,978.8	2,000.5
Non-controlling interest		-	(2.2)
SHAREHOLDER'S FUNDS		2,470.4	2,482.1

Approved by the Board and authorised for issue on 7 March 2019 and signed on behalf of the Board:

Graham Pimlott
(Chairman)

Roger Blundell
(Finance Director)

Company registration number: 02874626

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Share capital £m	Merger reserve £m	Revaluation reserve £m	Cashflow hedging reserve £m	Retained earnings £m	Non-controlling interest £m	Total £m
Balance at 1 January 2017	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 paid	-	-	-	-	(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**
Adjustment on initial application of IFRS 9 (Note 32)	-	-	-	-	(0.7)	-	**(0.7)**
Adjusted balance at 1 January 2018	**499.1**	**(33.4)**	**18.4**	**(0.3)**	**1,999.8**	**(2.2)**	**2,481.4**
Changes in equity							
Profit for the year	-	-	-	-	28.8	-	**28.8**
Transfer to income statement	-	-	-	-	-	2.2	**2.2**
Other comprehensive income	-	-	(2.3)	0.7	11.7	-	**10.1**
Tax on other comprehensive income	-	-	1.5	-	(2.0)	-	**(0.5)**
Total comprehensive income	-	-	(0.8)	0.7	38.5	2.2	**40.6**
Dividends paid	-	-	-	-	(51.6)	-	**(51.6)**
Acquisition of non-controlling interest	-	-	-	-	-	-	-
Transfers between reserves	-	-	8.3	(0.4)	(7.9)	-	-
Profit attributable to non-controlling interest	-	-	-	-	-	-	-
Balance at 31 December 2018	**499.1**	**(33.4)**	**25.9**	**-**	**1,978.8**	**-**	**2,470.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Cash flow from operations	25	**4.9**	45.4
Income taxes paid		**(16.7)**	(20.8)
Interest expense paid	11	**(37.7)**	(36.1)
Interest income received	11	**3.8**	3.8
Net cash flows from operating activities		**(45.7)**	(7.7)
Investing activities			
Proceeds from sale of investment property		**54.2**	77.9
Acquisition of investment and development property	15	**(106.3)**	(167.7)
Development of investment and development property	15	**(33.1)**	(24.0)
Proceeds from disposal of group occupied property		**116.0**	-
Proceeds from disposal of subsidiary		**2.5**	
Acquisition of property, plant and equipment	16	**(1.0)**	(3.2)
Proceeds from sale of property, plant and equipment		**1.3**	-
Proceeds from sale of joint venture	17	**-**	37.9
Net cash flow from joint ventures		**44.3**	3.4
Net cash flows from investing activities		**77.9**	(75.7)
Financing activities			
Proceeds from new borrowings	23	**250.0**	-
Dividends paid	30	**(51.6)**	(68.9)
Net cash flows from financing activities		**198.4**	(68.9)
Net increase/(decrease) in cash and cash equivalents	25	**230.6**	(152.3)
Cash and cash equivalents at 1 January	25	**129.4**	281.7
Cash and cash equivalents at 31 December	20	**360.0**	129.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 11. The Strategic Report describes the principal risks and uncertainties faced by the Group on page 8. In addition, Note 24 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:

- 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.

1. ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

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.

(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.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Business Combinations (continued)

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

<u>Group as lessor</u>

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

The Group operates a defined contribution plan and a defined benefit plan for its employees.

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

1. ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The calculation is performed by 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.

(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 12 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 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. The effect of initially applying IFRS 9 is mainly attributed to an increase in impairment losses recognised in respect of financial assets. The adoption of IFRS 15 has not resulted in any impact upon initial adoption. Refer to note 32 for further explanation on adoption of IFRS 9 and IFRS 15.

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:

- IAS 40 (amendments) Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Annual improvements to IFRSs 2014 – 2016 Cycle Amendments to IFRS 1 and IAS 28

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 had not yet been adopted by the EU:

- IAS 19 (Amendments) Employee Benefits: Plan Amendment, Curtailment or Settlement
- IAS 28 (Amendments) Long-term Interests in Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 10 Consolidated Financial Statements and IAS 28 (Amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRS 16 Leases
- Amendments to References to the Conceptual Framework in IFRS Standards
- Annual Improvements to IFRS Standards 2015-2017 Cycle – Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

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:

1. ACCOUNTING POLICIES (CONTINUED)

(s) **Adoption of standards** (continued)

The Group has reviewed all of the leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will primarily affect the accounting for the Group's operating leases. IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

At 31 December 2018, the Group has non-cancelleable operating lease commitments of £52.4m, see note 26. A preliminary assessment indicates that of these commitments, approximately £0.8m relate to low value leases (such as office equipment) which will continue to be recognised on a straight line basis as an expense in the income statement.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately £41.7m on 1 January 2019, lease liabilities of £43.8m and deferred tax assets of £0.4m. Overall net assets will be approximately £1.7m lower, and net current assets will be £1.3m lower due to the presentation of a portion of the liability as a current liability.

The Group expects that profit for the year will decrease by approximately £0.4m for 2019 as a result of adopting the new rules.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities by £4.5m, and to increase net cash used in financing activities by the same amount.

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

(t) Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the directors. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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

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 positon of the Group. This includes the value of property yields and the estimated future rental income assumed in the valuations. See note 15 for details of the estimates used in deriving the valuations and page 8 for risk around impact of Brexit.

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 7. 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.

As a consequence of the UK preparing to leave the European Union the level of estimation uncertainty of the items above is likely to have increased compared to the prior year. The Group has been preparing and implementing practical plans to mitigate the potential impact on the Groups' activities and further information is included in the Strategic Report.

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:

		2018		
		Group	Joint ventures	Total
	Note	£m	£m	£m
Total revenue	*3,17*	136.3	50.9	**187.2**
Property costs excluding major refurbishments	*4,17*	(63.7)	(30.5)	**(94.2)**
Net property income excluding major refurbishments		**72.6**	**20.4**	**93.0**
Administrative expenses	*5*	(26.2)	-	**(26.2)**
Impairment of trade and other receivables, including contract assets	*19*	(3.3)	-	**(3.3)**
Net financing costs	*11,17*	(23.4)	0.1	**(23.3)**
Revenue profit		**19.7**	**20.5**	**40.2**
Reconciliation:				
Joint venture tax	*17*	-	(0.2)	**(0.2)**
Net loss on sale of group occupied property		(7.1)	-	**(7.1)**
Net gain on revaluation and sale of investment property	*10*	16.9	-	**16.9**
Net gain on disposal of investments		0.5	-	**0.5**
Major refurbishment expenditure	*4*	(14.4)	-	**(14.4)**
Profit before tax		**15.6**	**20.3**	**35.9**

		2017		
		Group	Joint ventures	Total
	Note	£m	£m	£m
Total revenue	*3,17*	177.7	49.4	**227.1**
Property costs excluding major refurbishments	*4,17*	(96.1)	(30.6)	**(126.6)**
Net property income excluding major refurbishments		**81.6**	**18.8**	**100.5**
Administrative expenses	*5*	(27.4)	-	**(27.4)**
Net financing costs	*11,17*	(24.6)	-	**(24.6)**
Revenue profit		**29.6**	**18.8**	**48.5**
Reconciliation:				
Joint venture tax	*17*	-	(0.1)	**(0.1)**
Net loss on revaluation and sale of investment property		(12.6)	-	**(12.6)**
Net gain on disposal of investments	*10*	0.2	-	**0.2**
Major refurbishment expenditure	*4*	(16.0)	-	**(16.0)**
Profit before tax		**1.3**	**18.7**	**20.0**

3. TOTAL REVENUE

	Note	2018 £m	2017 £m
Gross lease payments receivable		**97.3**	89.9
Amortisation of deferred lease premiums		**9.3**	9.2
Amortisation of lease incentives		**1.1**	3.1
Gross rental income		**107.7**	102.2
Proceeds from sale of trading property	*9*	**0.2**	40.9
Service charge income		**12.1**	12.1
Revenue from hotel operations		**10.8**	14.7
Project management fees		**2.8**	4.1
Other income		**2.7**	3.7
Revenue from contracts with customers		**28.6**	75.5
Total revenue		**136.3**	177.7

Revenue arising from the grant of leases (e.g. rental income and amortisation) is accounted for in accordance with IAS 17, with all other revenue accounted for under IFRS 15. IFRS 15 requires that a distinction is made between revenue arising from contracts with customers that is recognised "at a point in time" (e.g. trading property sales) and "over time" (e.g. service charge income). For this purpose a "customer" is considered to be any third party purchasing a good or service from the Group. Refer to note 32 for further information.

	2018 £m	2017 £m
Revenue from contracts with customers		
At a point in time	**2.1**	43.1
Over time	**26.5**	32.4
Total revenue	**28.6**	75.5

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

Revenue from hotel operations arises from activities of an entity over which the Group had control (as defined by IFRS 10 'Consolidated Financial Statements'). The Group did not hold any shares in the entity and it remained 100% owned outside the Group and was not a subsidiary or subsidiary undertaking as defined by the Companies Act. On 29 September 2018, the Group's interest in the entity was disposed. From this date the Group no longer has control and ceased consolidating the performance and balance sheet of the entity.

Revenue from discontinued operations amounted to £10.8m (2017: £nil).

4. PROPERTY COSTS

	Note	2018 £m	2017 £m
Service charge expenses		**(12.1)**	(12.1)
Major refurbishment expenses		**(14.4)**	(16.0)
Other property operating expenses		**(34.5)**	(35.7)
Development costs of trading and development properties	9	**(1.9)**	(2.0)
Impairment of trading and development properties	9	**-**	(0.6)
Carrying value of trading properties sold	9	**-**	(33.0)
Other operating expenses		**(4.9)**	-
Hotel operating expenses (discontinued in 2018)		**(10.3)**	(12.6)
Total property costs		**(78.1)**	(112.0)

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. ADMINISTRATIVE EXPENSES

	2018 £m	2017 £m
Staff costs	**(25.9)**	(24.7)
Fees payable to the company's auditor and it's 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)
– other assurance services	**(0.1)**	(0.1)
Total non-audit fees	**(0.1)**	(0.1)
Other professional fees	**(4.2)**	(4.6)
Other administrative expenses	**(14.9)**	(16.8)
Recharged to related parties	**19.2**	19.1
	(26.2)	(27.4)

Included within other administrative expenses is £0.3m (2017: £0.4m) relating to hotel operations.

6. EMPLOYEE INFORMATION

	Note	2018 £m	2017 £m
Staff costs			
Wages and salaries		**(33.8)**	(34.6)
Social security contributions		**(4.1)**	(3.2)
Other staff costs		**(2.3)**	(2.6)
Pension costs			
Contributions to defined contribution plans		**(1.0)**	(0.9)
Net cost of defined benefit plans	*7*	**(7.2)**	(7.9)
		(48.4)	(49.2)
Included in administrative expenses		**(25.9)**	(24.7)
Included in property outgoings		**(16.6)**	(17.7)
Included in trading costs		**(1.8)**	(1.4)
Included in hotel operating expenses		**(4.1)**	(5.4)
		(48.4)	(49.2)

Monthly average number of employees by business	2018	2017
Property investment	**168**	180
Property trading	**11**	8
Management and administration	**104**	128
Hotel operations	**184**	182
	467	498

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 hotel operating expenses. All employees are located in the United Kingdom. Directors' remuneration is shown in Note 8.

As disclosed in note 3, on 29 September 2018, the Group's interest in an entity over which the Group had control was disposed. From this date the Group no longer consolidates the number of hotel operations employees.

The 2017 monthly average number of employees by business has been restated to ensure consistency with 2018.

The Company has no employees (2017: none).

7. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes
The Grosvenor 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.

Defined benefit schemes
The total cost of defined contribution pension schemes charged to the income statement was £1.0m (2017 - £0.9m).

The Grosvenor 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 £850m (2017: £554m), 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 employer 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 2017. The valuation has been updated to 31 December 2018 where appropriate. The results of this valuation together with the key assumptions used are set out below.

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 22 years (2017: 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.

7. 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:

	2018 £m	2017 £m
Current service cost	**(6.9)**	(7.9)
Past service cost	**(0.2)**	(0.1)
Curtailment	**-**	0.5
Net interest cost	**(0.1)**	(0.4)
	(7.2)	(7.9)

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

	2018 £m	2017 £m
Present value of unfunded obligations	**(0.3)**	(0.3)
Present value of funded obligations	**(145.0)**	(160.9)
Present value of total defined benefit obligations	**(145.3)**	(161.2)
Fair value of scheme assets	**145.5**	155.1
Net defined benefit pension scheme surplus/(deficit)	**0.2**	(6.1)
Included in the balance sheet under:		
Non-current assets/(liabilities)	**0.2**	(6.1)

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

	2018 £m	2017 £m
Actuarial gain	**11.7**	17.8

Included within actuarial gains and losses is a loss of £0.5m (2017: £6.5m) due to changes in demographic assumptions.

Movements in the present value of defined benefit obligations were:

	2018 £m	2017 £m
At 1 January	**(161.2)**	(160.5)
Allocation	**-**	-
Current service cost	**(6.9)**	(7.9)
Past service cost	**(0.2)**	(0.1)
Curtailment	**-**	0.5
Interest cost	**(3.8)**	(4.1)
Actuarial gain	**23.8**	7.4
Benefits paid	**3.0**	3.5
At 31 December	**(145.3)**	(161.2)

7. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Movements in the fair value of scheme assets were:

	2018 £m	2017 £m
At 1 January	155.1	142.5
Allocation	-	-
Interest on plan assets	3.7	3.7
Actual return on plan assets less interest on plan assets	(12.1)	10.4
Regular contributions by the employer	1.8	2.0
Benefits paid	(3.0)	(3.5)
At 31 December	145.5	155.1

Movements in the net defined benefit assets/(obligations) were:

	2018 £m	2017 £m
At 1 January	(6.1)	(18.0)
Charged to profit and loss	(7.2)	(7.9)
Amount recognised outside of profit and loss	11.7	17.8
Employer contributions	1.8	2.0
At 31 December	0.2	(6.1)

Analysis of the scheme assets:

	2018 £m	2017 £m
Equities	112.7	122.0
Bonds	18.0	18.0
Multi-asset credit funds	13.0	13.4
Other	1.8	1.7
At 31 December	145.5	155.1

7. 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:

	2018	2017
Discount rate	**2.91%**	2.36%
Expected rate of salary increases	**3.90%**	4.90%
Expected rate of future pension increases	**3.21%**	3.17%
Inflation	**3.21%**	3.17%
Life expectancy of a 65 year old today*	**Male 24.4**	Male 24.2
	Female 26.1	Female 25.9
Life expectancy of a 65 year old in 20 years*	**Male 26.1**	Male 25.9
	Female 27.6	Female 27.4

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	Approximate expense in 2018
	£m	£m
Based on the assumptions above		
Approximate impact of:		
Increase in discount rate by 0.25%	**(7.7)**	(0.2)
Increase in inflation rate by 0.25%	**8.2**	0.2
Increase in life expectancy by 1 year at 65	**5.4**	0.1

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.

8. DIRECTORS' REMUNERATION

	2018 £'000	2017 £'000
Aggregate remuneration		
Emoluments	**2,358**	1,906
Performance-related bonus	**794**	981
Long-term incentive scheme	**1,118**	668
	4,270	3,555

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 £177,000 (2017: £nil) was paid to a former director as compensation for loss of office, and is included within emoluments. Included within long-term incentive scheme costs is £118,000 (2017: £nil) paid to a former director during the year.

The highest paid director serving at 31 December 2018 received emoluments of £509,000 (2017: £481,000).

Retirement benefits accrued to three (2017: three) 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 £12,500 (2017: £10,500). Retirement benefits accrued to one (2017: one) executive director during the year under money purchase pension schemes. Total contributions in respect of money purchase pension benefits were £1,200 (2017: £1,200).

9. NET (LOSS) / GAIN ON TRADING ACTIVITIES

	Note	2018 £m	2017 £m
Development costs	*4*	**(1.9)**	(2.0)
Net impairment of trading and development properties	*4*	**-**	(0.6)
Proceeds from sale of trading properties	*3*	**0.2**	40.9
Carrying value of trading properties sold	*4*	**-**	(33.0)
Net (loss) / gain on trading activities		**(1.7)**	5.3

10. NET GAIN/(LOSS) ON REVALUATION AND SALE OF INVESTMENT PROPERTY

	2018 £m	2017 £m
Net valuation loss on investment property	**(2.4)**	(24.4)
Profit on disposal of investment property	**19.3**	11.8
Net gain / (loss) on revaluation and sale of investment property	**16.9**	(12.6)

11. NET FINANCING COSTS

	2018 £m	2017 £m
Financial income (including interest income)	**3.8**	3.8
Interest expense	**(34.3)**	(33.3)
Commitment fees and other financing costs	**(3.4)**	(2.8)
Interest capitalised	**10.5**	7.7
Financial expenses	**(27.2)**	(28.4)
Net financing costs	**(23.4)**	(24.6)

The average rate of interest capitalised in the year was 6.16% (2017: 6.4%).

12. TAXATION

Recognised in the income statement	2018 £m	2017 £m
Current corporate income tax		
Current year	**14.0**	6.6
Adjustment for prior years	**0.1**	(0.1)
	14.1	6.5
Deferred tax		
Origination and reversal of temporary differences	**(7.6)**	(3.7)
Effect of tax rate change	**0.2**	0.8
Adjustment for prior years	**0.4**	0.3
	(7.0)	(2.6)
Total income tax expense in the income statement	**7.1**	3.9

12. TAXATION (CONTINUED)

Reconciliation of effective tax	**2018 £m**	2017 £m
Profit before tax	**35.9**	20.0
Less share of profit of joint ventures	**(20.3)**	(18.7)
Add joint venture profit where the tax is directly attributable to the Group	**17.8**	18.3
Adjusted Group profit before tax	**33.4**	19.6
Income tax using the corporate tax rate 19.0% (2017: 19.25%)	**6.3**	3.8
Expenses not deductible for tax purposes	**0.6**	1.0
Adjustment for indexation	**0.5**	(3.7)
Adjustments in respect of prior years	**0.5**	0.2
Effect of tax rate change on deferred tax balance	**0.2**	0.8
Impact of Corporate Interest Restriction rules	**(1.0)**	2.4
Historic deferred tax provisions no longer required	**-**	(0.6)
Total income tax expense in the income statement	**7.1**	3.9

Reconciliation of effective tax rate	**2018 £m**	2017 £m
Income tax using the corporate tax rate 19.0% (2017: 19.25%)	**19.0%**	19.25%
Expenses not deductible for tax purposes	**1.7%**	5.5%
Adjustment for indexation	**1.5%**	-19.0%
Adjustments in respect of prior years	**1.5%**	1.0%
Effect of tax rate change on deferred tax balance	**0.6%**	4.0%
Impact of Corporate Interest Restriction rules	**-3.0%**	12.3%
Historic deferred tax provisions no longer required	**-**	-3.1%
Total income tax expense in the income statement	**21.3%**	20.0%

Recognised in other comprehensive income	**2018 £m**	2017 £m
Total deferred tax credit	**0.5**	2.6
Total income tax credit in other comprehensive income	**0.5**	2.6

A current tax rate of 19%, being the UK corporation tax rate throughout the period, has been applied to the year ended 31 December 2018. From 1 April 2020, the UK corporation tax rate will reduce to 17% (Finance Act 2016).

A deferred tax rate of 17% has been applied to opening balances and movements in deferred tax in the year ended 31 December 2018.

Tax on profit in the year relating to discontinued operations was £0.1m (2017: £nil).

13. DEFERRED TAX ASSETS AND LIABILITIES

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

	Assets 2018 £m	Liabilities 2018 £m	Net 2018 £m	Assets 2017 £m	Liabilities 2017 £m	Net 2017 £m
Investment property – contingent gains	-	(401.1)	(401.1)	-	(399.1)	(399.1)
Investment property – deferred income	31.0	-	31.0	20.2	-	20.2
Other property, plant and equipment	-	(9.4)	(9.4)	-	(8.3)	(8.3)
Employee benefits	1.8	-	1.8	3.0	-	3.0
Tax assets/(liabilities)	32.8	(410.5)	(377.7)	23.2	(407.4)	(384.2)

Movement in temporary differences during the year:

	Balance at 1 January 2018 £m	Recognised in income £m	Recognised in other comprehensive income £m	Transfers £m	Balance at 31 December 2018 £m
Investment property – contingent gains	(399.1)	(3.5)	1.5	-	(401.1)
Investment property – deferred income	20.2	10.8	-	-	31.0
Other property, plant & equipment	(8.3)	(1.1)	-	-	(9.4)
Employee benefits	3.0	0.8	(2.0)	-	1.8
Tax assets/(liabilities)	(384.2)	7.0	(0.5)	-	(377.7)

	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)

At the balance sheet date the Group has unrelieved interest costs of £4.4m (2017: £12.6m) for which no deferred tax asset has been recognised.

14. 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	2018 £m	2017 £m
Investment property	- Group	*15*	**3,384.4**	3,242.1
Trading properties	- Group	*18*	**12.7**	10.2
	- Share of joint ventures and associates	*17*	**22.2**	44.2
Owner-occupied property		*16*	**44.1**	118.6
Total property assets			**3,463.4**	3,415.1

15. INVESTMENT PROPERTY

2018	Completed property Freehold £m	Completed property Leasehold £m	Under development Freehold £m	Under development Leasehold £m	Total Freehold £m	Total Leasehold £m	Total £m
Balance at 1 January	7.7	3,025.0	80.8	128.6	**88.5**	**3,153.6**	**3,242.1**
Acquisitions	-	106.1	0.2	-	**0.2**	**106.1**	**106.3**
Development costs capitalised	-	26.0	7.1	-	**7.1**	**26.0**	**33.1**
Capitalised interest	-	3.1	7.4	-	**7.4**	**3.1**	**10.5**
Disposals	-	(19.1)	-	-	**-**	**(19.1)**	**(19.1)**
Revaluation gains/(losses)	0.1	12.6	(15.2)	-	**(15.1)**	**12.6**	**(2.5)**
Amortisation of deferred rent	-	1.1	-	-	**-**	**1.1**	**1.1**
Transferred from other plant, property and equipment	-	7.3	-	-	**-**	**7.3**	**7.3**
Amortisation of deferred lease premiums	-	5.6	-	-	**-**	**5.6**	**5.6**
Transferred between categories	-	30.6	-	(30.6)	**-**	**-**	**-**
Balance at 31 December	**7.8**	**3,198.3**	**80.3**	**98.0**	**88.1**	**3,296.3**	**3,384.4**

15. INVESTMENT PROPERTY

2017	Completed property Freehold £m	Completed property Leasehold £m	Under development Freehold £m	Under development Leasehold £m	Total Freehold £m	Total Leasehold £m	Total £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**
Amortisation of deferred lease premiums	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**

The historical cost of the Group's investment properties was £1,237.0m (2017: £1,320.8m).

During the year, capitalised interest credited to the income statement was £10.5m (2017: £7.7m).

At 31 December 2018 investment properties with a carrying amount of £1,778.0m were pledged as security for group borrowings (2017: £1,673.0m).

At 31 December 2018 the Group had investment properties with a fair value of £1.4m (2017: £1.0m) under offer from third parties.

The gross rental income earned by the Group from its investment property amounted to £107.7m (2017: £102.2m). Direct operating expenses arising on the investment property amounted to £48.9m (2017: £51.7m).

The Group has obligations to purchase, construct or develop investment property of £11.8m (2017: £24.9m).

15. INVESTMENT PROPERTY (CONTINUED)

Fair value disclosure

Class of Property	Fair Value Hierarchy	Valuation/ FV 2018 £m	Valuation/ FV 2017 £m	Valuation technique	Valuation inputs	Average property 2018	Average property 2017
Office	Level 3	1,088	1,007	Investment method and market comparable method	Weighted Average ERV psf	£70 psf	£62 psf
					ERV range psf	£24-£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	1,090	1,033	Investment method and market comparable method	Weighted Average ERV psf	£66 psf	£62 psf
					ERV range psf	£12-£178 psf	£12-£178 psf
					Weighted Average Eq yld	3.6%	3.6%
					Equivalent yield range	2.9%-5.0%	2.9%-5.5%
Residential	Level 3	1,104	1,090	Investment method and market comparable method	Average Rev'n capital value psf	£1,516 psf	£1,508 psf
					Capital value range psf	£450-£3,780 psf	£780-£3,840 psf
				Residual Approach for development sites			
Hotels	Level 3	49	102	Discounted Cashflow method and market comparable method	Weighted Average ERV psf	£20 psf	£53 psf
					ERV range psf	£4-£38 psf	£38-£54 psf
					Weighted Average Eq yld	6.0%	4.9%
					Discount rate range	6.00%	6.75%-8.00%
Investment properties under development	Level 3	98	129	Residual Approach	Average capital value psf		£1,775 psf
					ERV range psf	£27-£147	£35-£86
					Weighted Average Exit yield	3.50%	3.75%
Total		3,429	3,361				

The table above includes owner occupied property of £44.1m (2017: £118.6m)

15. 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 2018 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 2018 on a fair value basis in accordance with the Royal Institute of Chartered Surveyors ('RICS') Valuation - Professional Standards guidelines and performed in accordance with IVS.
- The fair value at 2018 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.

16. OTHER PROPERTY, PLANT AND EQUIPMENT

2018	Land and buildings £m	Other property, plant and equipment £m	Total £m
Cost			
Balance at 1 January	118.6	20.1	138.7
Additions	0.1	0.9	1.0
Disposals	(65.0)	(1.5)	(66.5)
Loss on revaluation of group occupied property	(2.3)	-	(2.3)
Transfer to Investment property	(7.3)	-	(7.3)
Balance at 31 December	44.1	19.5	63.6
Accumulated Depreciation			
Balance at 1 January	-	(9.7)	(9.7)
Depreciation charge for the year	-	(1.7)	(1.7)
Disposals	-	0.4	0.4
Balance at 31 December	-	(11.0)	(11.0)
Net Book Value			
At 1 January	118.6	10.4	129.0
At 31 December	44.1	8.5	52.6

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)
Gain on revaluation of group occupied property	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

Land and buildings comprise £44.1m (2017: £118.6m) of long leasehold property. This property was valued at 31 December 2018 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.

16. OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The historical cost of the Group's revalued land and buildings at 31 December 2018 was £12.5m (2017: £70.3m).

On 29 September 2018, the Group granted a long lease on a property classified within land and buildings as group occupied property. The profit realised has been deferred to the balance sheet and will be recognised on a straight line basis over the lease term. A loss of £7.1m has been recognised in the income statement in 2018 relating to associated costs of disposal. The book value of the remaining interest in the property of £7.3m has been transferred to Investment Property with the cumulative revaluation from previous years transferred from the revaluation reserve to retained earnings.

17. INTERESTS IN JOINT VENTURES

	2018 **£m**	2017 £m
Share of profit of joint ventures	**20.3**	18.7
Net profit from interests in joint ventures in the income statement	**20.3**	18.7
Share of assets and liabilities of joint ventures	**12.2**	36.2
Loans and other long-term receivables	**24.5**	27.6
Net interest in joint ventures in the balance sheet	**36.7**	63.8

Share of profit of joint ventures:	**2018** **£m**	2017 £m
Revenue	**50.9**	49.4
Property costs	**(30.5)**	(30.6)
Net property income and other income less administrative expenses	**20.4**	18.8
Net financing costs	**0.1**	-
Tax	**(0.2)**	(0.1)
Profit after tax	**20.3**	18.7

17. INTERESTS IN JOINT VENTURES (CONTINUED)

Share of assets and liabilities of joint ventures:		2018 £m	2017 £m
Current assets	- trading properties	**22.2**	44.2
	- other	**13.1**	20.7
Non-current liabilities		**-**	(5.3)
Current liabilities		**(23.1)**	(23.4)
Net assets		**12.2**	36.2

At 31 December 2018 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%

The registered addresses of the joint ventures are listed in Note 3 of the company accounts.

18. TRADING PROPERTIES

	Note	2018 £m	2017 £m
Balance at 1 January		**10.2**	41.6
Development costs capitalised		**2.5**	2.2
Disposals	9	**-**	(33.0)
Net impairment of trading properties	9	**-**	(0.6)
Balance at 31 December		**12.7**	10.2

19. TRADE AND OTHER RECEIVABLES

Current	**2018 £m**	**2017 £m**
Gross trade receivables	**18.3**	21.3
Allowance for bad debt	**(1.0)**	(0.6)
Net trade receivables	**17.3**	**20.7**
Other receivables due from shareholder companies	**27.6**	7.0
Contract assets	**4.4**	2.7
Other receivables	**5.7**	13.9
Prepayments and accrued income	**3.8**	6.2
At 31 December	**58.8**	**50.5**

20. CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Bank balances	**0.6**	3.2
Cash held in Money Market Funds	**359.4**	126.2
Cash and cash equivalents in the statement of cash flows	**360.0**	**129.4**
Bank balances held on behalf of third parties	**39.1**	37.2
Cash and cash equivalents in the balance sheet	**399.1**	**166.6**

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

21. TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Current liabilities		
Trade payables	**(1.7)**	(5.6)
Contract liabilities	**(13.4)**	(9.0)
Other payables	**(25.7)**	(37.3)
Deferred income	**(42.7)**	(38.9)
Accrued expenses	**(41.7)**	(50.4)
Deferred lease premium income	**(3.7)**	(3.4)
	(128.9)	**(144.6)**

Deferred lease premium income of £178.7m (2017: £116.0m) is included within non-current liabilities.

22. PROVISIONS

Non-current liabilities	2018 £m	2017 £m
At 1 January	(0.2)	(3.8)
Transferred to current liabilities	-	3.6
Utilised in the year	0.2	-
At 31 December	-	(0.2)

Current liabilities	2018 £m	2017 £m
At 1 January	(6.2)	(13.2)
Recognised in the year	(0.1)	-
Transferred from non-current liabilities	-	(3.6)
Utilised in the year	5.4	10.6
At 31 December	(0.9)	(6.2)

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

23. INTEREST-BEARING LOANS AND BORROWINGS

	2018 £m	2017 £m
Non-current liabilities		
10.42% Mortgage debenture stock 2034	**(50.0)**	(50.0)
6.5% Debenture stock 2026	**(201.3)**	(201.6)
8.375% Unsecured loan stock 2019	**-**	(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)
2.75% Private placement bond 2028	**(100.0)**	-
2.95% Private placement bond 2033	**(105.0)**	-
3.05% Private placement bond 2040	**(45.0)**	-
Finance lease liabilities	**(1.3)**	(1.4)
Deferred finance costs	**4.2**	3.0
	(713.4)	**(517.5)**

	2018 £m	2017 £m
Current liabilities		
8.375% Unsecured loan stock 2019	**(52.5)**	-
Finance lease liabilities	**-**	**(0.1)**
	(52.5)	**(0.1)**

The 8.375% Unsecured loan stock 2029 was repaid on maturity on 15 February 2019.

Included in the debenture stock due in 2026 is £1.3m (2017: £1.6m) of net unamortised premium.

The debenture stocks due in 2026 and 2034 are secured over investment properties with a carrying value of £1,778.0m (2017: £1,673.0m).

Finance lease liabilities

2018	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**(0.5)**	**(0.5)**	**-**
Between one and five years	**(2.2)**	**(2.2)**	**-**
More than five years	**(85.7)**	**(84.4)**	**(1.3)**
	(88.4)	**(87.1)**	**(1.3)**

23. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

2017	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	(0.4)	(0.3)	(0.1)
Between one and five years	(1.4)	(1.3)	(0.1)
More than five years	(72.2)	(71.0)	(1.2)
	(74.0)	(72.6)	(1.4)

24. FINANCIAL INSTRUMENTS

Capital risk management

The capital structure of the Group comprises debt, which includes the borrowings disclosed in Note 23, cash and cash equivalents disclosed in Note 20 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 16.4% (2017: 15.6%).

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.

2018	Carrying value at amortised cost £m	Fair value £m
Financial liabilities:		
Sterling fixed rate loans		
Mortgage debenture 2034	(50.0)	(93.0)
Debenture 2026	(201.3)	(257.5)
Unsecured loan 2019	(52.5)	(54.5)
Private placement bond 2031	(95.0)	(104.5)
Private placement bond 2041	(30.0)	(36.1)
Private placement bond 2022	(60.0)	(58.9)
Private placement bond 2037	(30.0)	(31.5)
Private placement bond 2028	(100.0)	(86.5)
Private placement bond 2033	(105.0)	(85.9)
Private placement bond 2040	(45.0)	(35.5)
	(768.8)	(843.9)

24. FINANCIAL INSTRUMENTS (CONTINUED)

2017	Carrying value at amortised cost £m	Fair value £m
Financial liabilities:		
Sterling fixed rate loans		
Mortgage debenture 2034	(50.0)	(97.3)
Debenture 2026	(201.6)	(267.4)
Unsecured loan 2019	(52.5)	(58.3)
Private placement bond 2031	(95.0)	(128.7)
Private placement bond 2041	(30.0)	(47.7)
Private placement bond 2022	(60.0)	(64.5)
Private placement bond 2037	(30.0)	(41.1)
	(519.1)	**(705.0)**

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.

24. 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	
	2018 £m	2017 £m
AAA	358.6	106.6
AA	-	-
AA-	-	3.0
A+	-	5.0
A	-	14.8
A-	40.5	-
BBB+	-	37.2
	399.1	166.6

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 2018 totalled £17.3m (2017: £20.8m) of which £0.7m (2017: £3.0m) were still outstanding at 7 March 2019 (2017: 1 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 (2017: £nil) and a fair value liability of £nil (2017: £nil), were designated for cash flow hedge accounting at 31 December 2018.

24. FINANCIAL INSTRUMENTS (CONTINUED)

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

2018	Effective interest rate %	Floating interest rate £m	Fixed interest rate < 1 year £m	Fixed interest rate 1-5 years £m	Fixed interest rate > 5 years £m	Non-interest bearing £m	Total £m
Financial assets:							
Other receivables due from shareholder companies	-	-	-	-	-	27.6	27.6
Trade and other receivables	-	-	-	-	-	31.2	31.2
Loans to joint ventures	11.4	24.5	-	-	-	-	24.5
Cash and cash equivalents	0.5	399.1	-	-	-	-	399.1
Total financial assets		423.6	-	-	-	58.8	482.4
Financial liabilities:							
Sterling fixed rate loans							
Mortgage debenture 2034	10.42	-	-	-	(50.0)	-	(50.0)
Debenture 2026	6.50	-	-	-	(201.3)	-	(201.3)
Unsecured loan 2019	8.38	-	(52.5)	-	-	-	(52.5)
Private placement bond 2031	5.57	-	-	-	(95.0)	-	(95.0)
Private placement bond 2041	6.05	-	-	-	(30.0)	-	(30.0)
Private placement bond 2022	3.38	-	-	(60.0)	-	-	(60.0)
Private placement bond 2037	4.97	-	-	-	(30.0)	-	(30.0)
Private placement bond 2028	2.75	-	-	-	(100.0)	-	(100.0)
Private placement bond 2033	2.95	-	-	-	(105.0)	-	(105.0)
Private placement bond 2040	3.05	-	-	-	(45.0)	-	(45.0)
Total fixed rate loans		-	(52.5)	(60.0)	(656.3)	-	(768.8)
Sterling floating rate loans							
Finance lease liabilities	6.00	-	-	-	(1.3)	-	(1.3)
Trade and other payables	-	-	-	-	-	(129.0)	(129.0)
Total financial liabilities		-	(52.5)	(60.0)	(657.6)	(129.0)	(899.1)

The average cost of debt for the year ended 31 December 2018 was 6.2% (2017: 6.4%).

24. FINANCIAL INSTRUMENTS (CONTINUED)

2017	Effective interest rate	Floating interest rate	Fixed interest rate < 1 year	Fixed interest rate 1-5 years	Fixed interest rate > 5 years	Non-interest bearing	Total
	%	£m	£m	£m	£m	£m	£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	11.4	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	10.42	-	-	-	(50.0)	-	(50.0)
Debenture 2026	6.50	-	-	-	(201.6)	-	(201.6)
Unsecured loan 2019	8.38	-	-	(52.5)	-	-	(52.5)
Private placement bond 2031	5.57	-	-	-	(95.0)	-	(95.0)
Private placement bond 2041	6.05	-	-	-	(30.0)	-	(30.0)
Private placement bond 2022	3.38	-	-	(60.0)	-	-	(60.0)
Private placement bond 2037	4.97	-	-	-	(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)

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.

24. 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:

	2018 £m	2017 £m
Increase in profit for the year		
- interest receivable	**1.8**	0.7
- mark to market of derivatives	**-**	-
- tax charge	**(0.3)**	(0.1)
Total increase in profit and equity	**1.5**	**0.6**

Similarly, if interest rates had been 0.5% lower, then Group profit and equity would have decreased by £1.5m (2017: £0.6m 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 the Group had the following drawn and undrawn committed borrowing facilities available:

	Drawn facilities		Undrawn facilities	
	2018 £m	2017 £m	2018 £m	2017 £m
Expiring less than 1 year	**52.2**	-	**25.0**	35.0
Expiring from 1 to 2 years	**-**	52.2	**-**	25.0
Expiring from 2 to 5 years	**57.9**	58.5	**465.0**	365.0
Expiring after more than 5 years	**654.5**	405.7	**-**	-
Total	**764.6**	**516.4**	**490.0**	**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.

24. 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:

2018	**Fixed rate loans**	**Floating rate loans**	**Finance lease liabilities**	**Other borrowings**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Due within 1 year	89.1	-	0.5	-	89.6
From 1 to 2 years	36.1	-	0.5	-	36.6
From 2 to 5 years	165.8	-	1.6	-	167.4
After 5 years	902.2	-	85.8	-	988.0
	1,193.2	-	88.4	-	1,281.6
Effect of discount/financing rates	(428.6)	-	(87.1)	-	(515.7)
	764.6	-	1.3	-	765.9

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

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

Operating activities	Note	2018 £m	2017 £m
Profit from operations including share of joint ventures		**59.3**	44.6
Adjustments for:			
Depreciation	16	**1.7**	1.5
Net amortisation of deferred lease premiums		**(3.8)**	(3.2)
Amortisation of lease incentives	3	**(1.1)**	(3.1)
Gain on disposal of investments		**(0.5)**	(0.2)
Loss on sale of group occupied property		**7.1**	-
Net loss on revaluation of investment property	10	**2.4**	24.4
Gains on sale of investment property	10	**(19.3)**	(11.8)
Impairment on trading properties	9	**-**	0.6
Impairment on trade and other receivables	19	**3.3**	-
Share of profit of joint ventures and associates	17	**(20.3)**	(18.7)
Difference between pension contributions paid and amounts recognised in the income statement	7	**5.4**	5.9
Operating profit before changes in working capital and provisions		**34.2**	40.0
(Increase)/Decrease in trading properties	18	**(2.5)**	30.8
(Increase)/Decrease in trade and other receivables		**(9.0)**	17.7
Decrease in trade and other payables		**(12.3)**	(32.5)
Decrease in provisions	22	**(5.5)**	(10.6)
Cash flow from operations		**4.9**	45.4

(b) Analysis of net debt

	1 January 2018 £m	Cash flow £m	**31 December 2018 £m**
Total cash and cash equivalents in the balance sheet	166.6	232.5	**399.1**
Restricted cash held on behalf of third parties (Note 20)	(37.2)	(1.9)	**(39.1)**
Total cash and cash equivalents in cash flow statement	129.4	230.6	**360.0**
Borrowings (Note 23)	(517.5)	(248.4)	**(765.9)**
Net borrowings	(388.1)	(17.8)	**(405.9)**

26. OPERATING LEASE COMMITMENTS

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

	2018 £m	2017 £m
Land and buildings	**4.6**	4.6

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

	2018 £m	2017 £m
Less than one year	**4.7**	4.6
Between one and five years	**18.6**	18.2
More than five years	**29.2**	33.6
	52.5	56.4

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

	2018 £m	2017 £m
Less than one year	**86.1**	75.1
Between one and five years	**226.4**	204.5
More than five years	**1,054.0**	1,141.3
	1,366.5	1,420.9

27. CAPITAL COMMITMENTS

	2018 £m	2017 £m
Investment properties contracted but not provided	**11.8**	24.9
Trading properties contracted but not provided	**4.4**	-
	16.2	24.9
Capital commitments in respect of joint ventures	**21.8**	2.7
	38.0	27.6

28. 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.

29. SHARE CAPITAL

	2018 Number of shares	**£m**	2017 Number of shares	£m
Authorised				
Equity interests:				
Ordinary shares of £1	**1,000,000,000**	**1,000.0**	1,000,000,000	1,000.0
Non-equity interests:				
5% Cumulative redeemable preference shares of £1	**450,000,000**	**450.0**	450,000,000	450.0
	1,450,000,000	**1,450.0**	1,450,000,000	1,450.0

	2018 Number of shares	**£m**	2017 Number of shares	£m
Allocated, called up and fully paid				
Equity interests:				
Ordinary shares of £1	**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 preferences 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.

No 5% cumulative redeemable preference shares have been allocated, called up or paid at 31 December 2018.

30. DIVIDENDS

	2018 £m	2017 £m
Amount recognised as distributions to equity holders in the period:		
Final regular dividend for the year ended 31 December 2018 of 10.3p (2017: 10.0p) per share	**51.6**	49.9
Special dividend for the year ended 31 December 2018 of £nil (2017: 3.8p)	**-**	19.0
	51.6	68.9

31. 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 £1.6m (2017: £1.9m) in arm's length rentals and management fees to the Grosvenor Trusts and received £0.6m (2017: £0.6m) 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 £20.5m (2017: £21.1m).

In 2018 the Group arranged insurance cover on normal commercial terms through a related company. Aggregate premiums paid in the year were £8.5m (2017: £8.2m). At the year end the balance payable was £0.1m (2017: £0.1m).

In 2018 the Group received administration fees of £1.6m (2017: £1.6m) in arm's length agreements from the Grosvenor Trusts, £0.1m (2017: £0.3m) from joint ventures and £4.6m (2017: £4.5m) from other Grosvenor Group companies. Asset management fees of £0.3m (2017: £nil) was received from other Grosvenor Group companies.

At 31 December 2018, £0.4m (2017: £0.4m) was due from Grosvenor Trusts, and £0.1m (2017: £0.1m) from joint ventures. The amount receivable from Grosvenor Group companies was £27.6m (2017: £7.0m).

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 £24.5m (2017: £27.6m).

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.

32. ADOPTION OF NEW STANDARDS

(a) Impact of application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework and introduces a 5-step approach to revenue recognition in determining whether, how much and when revenue is recognised. It has replaced IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

There are no changes to the timing of revenue recognition on adoption of IFRS 15, however there are changes in accounting policies and disclosure requirement which are discussed below. There is no impact on retained earnings at 1 January 2018 and there is no material impact on the Group's statement of cash flows for the year ended 31 December 2018.

Presentation of contract assets and liabilities
IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue'. The Group has adopted the terminology used in IFRS 15 to describe such balances. The term deferred income is used in respect of deferred lease premium profits that are disclosed in note 21 and are not within the scope of IFRS 15.

A contract asset is the entity's right to consideration in exchange for goods or services that the entity has transferred to the customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due.

- Contract assets recognised in relation to property development contracts were previously presented as part of accrued income (£4.4m as at 31 December 2018 and £2.7m as at 1 January 2018).

- Contract liabilities in relation to property development contracts were previously included in deferred income (£13.4m as at 31 December 2018 and £9.0m as at 1 January 2018).

The Group's accounting policies for revenue from contracts with customers on initial adoption of IFRS 15 from 1 January 2018 are set out below.

IFRS 15 'Revenue from contracts with customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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

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

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

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

32. ADOPTION OF NEW STANDARDS (CONTINUED)

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

Revenue from hotel operations, being the rental of rooms is recognised at a point in time when rooms are occupied and food and beverage sales are recognised at the point of sale. Turnover excludes staff discretionary service charges which are independently collected.

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

(b) Impact of application of IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the consolidated income statement. Previously, the Group's approach was to include the impairment of trade receivables within property outgoings.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures 2018 but have generally not been included for comparative information.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings (for a description of the transition method, see 2(b) (iii) below).

	Note	Impact of adopting IFRS 9
Retained earnings		
Loans and long term receivables to joint ventures	*17*	0.5
Trade receivables	*19*	0.2
Impact at 1 January 2018		**0.7**

(i) Classification and measurement of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities including borrowings and derivative financial instruments.
The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have not been restated as the Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – equity investments; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the measurement of financial assets from 1 January 2018.

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

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates to the new impairment requirements, as described further below.

32. ADOPTION OF NEW STANDARDS (CONTINUED)

The following table and the accompanying notes below explain the original classification and measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Original measurement category under IAS 39	New category of measurement under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	20.7	20.5
Cash and cash equivalents	Loans and receivables	Amortised cost	166.6	166.6
Loans and long term receivables to joint ventures	Loans and receivables	Amortised cost	27.6	27.1

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition on 1 January 2018.

	IAS 39 carrying amount as at 31 December 2017	Remeasurement	IFRS 9 carrying amount at 1 January 2018
Financial assets			
Cash and cash equivalents			
Brought forward: Loans and receivables	166.6		
Carried forward: Amortised cost			166.6
Loans and long term receivables to joint ventures			
Brought forward: Loans and receivables	27.6		
Remeasurement		(0.5)	
Carried forward: Amortised cost			27.1
Trade and other receivables			
Brought forward: Loans and receivables	20.7		
Remeasurement		(0.2)	
Carried forward: Amortised cost			20.5
Total financial asset balances and remeasurements at 1 January 2018	**214.9**	**(0.7)**	**214.2**

32. ADOPTION OF NEW STANDARDS (CONTINUED)

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and contract assets, but not to investments in equity instruments. As the expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
The financial assets at amortised cost consist of loans to joint ventures, trade receivables, lease receivables, contract assets and cash and cash equivalents.
Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
ECLs are discounted at the effective interest rate of the financial asset.

Impact of the new impairment model

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

	£m
Loss allowance at 31 December 2017 under IAS 39	0.6
Additional impairment recognised at 1 January 2018 on:	
Loans and long term receivables to joint ventures	0.5
Trade and other receivables	0.2
Loss allowance at 1 January 2018 under IFRS 9	**1.3**

Trade receivables and contract assets

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime expected credit losses under the simplified approach as these items do not have a significant financing component.

This adoption of the simplified approach resulted in a change to the loss allowance on 1 January 2018 of £0.2m for trade receivables.

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of IFRS 9.

The ECLs were calculated based on actual credit loss experience over the past three years, modified for known credit losses that have occurred.

Exposures were segmented based on common credit risk characteristics such as credit risk grade, geographic region, industry, delinquency status and, age of relationship.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the number of days past due.

Loans to joint ventures

The Group has elected to measure loans to joint ventures at amortised cost at an amount equal to lifetime expected credit losses based on the latest assumptions of the profitability of the underlying project. Applying the expected credit risk model resulted in the recognition of a loss allowance of £0.5m on 1 January 2018 (previous loss allowance was nil) for loans to joint ventures at amortised cost and a further increase in the allowance by £2.8m in the current reporting period.

The total impact of the introduction of the expected credit loss model across all financial assets was a charge of £3.3m to the Income Statement and £0.7m to opening equity in the year ended 31 December 2018.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

The application of IFRS 9 has had no impact on the consolidated cash flows of the Group.

GROSVENOR LIMITED

COMPANY BALANCE SHEET AND NOTES TO THE ACCOUNTS

BALANCE SHEET

as at 31 December 2018

	Note	2018 £m	2017 Restated £m
Non-current assets			
Investment in subsidiaries and joint ventures	*3*	1,122.3	1,122.0
Total non-current assets		1,122.3	1,122.0
Current assets			
Other debtors		0.1	1.3
Debtors	*4*	480.4	574.8
Cash at bank and in hand		359.9	126.4
Total current assets		840.4	702.5
Creditors: amounts falling due within one year	*5*	(828.4)	(771.3)
Net current assets / (liabilities)		12.0	(68.8)
Total assets less current liabilities		1,134.3	1,053.2
Creditors: amounts falling due after more than one year			
Interest bearing loans and borrowings	*6*	(510.7)	(314.9)
NET ASSETS		623.6	738.3
Capital and reserves			
Called up share capital	*7*	499.1	499.1
Retained earnings	*8*	124.5	239.2
SHAREHOLDER'S FUNDS		623.6	738.3

The loss of the Company for the year ended 31 December 2018 was £63.1m (2017: £159.1m profit).

Approved by the Board and authorised for issue on 7 March 2019 and signed on behalf of the Board:

Graham Pimlott
(Chairman)

Roger Blundell
(Finance Director)

Company registration number: 02874626

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Note	Share capital £m	Retained earnings £m	Total £m
At 1 January 2017 (as originally stated)		**499.1**	**31.3**	**530.4**
Prior year adjustment	11	-	117.7	117.7
At 1 January 2017 (as restated)		**499.1**	**149.0**	**648.1**
Profit for the year		-	159.1	159.1
Dividends	9	-	(68.9)	(68.9)
At 31 December 2017 (as restated)		**499.1**	**239.2**	**738.3**
Loss for the year		-	(63.1)	(63.1)
Dividends	9	-	(51.6)	(51.6)
At 31 December 2018		**499.1**	**124.5**	**623.6**

Retained earnings have been restated to correct an historic over impairment of intercompany balances with the Company's subsidiaries. The effect of the restatement is to increase retained earnings and reduce amounts due to other Group undertakings (note 11) by £117.7m.

NOTES TO THE COMPANY BALANCE SHEET

as at 31 December 2018

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 loss for the financial year ended 31 December 2018 of £63.1m (restated 2017: £159.1m profit).

Other than disclosed here, the Company applies the accounting policies as disclosed in the consolidated accounts.

The auditor's remuneration for audit and other services is disclosed in note 8 to the consolidated financial statements.

Going Concern

The Company is in a net asset position at 31 December 2018. 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 requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'
- 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'.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Changes in Accounting Policies

i) New standards, interpretations and amendments effective from 1 January 2018.

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' with an effective date of 1 January 2018.

In accordance with the transitional provisions in IFRS 9 and IFRS 15 the new rules have been adopted cumulatively.

There are no adjustments required to be made to the Company's financial statements as a result of the adoption of IFRS 9 and IFRS 15.

ii) The following accounting policies apply to the measurement of financial assets from 1 January 2018.

Debtors

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

Financial assets are assessed for indicators of impairment at each balance sheet date.

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the Company applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) Investments

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

1. ACCOUNTING POLICIES (CONTINUED)

(e) 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 positon of the Company. This estimate of recoverability includes assessing the credit quality, level of future profitability and future liquidity of counterparties.

Currently there is both economic and political uncertainty as the outcome of Brexit is not yet known. The Company's profitability is largely linked to the performance of the UK property market which could be negatively impacted by the eventual outcome, reducing the profitability of development activity over the next few years. Any decrease in the profitability of the Company in the next 12 months is not expected to impact the long term strategy of the Company.

3. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

Company	**At cost £m**
At 1 January 2018	**1,122.0**
Additions	**0.3**
At 31 December 2018	**1,122.3**

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

Direct subsidiaries
As at 31 December 2018 the following companies are directly held 100% subsidiaries incorporated in England and Wales:

1-5 GP Management Limited*
32-42 BPR Limited
65 Davies Street Development Limited
65 Davies Street Investment Limited
Bankside 4 Limited
Belgrave House Developments Limited*
Belgravia Leases Limited
Cambridge Retail Investment Limited*
Eaton Square Properties Limited
GEB2 Limited*
Grosvenor Commercial Properties*
Grosvenor Developments (GB) Limited*
Grosvenor Developments Limited
Grosvenor Eighty Three Limited*
Grosvenor Eighty Four Limited*
Grosvenor Eighty Five Limited*
Grosvenor Eighty Seven Limited*
Grosvenor Estate Management Limited
Grosvenor Estates Limited*
Grosvenor Investments Limited
Grosvenor Keysign Limited
Grosvenor Mayfair Properties Limited*
Grosvenor Policy Management Limited*
Grosvenor Properties
Grosvenor Property Asset Management Limited*
Grosvenor Property Developments Limited
Grosvenor Property Group Limited*
Grosvenor Property Management Service Limited
Grosvenor Realty Investments Limited*
Grosvenor Seventy Nine Limited*
Grosvenor UK Finance plc
Grosvenor West End Properties
Liverpool PSDA Limited
London Leasehold Flats Limited
Mayfair Leasehold Properties Limited*
Montrose Place Development Limited*
Quarryvale Two Limited*
Urban Neighbourhood Holdings 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, London, W1K 3JP, with the exception of Fountain North Limited which is registered at 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

* These entities are dormant and are exempt under s394A from the requirement to prepare individual accounts.

3. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

Indirect subsidiaries
Grosvenor Limited indirectly owns 100% of the ordinary share capital of the following companies and LLPs incorporated in England and 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 Eighty Six LLP
Grosvenor Quarryvale Limited*
Liffey Valley Limited
Liverpool Site 11 Hotel Limited*
Liverpool Site 12 Limited*
London Leasehold Properties Limited
Sekmount Properties Limited
Southwark GP 1 Limited
Southwark GP 2 Limited
Southwark GP Nominee 1 Limited*
Southwark GP Nominee 2 Limited*
Southwark Holding LP*
Southwark LP
Southwark Real Estate Investments Limited
UNHEM Construction Limited*
Urban Neighbourhoods Limited*

All indirect subsidiaries are registered at 70 Grosvenor Street, London W1K 3JP, with the exception of Grosvenor Belgravia Investments Limited which is registered at 2nd floor, St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EE.

* These entities are dormant and are exempt under s394A from the requirement to prepare individual accounts.

3. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

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

Joint Venture	**% Holding**
7 Green Street Limited	33.3%
10 Bourdon Street Limited	66.67%
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%
NLG Campden LLP	33.3%
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, GC Bankside LLP and NLG Campden LLP registered at The Pavilion, 118 Southwark Street, London, SE1 0SW.

* These entities are dormant and are exempt under s394A from the requirement to prepare individual accounts.

4. DEBTORS

	2018 £m	2017 £m
Amounts owed by group undertakings	**480.4**	574.8

Included in amounts owed by group undertakings is £77.0m (2017: £74.9m) with Due West Investments Limited which bears interest at a rate of 2.67% (2017: 2.33%). The remainder of amounts owed by Group undertakings are repayable on demand and do not bear interest.

5. CREDITORS

	2018 £m	2017 Restated £m
Amounts falling due within one year		
Amounts due to other Group undertakings	**(766.6)**	(762.8)
Accruals and deferred income	**(6.9)**	(4.7)
8.375% Unsecured loan stock 2019	**(52.5)**	-
Other creditors	**(2.4)**	(3.8)
	(828.4)	(771.3)

Included in amounts due to other group undertakings is £211.3m (2017: £210.7m) with Grosvenor UK Finance Plc which bears interest at a fixed rate of 6.7% (2017: 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

	2018 £m	2017 £m
Non-current liabilities		
10.42% Mortgage debenture stock 2034	**(50.0)**	(50.0)
8.375% Unsecured loan stock 2019	**-**	(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)
2.75% Private placement bond 2028	**(100.0)**	-
2.95% Private placement bond 2033	**(105.0)**	-
3.05% Private placement bond 2040	**(45.0)**	-
Deferred finance costs	**4.3**	2.6
	(510.7)	(314.9)

The 10.42% mortgage debenture stock 2034 is secured over investment properties in the Company's subsidiaries with a carrying value of £256.3m (2017: £254.4m).

6. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

	2018 £m	2017 £m
Maturity profile of interest-bearing loans and borrowings		
Due within one year	**(52.5)**	-
From 1 to 2 years	**-**	(52.5)
From 2 to 5 years	**(60.0)**	(60.0)
After 5 years	**(455.0)**	(202.4)
	(567.5)	(314.9)

7. SHARE CAPITAL

	2018		2017	
	Number of shares	**£m**	Number of shares	£m
Authorised				
Equity interests:				
Ordinary shares of £1	**1,000,000,000**	**1,000.0**	1,000,000,000	1,000.0
Non-equity interests:				
5% Cumulative redeemable preference shares of £1	**450,000,000**	**450.0**	450,000,000	450.0
	1,450,000,000	**1,450.0**	1,450,000,000	1,450.0

	2018		2017	
	Number of shares	**£m**	Number of shares	£m
Allocated, called up and fully paid				
Equity interests:				
Ordinary shares of £1	**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.

No 5% cumulative redeemable preference shares have been allocated, called up or paid at 31 December 2018.

8. RETAINED EARNINGS

The Company's loss after tax was £63.1m (2017: £159.1m profit). Auditor's remuneration for the Company of £89,305 (2017: £79,421) was borne by Grosvenor Estate Management Limited, a subsidiary undertaking.

9. DIVIDENDS

	2018	2017
	£m	£m
Final regular dividend for the year ended 31 December 2018 of 10.3p (2017: 10.0p) per share	**51.6**	49.9
Special dividend for the year ended 31 December 2018 of £ nil (2017: 3.8p) per share	**-**	19.0
	51.6	68.9

10. CONTROLLING PARTY

The Company's ultimate parent undertaking is Grosvenor Group Limited, a company incorporated in the United Kingdom 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.

Copies of the consolidated financial statements of Grosvenor Group Limited and Grosvenor Limited can be obtained from Companies House, 3 Crown Way, Maindy, Cardiff, CF14 3UZ.

The address of the registered office of Grosvenor Group Limited and Grosvenor Limited is 70 Grosvenor Street, London, W1K 3JP.

11. PRIOR YEAR ADJUSTMENT

The balance sheet and retained earnings have been restated to correct an historic over impairment of intercompany balances with the Company's subsidiaries. The effect of the restatement is to increase retained earnings and reduce amounts due to other Group undertakings (note 5) by £117.7m.

The below table presents each line of the balance sheet affected by the prior year adjustment as at 31 December 2017.

	As originally stated on 31 December 2017	**Prior year adjustment**	**As restated at 31 December 2017**
	£m	**£m**	**£m**
Creditors: amounts falling due within one year	(889.0)	117.7	(771.3)
Net current assets / (liabilities)	(186.5)	117.7	(68.8)
Total assets less current liabilities	**935.5**	**117.7**	**1,053.2**
NET ASSETS	**620.6**	**117.7**	**738.3**
Retained earnings	121.5	117.7	239.2
SHAREHOLDER'S FUNDS	**620.6**	**117.7**	**738.3**