

Grosvenor Group Limited

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2017 Financial Statements

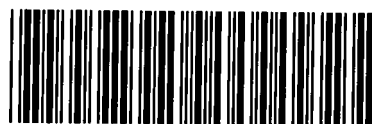
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In addition to the information contained in these Financial Statements, you can download our 2017 Review to explore our operational achievements and progress during the year.

Strategic report

The Directors present their Strategic report for Grosvenor Group Limited (the 'Group') for the year ended 31 December 2017.

Principal activities

The Group's principal activities are property investment, development and fund management.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in [Notes 21](#) and [22](#) to the Financial Statements.

The Group's strategic objectives

Grosvenor Group's purpose, in common with the wider Grosvenor Estate, is to deliver lasting commercial and social benefit. To live up to this ambition, for over 10 years we have adopted an approach we call 'Living cities' which aims to guide and inspire our property activities.

The Group has three strategic objectives that underpin our 'Living cities' approach:

- Earning a reputation for quality, integrity, social leadership and responsibility.
- Delivering attractive long term returns.
- Developing and co-ordinating a diversified property group.

More detail on how the Group sets out to achieve its objectives can be found in the 2017 Review available at www.grosvenor.com.

Business review

Group performance

The Group's financial performance in 2017 was better than expected. Revenue profit, the main metric by which the Group measures itself, was significantly higher than last year at £143.5m (2016: £79.2m).

Total return was 2.7% (2016: 8.0%) reflecting more stable valuation movements in the UK and Europe and Sterling's appreciation over the past year, which had a negative impact of 1.5% (2016: positive 4.5%).

Our property-related activities have only modest impact on short-term valuation movements and none over foreign exchange rates, hence our main focus on revenue profit, which reflects much more the consequences of our activity. Profit before tax rose to £233.1m (2016: £136.8m), reflecting both the good revenue profit and the overall positive valuation movements across the Group. A reconciliation between revenue profit and profit before tax can be found at [Note 4](#) to the Financial Statements and a definition of revenue profit can be found in the Glossary.

Shareholders' funds increased to £4.9bn (2016: £4.8bn), again as a consequence of the profit in the year but negatively impacted by the losses on translation of the Group's overseas assets and earnings.

Operating Company performance

All of our Operating Companies delivered encouraging results:

- Revenue profit more than doubled in Grosvenor Americas to £71.6m (2016: £28m) due to the completion of the FIRST and Central development projects in Washington, D.C. and the sale of development lands in Vancouver. Total return was 8.9% (2016: 6.4%).
- Grosvenor Britain & Ireland's revenue profit also more than doubled to £48.4m (2016: £23.9m), mainly attributable to the trading profit from the Campden Hill development. Total return was 1.3% (2016: 0.3%), reflecting slightly negative valuation movements but higher revenue profit.
- Grosvenor Europe delivered a small revenue loss of (£0.6m), the same as last year. Although income was slightly up on the previous year, this was offset by the cost of building the specialist capability to deliver new developments in Spain and the growth of the team in Stockholm. Total return was 1.1% (2016: 1.4%).
- Grosvenor Asia Pacific sold a number of assets during the year to provide capacity for new opportunities. As a result, revenue profit was lower at £6.9m (2016: £10.7m). Total return was 7.2% (2016: 6.3%), arising largely from valuation increases in Hong Kong.
- Indirect Investment revenue profit increased to £35.9m (2016: £31.8m) due largely to improved performance by Sonae Sierra. Total return was 8.5% (2016: 12.7%).

Strategic report

Business review continued

Financial position

The Group's Shareholders' funds now stand at £4.9bn (2016: £4.8bn). The growth is due to the profit for the year but was negatively impacted by foreign currency translation losses occurring on overseas operations. Economic gearing was 23.8% at year end and resilience (the extent to which market values of the portfolio of property assets can fall before Group financial covenants are breached) was well above the Group's internal minimum at 79%.

During 2017, the Group's share of property assets increased by 5.2% to £6.8bn and assets under management remained stable at £12.6bn. The movements are a reflection of a large programme of capital expenditure and disposal, mixed with overall positive revaluation gains but offset by foreign currency translation losses across our non-UK portfolio. The weighting of capital expenditure towards our wholly-owned assets, together with the weighting of disposals towards our joint ventures, has resulted in the increase in property assets but broadly static assets under management.

Financial capacity and liquidity

The Group is well positioned to take advantage of opportunities as they arise. The Group's financial capacity (being the spare cash and undrawn, committed, general use facilities which are immediately available) stood at £1.4bn at 31 December 2017 (2016: £1.7bn). The decrease in the year is predominantly a result of acquisitions in the year outweighing disposals, most markedly in Grosvenor Britain & Ireland and Grosvenor Asia Pacific. The weighted average life of wholly-owned facilities is 5.7 years (2016: 5.9 years).

Future developments

In the near term, that is perhaps the next five years, the Group expects to continue to deliver substantial value through the application of real estate skills to physical opportunities, many of which are already in progress (e.g. the Group's development pipeline) and for which we have finance in place cash reserves existing debt.

While much has been said of the impact on property values of future increases in interest rates, as a long-term investor, the Group plans to remain 'long' in commercial real estate, maintaining its approach regardless of cyclical capitalisation rate movements. Capitalisation rates are, after all, mean reverting; although the mean level adjusts over the longer timeframe.

Looking further ahead, there are greater risks/opportunities for commercial real estate markets, which could have a more enduring impact upon investors' returns. The two uppermost in the Group's minds today are: first, the potential impact of changes in society's expectations of commercial real estate markets; and, second, a potential shift in the division of the commercial real estate value pie which might arise as digital innovation permeates through the market. In relation to the former, recent experience has shown how unpredictable this can be. In the case of digital, having reviewed the longer-term impact through our mega-trends research, the Group has established a cross-skilled group to consider the 'just over the horizon' risks, which the Group anticipates will have an impact upon our approach over the next few years.

In essence, the Group believes that success is not just about having property skills, a pipeline of opportunities and funding to deliver them, but also about having an eye to the future to ensure the Group's activity delivers both social and commercial value for the lifespan of our product. Long-term success requires long-term thinking.

Key performance indicators and measures of return

The Group monitors revenue profit and total return on property assets. Revenue profit is the measure by which we monitor our underlying performance, rather than profit before tax, as it excludes market movements. We measure total return to show how our property portfolio has performed, including both income and capital returns.

Total return is calculated on a proportional basis, including the appropriate share of joint ventures and associates. Revenue profit is shown in [Note 4](#). Total return and revenue profit are defined in the glossary.

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

Strategic report

Key performance indicators and measures of return continued

Key Performance Indicator	Why it is measured	2017	2016	Comment
Revenue profit	To identify underlying performance, excluding market movements.	£143.5m	£79.2m	Considerably increased over 2016, largely reflecting the realisation of trading profits following completion of a number of developments.
Total return (including currency movement)	To show how the property portfolio has performed, including both income and capital returns.	2.7%	8.0%	As anticipated, lower returns than the long-term average, reflecting a softening of the property market in the UK and hampered further by foreign currency translation losses.
Profit before tax	To show the return on assets delivered in absolute terms.	£233.1m	£136.8m	Good revenue profits combined with revaluation gains, particularly in the Americas. The improvement from 2016 is largely attributable to better market revaluations in Grosvenor Britain & Ireland.
Shareholders' funds	To report the total value of the Shareholders' investment in the Group.	£4.9bn	£4.8bn	Shareholders' funds grew in the year due to the profit earned but were also negatively impacted by foreign currency translation losses.
Assets under management	To monitor the scale of the portfolio of property assets for which the Group's management teams are responsible.	£12.6bn	£12.6bn	An active year of acquisitions, capital expenditure and disposals, mixed with overall positive revaluation gains, offset by foreign currency translation losses.
Property assets	To quantify the Group's financial investment in property assets.	£6.8bn	£6.5bn	Much of the disposal activity has taken place through our joint ventures, whilst our wholly owned vehicles have largely been net investors.
Development exposure	To indicate the level of committed development activity, expressed as a proportion of total property commitments.	14.4%	15.7%	2017 saw the completion and disposal of a number of significant development assets. Investment in the development pipeline continues.

Risks and uncertainties

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

The Group's operations are managed under a devolved structure. However, since the activities of property investment, development and fund management are common to each region, the nature of business risks encountered in each region is broadly similar. Set out below is a summary and explanation of the principal risks faced by the business.

Market risk

Property markets are cyclical, so 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 value-generating potential.

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

Short-term market risk is more relevant in development activity, where market conditions may affect leasing terms and capitalisation rates, which 'fix' value at or near the time of completion. The Group commits to development projects only after taking careful account of the market outlook. Development exposures are frequently reduced by working in joint ventures.

Strategic report

Risks and uncertainties continued

Capital allocation

The Group's primary financial objective is to maximise returns at an acceptable level of risk. Fundamental to this is the optimal allocation of capital invested between each of the Operating Companies and Indirect Investments and the devolution of property decision-making authority to local boards.

The allocation of capital across the Group's Operating Companies and Indirect Investments is based on 10-year projections with a five-yearly review. The allocation review process uses portfolio theory simulations, considering long-term (five+ years) macro-economic and property market projections, a review of Operating Company historic performance, consideration of the overall strategic intent for the Group and wider issues such as climate change. The Board then determines long-term ranges for the proportion of capital to be allocated to each geographic area, supplemented with medium-term (two to five year) targets which sit within the long-term ranges. Actual allocation of new equity is made periodically to the Operating Companies and Indirect Investments, which is consistent with the medium-term targets and long-term ranges, but is also in response to short-term (zero to two year) tactical and opportunistic considerations. The Group retains the financial capacity for unplanned opportunities that may arise.

Long-term ranges for capital allocated to regions and between direct (i.e. Operating Companies) and indirect investments, together with actual allocations at 31 December 2017, were as follows:

	Percentage of Capital Invested		
	Long-term range %	Medium-term target %	At 31 December 2017 %
United Kingdom	40-55	48	50
North America	10-25	24	21
Europe	5-15	8	13
Asia Pacific	10-20	13	12
Others*	0-10	7	4

* Others includes South America, Africa and Australia

	Percentage of Capital Invested	
	Medium-term target %	At 31 December 2017 %
Direct	90	87
Indirect	10	13

At the Operating Company and Indirect Investments level, each board (the Group Investment Committee in the case of Indirect Investments) reviews its strategy annually. These reviews take account of the geographic allocation within the respective territories as well as the allocation between sectors and the split between investment and development.

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

Strategic report

Risks and uncertainties continued

The distribution of the Group's property assets and assets under management at 31 December 2017 is shown below:

Group property interests and assets under management

Year ended 31 December 2017	GROUP				THIRD-PARTY INTERESTS			Future development commitment £m	Assets under management £m
	Investment £m	Development £m	Financial assets £m	Total £m	Investment £m	Development £m	Total £m		
Great Britain & Ireland (GBI)	3,035	272	0	3,307	1,756	30	1,786	138	5,231
Grosvenor Americas (GA)	1,144	178	50	1,372	1,115	162	1,277	298	2,947
Grosvenor Asia Pacific (GAsia)	693	114	0	807	70	14	84	2	893
Grosvenor Europe (GEurope)	218	14	0	232	2,147	36	2,183	0	2,415
Indirect Investments:									
Sonae Sierra	905	34	0	939	0	0	0	0	939
Third-party managed	176	0	10	186	0	0	0	0	186
TOTAL	6,173	610	60	6,843	5,088	242	5,330	438	12,611
Commercial	1,617	18	0	1,635	806	0	806	6	2,447
Retail	2,739	159	1	2,899	2,900	37	2,937	33	5,869
Residential	1,522	433	51	2,006	1,166	205	1,371	399	3,776
Industrial	202	0	4	206	0	0	0	0	206
Hotel	43	0	0	43	216	0	216	0	259
Other	50	0	4	54	0	0	0	0	54
TOTAL	6,173	610	60	6,843	5,088	242	5,330	438	12,611

Property risks

Investment properties

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

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

Developments

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

Strategic report

Risks and uncertainties continued

Capital raising

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

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

Acquisitions and sales

When acquiring or selling property, the principal risk is in assessing the future income flows in order to determine an appropriate price. The timing of property transactions is managed as part of the budget and annual asset allocation review within each Operating Company. Estimated price levels are supported by detailed financial appraisals, which are conducted for all property purchase and sale transactions. Where deals occur within joint ventures or funds, they require the approval of an investment committee that is independent from the asset management team. Every property transaction is subject to a due diligence review, including corporate due diligence where properties are acquired within corporate vehicles.

Financial and tax risks

The principal financial risks faced by the Group are liquidity, credit, interest rate and foreign currency risk. Each of these risks is explained in more detail and analysed in [Note 30](#) to the Accounts.

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

Health and safety

The Group is committed to ensuring that Operating Companies maintain high standards of health and safety management in all their operations and adhere to best practice. Overall Group Board accountability for health and safety is taken by the Group Finance Director. Each Operating Company board is responsible for health and safety within its business with the support of the internal Health and Safety Director and external consultants with local expertise to help them achieve compliance. Each Operating Company reviews and reports formally its compliance each year and progress is monitored on a regular basis. All accidents and cases of ill health are treated seriously, investigated where necessary, lessons identified and necessary action taken to prevent recurrences.

Each Operating Company sets itself annual targets in order to achieve its objectives and all follow the OHSAS18001 international standard. These include verifying that workplace and other risks are being controlled and mitigated where necessary and this includes the Group's construction and development projects. One of the Group's objectives is to ensure that employees throughout the Group are well informed, consulted, kept up to date on matters regarding health and safety and competent to fulfil their roles and responsibilities. The Group continues to review and improve the reporting of performance information and the Group has a web based health and safety IT management system to assist the Operating Companies.

There was one reportable health and safety incident to statutory authorities involving the Group's employees in 2017. This was thoroughly investigated and lessons learned actions taken. There were 15 recorded minor incidents to employees. Each business made good progress in completing its annual health and safety action plan. There were no enforcement notices or prosecutions.

Environment

At a Group level, the risks and opportunities of long-term global trends to 2030, including climate change and environmental resource scarcity, have been carefully analysed, with follow-up research on-going. Capital allocation considerations include environmental indicators of current and potential investment locations.

Each Operating Company has formally embedded social and environmental sustainability into their five- or 10-year business strategies, and has nominated a senior sponsor with responsibility to the respective board. This is one of the ways the Group implements its Living cities philosophy.

Each Operating Company is responsible for ensuring compliance with environmental legislation.

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.

Strategic report

Risks and uncertainties continued

Reputation and brand

The professional reputation of the individuals and businesses within the Group, and more broadly the Grosvenor brand, is a key intangible asset. The Group seeks to manage its brand and reputation by appropriately investing in it; identifying potential risks, acting swiftly to mitigate them. All staff are briefed on the expected values and conduct we seek to uphold and in relation to our communications and brand policies and guidelines (which are also shared with relevant external consultants as appropriate).

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. All employees are made aware of the Group's policies and receive training appropriate to their roles and responsibilities.

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 and a Group-wide graduate programme has been developed, including an international placement during the programme. Succession planning is overseen by HR committees as part of the Strategic People Agenda.

Compensation is regularly benchmarked against the market, with particular attention given to the low paid and legislative requirements. The Group rewards loyalty, excellence and effort.


Information technology and security

The Group's operations are dependent on the effectiveness of IT systems, including an international communications network, property and staff databases, and accounting and treasury systems. Procedures are in place to protect the security and integrity of data, and the Group has detailed incident management and business continuity plans which are tested on a regular basis. The Group has been undertaking work to ensure its policies and processes in relation to the management of personal data are consistent with the requirements of the General Data Protection Regulations coming into force in May 2018. The Group IT Steering Committee monitors the efficient delivery of Group-wide process and system changes.

The Group recognises the effective governance is the cornerstone of good information security. It operates an organisation-wide Cyber Security Advisory Group with independent external expertise to provide challenge to the technology function and advice to Group and Operating Company boards and audit committees. In 2017, the Group restructured its information security risk management framework and policies, establishing a management system that aligns to international standards. It delivered a programme of technology and process improvements, including improved perimeter security and malware protection. A range of internal audits were conducted in respect of individual projects and technologies, and the overall framework and management system.

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. Each part of the Group maintains employee relations appropriate to its own particular needs and environment. 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 our businesses' success. We will achieve this by attracting the best people from as wide a pool as possible and retaining them within an inclusive culture.



Judith Ball
Company Secretary

UK Company registration number 3219943

Registered Office
70 Grosvenor Street
London W1K 3JP

22 March 2018

Corporate governance

Corporate governance

Grosvenor's business approach is based on openness and high levels of accountability, and the Board's approach to corporate governance is to establish clear policies and procedures as they consider appropriate for a privately-owned Group with its Shareholders represented on the Board.

Board of Directors

Currently, the Board comprises:

- Lesley Knox (Chairman)
- Sir Philip Dilley
- Michael McLintock
- Christopher Pratt
- Mark Preston
- Nicholas Scarles
- Domenico Siniscalco
- Peter Vernon

Structure of the Board

The composition of the Board is designed to ensure effective management and control of the Group, taking account of the devolved operating structure and ensuring that the Shareholders' interests are properly represented. It consists of the Group Chief Executive, Group Executive Director and Group Finance Director and five Non-Executive Directors (including the Chairman). The Non-Executive Directors include two who represent the Shareholders (as Trustees of the Grosvenor Trusts) and three who are independent. The Non-Executive Directors demonstrate a range of experience and professional background that enables them to make a valuable contribution to the Group and to provide independent judgement and challenge to the Board.

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

Board effectiveness

The Board is responsible for setting and monitoring Group strategy, reviewing performance, ensuring adequate funding, formulating policy on key issues and reporting to the Shareholders.

The roles of Chairman and Chief Executive are clearly defined. The Chairman is primarily responsible for overseeing the working of the Board. The Chief Executive is responsible for the implementation of strategy and policies set by the Board and the day-to-day management of the Group.

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

The Board undertakes a regular evaluation of its own performance. The last review was in December 2017.

The Board encourages the appointment of Executive Directors to appropriate external posts as this increases their breadth of knowledge and experience. Earnings from all such appointments are returned to the Group, where such appointments are undertaken during time which would otherwise be allocated to Grosvenor activity.

The Board held five meetings during the year, with full attendance by each Director at every meeting except in March, June and January 2017 when one Director was absent.

Corporate governance

Committees of the Board

Audit Committee

Currently, the Audit Committee comprises:

- Michael McLintock (Chairman)
- Lesley Knox
- Domenico Siniscalco
- Christopher Pratt

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

The Audit Committee meets at least three times a year with the auditor and is attended by invitation by the Group Chief Executive, Group Finance Director and other senior personnel as appropriate. The Audit Committee met three times during the year, with full attendance at each meeting.

The Britain & Ireland, Americas, Asia Pacific and Grosvenor Europe Operating Companies each have their own audit committee, which meets at least twice a year. The key decisions of these audit committees are reported to the Group Audit Committee.

Nominations Committee

The Nominations Committee comprises all of the Non-Executive Directors. The Committee meets when necessary and is attended, by invitation, by the Group Chief Executive and other senior personnel as appropriate. It is responsible for reviewing the structure of the Board, giving consideration to succession planning and for making recommendations to the Board with regard to any changes. It is also responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Remuneration Committee

Currently, the Group Remuneration Committee comprises:

- Michael McLintock (Chairman)
- Sir Philip Dilley

The Committee meets two to three times a year and is attended, by invitation, by the Group Chief Executive and Group HR Director. One of the Committee members is also a Trustee of the Grosvenor Estate and consequently the Shareholders are both fully informed and directly involved in the oversight of executive and staff remuneration. All eligible staff in the Group participate in a performance-related discretionary bonus scheme and senior staff also receive longer-term incentive opportunities (reflecting personal and company performance) established by each Operating Company and the Group.

Group Executive Committee

Currently, the Group Executive Committee comprises:

- Mark Preston (Chairman)
- Andrew Bibby
- Benjamin Cha
- Craig McWilliam
- James Raynor
- Nicholas Scarles
- Peter Vernon

The Group Executive Committee meets three times a year and is responsible for co-ordinating the implementation of Group Strategy. Biographies of the members of the Group Executive Committee are available at www.grosvenor.com.

Corporate governance

Internal control

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

The Board considers that there is a continuous process for identifying, evaluating and managing significant risks faced by the Group in the course of its business, which has been in place throughout the year and up to the date of approval of the Annual Financial Statements. This process is regularly reviewed by the Audit Committee and the Board.

A key part of the system of internal control is the delegation of management responsibility for the Group's property investment, development and joint venture activities, together with supporting functions, to Operating Company management teams. The Group's Operating Companies have local boards, with independent Non-Executive Directors, which oversee the Operating Companies' operations. These boards form an integral part of the overall internal control process. The relationship between Operating Company boards and the Group Board is clearly defined and is set out in formally approved documents. The membership of each Operating Company board is available at www.grosvenor.com.

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

In addition to local boards, each Operating Company, together with Indirect Investments and the Holding Company, is represented on the Group Finance Board, which meets at least twice each year and provides a forum for debating issues of a financial nature that are relevant to the Group as a whole, including Group financial policy and risk management.

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

The Group Audit Committee's consideration of internal control was reported to the Board in January 2017.

Relations with Shareholders and lenders

All the principal Shareholders are represented on the Board and all Shareholders receive a monthly report. The 2017 Review is widely distributed and the 2017 Financial Statements are available on the website. The Group's policy is to maintain close contact during each financial year with bondholders and other lenders at Group and Operating Company levels.

Directors' report

The Directors present the Group's audited consolidated Financial Statements for the year ended 31 December 2017.

Directors' report disclosures

Details of the principal activities, results and key performance indicators, future developments, exposure to market risk, capital allocation risk, property risks and employee policies are included in the Strategic report. Details of the financial risk management objectives and policies, including the use of financial instruments, are disclosed in [Note 30](#) to the accounts.

Directors

The Directors of the Company during the period were: Sir Philip Dilley, Lesley Knox, Michael McLintock, Christopher Pratt, Domenico Siniscalco, Mark Preston, Nicholas Scarles and Peter Vernon. All Directors served throughout the year and to the date of signing these Financial Statements.

Directors' interests in securities

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

	Ordinary shares		Non-voting ordinary shares		'A' Preference shares	
	At 1 January 2017	At 31 December 2017	At 1 January 2017	At 31 December 2017	At 1 January 2017	At 31 December 2017
Non-beneficial						
Lesley M S Knox	1,674,580	1,674,580	13,396,639	13,396,639	1,674,580	1,674,580
Michael McLintock	5,453,726	5,453,726	43,629,809	43,629,809	5,453,726	5,453,726
Mark R Preston	2,881,004	2,881,004	23,048,032	23,048,032	2,881,004	2,881,004

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

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

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

Directors' indemnity

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

Dividends

Dividends paid during the year amounted to £42,278,430 (2016: £40,180,711).

The Directors have proposed a final dividend of £29,106,570 to be paid on 3 April 2018.

Financial services activities

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

Directors' report

Going concern and viability

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

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

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

The Group uses the following measures:

- **Capital Allocation:** Long-term capital allocation ranges are calculated using a Group level portfolio risk/return optimisation model. This describes the optimal ranges for gross asset value by geographic region and by Direct/Indirect Investment, to deliver maximum return at acceptable risk subject to a number of constraints. Medium-term targets describe more specific allocations within the ranges, which are desirable to migrate towards over a two-to five-year time frame.
- **Resilience:** Resilience is the extent to which the Group can experience market value declines, synchronised across all markets, before Group financial covenants are breached. The Group must be able to withstand an average Group-wide market decline of 30%.
- **Gearing:** Gearing limits are designed to allow our Operating Companies maximum flexibility to take on debt financing to drive growth, whilst still meeting the Group resilience target.
- **Debt Maturity:** This limit defines the maximum amount of that debt which can mature in any one year, thereby encouraging longer tenor debt facilities and limiting the liquidity risk arising from the need to refinance a larger proportion of debt at what might be a difficult time in the market.
- **Free Assets:** For instances where the Group may need to support further borrowing by way of security, Grosvenor Britain & Ireland and Grosvenor Americas are required to hold wholly-owned assets which are unencumbered with borrowing or other commitment and are capable of being sold or encumbered.
- **Interest Cover:** Interest cover limits are designed to ensure that Operating Companies are structurally, over the medium term, able to support their debt using reasonably assured income, thereby supporting the objective of medium-term liquidity.
- **Recurring revenue ratio:** This target recognises that much of the cost base and dividend obligations of the business are fixed, and encourages each Operating Company to develop lines of business which provide a minimum level of dependable, regular income with which to fund these fixed costs.
- **Shared Ownership Vehicles (SOVs):** A significant proportion of Group's cash flow comes from assets which Operating Companies co-own through joint ventures or other shared ownership vehicles. Generally, these entities are managed by wholly-owned Group entities, with commensurate cost which is recovered by way of cash flows from the joint ventures. Experience from previous market downturns shows us that these cash flows are less reliable than those from wholly-owned assets in times of economic stress. The SOV limits are designed to limit this risk, whilst recognising that SOVs offer an important route for the Operating Companies to share beneficial interests in assets which they might otherwise be unable to access.
- **Stressed Cash Flow:** This is the Group's principal protection against insolvency, particularly in a stressed market, and is calculated monthly over a five-year time span. It aims to ensure that in the event of a significant property market and financial market crash, the Group has the ability to meet all unavoidable cash commitments for a period of two years assuming a dramatic reduction in both the Group's balance sheet and also access to funds. This is reported on monthly.

Directors' report

- **Total Return:** The target for total return, for each Operating Company and for the Group, is that it should exceed the weighted average cost of capital over the cycle. This recognises that the Shareholders ultimately have a choice as to where they invest their capital and that in order to justify having that capital invested in the Grosvenor Group, the Group should generate a return which not only covers the cost of debt but also rewards the Shareholders for the risk they are taking when compared with alternative investment opportunities.
- **Weighted average cost of capital:** This is calculated for Group and Operating Companies by aggregating country level data weighted for the gross asset value in the countries in which investments are held.
- **Development profit at risk:** On a biannual basis, the Group Board assesses aggregate development risk and invested capital projections for all development projects which are committed or are expected to be committed in the following six-month period, against a defined set of risk categories. This allows the Board to consider stressed cash flow forecasts in the context of potential additional project cash requirements, to confirm that the level of development risk is supportable and to assess its level of comfort with the anticipated duration of development risk.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, and the principal risks and uncertainties faced by the Group are set out in the Strategic report on [pages 3 to 7](#). In addition, [Note 30](#) 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 the exposure to interest rates, credit and liquidity risk.

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

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

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

Directors' report

Assessment of viability

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

To enable the Directors to fulfil the requirements of the Trustees, consideration of the long-term viability of the Group is paramount. For this reason, the Directors assess the prospects for the Group over a longer period than the 12 months required by the 'Going Concern' provision.

A key component of this assessment is the production of an annual Group strategic plan covering a five-year backward (to help the Group's understanding and assessment of forward projections) and 10-year forward period based on a financial projection of the 'most likely' economic projections. Downturn projections are also provided.

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

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

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

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

In addition, each month the Group prepares five-year cash flow forecasts. These include a two-year forward view of a stressed cash flow scenario, applied to the Operating Companies' current income and cost assumptions and currently approved development and investment projects. The scenario incorporates an extreme downturn; the assumptions for which have been derived from a thorough review of UK market downturns over the last 50 years. Each Operating Company is required to have sufficient cash and undrawn committed credit facilities to provide funding for at least the two-year period under these scenarios.

The cash flow forecasts are reviewed by the Group Finance Director on a monthly basis.

Directors' report

Charitable donations

Each of the Grosvenor Operating Companies contributes a percentage of its equity to charity each year. Grosvenor Britain & Ireland, Grosvenor Asia Pacific and Grosvenor Europe channel their giving via The Westminster Foundation which is a grant-making foundation representing the charitable interests of the Duke of Westminster, the Grosvenor family and the Grosvenor Estate, including Grosvenor Group Limited. In 2017, Grosvenor Group Limited's charitable contributions amounted to £4.3m (2016: £3.3m) of which £3.3m (2016: £2.4m) was donated via The Westminster Foundation. Grosvenor Americas contributes the same percentage but organises its charitable giving on an office by office basis independently of The Westminster Foundation.

Each of the proprietary Operating Companies has a staff charity committee. These have a dual role: first, to recommend (to The Westminster Foundation Trustees, as applicable) those charities in their local communities that they wish to receive support; and second, to help organise staff fund-raising activities, volunteering and pro-bono support to charities selected by employees. The Westminster Foundation matches the fund-raising efforts of individual members of staff for registered charities of their own choosing up to £1,000 per member of staff in any given year. In 2017, the total figure given by The Westminster Foundation in this way was £33,002 (2016: £26,801). In addition, Grosvenor supports Give As You Earn up to £1,200 for UK-based employees and in 2017 this amounted to £29,808 (2016: £31,633).

In 2009, The Westminster Foundation supported a feasibility study into the creation of a Defence and National Rehabilitation Centre (DNRC). The DNRC was an initiative of the 6th Duke of Westminster who led a major donor fund raising effort until his death in August 2016. Construction at Stanford Hall in Nottinghamshire to create a 21st century, state-of-the-art facility is nearing completion and the site will open later this year. The Westminster Foundation Trustees, in recognition of the extraordinary contribution that the DNRC will make to clinical rehabilitation of the armed forces (the 'D') and potentially the Nation (the 'N'), took the decision to make an 'exceptional' grant to the project of £40m of which £30m was paid in 2016 following an initial instalment of £10m paid in 2015. (For further information see www.thednrc.org.uk).

Payment of this grant has impacted the level of grant-making made by The Westminster Foundation over the last two years. Grants totalling £2.5m (2016: £1.4m) were committed to in the year.

Funding during the year continued to focus on the existing themes of Supporting Communities in Need, Building Resilience, Crisis Intervention and Youth Homelessness. In the UK, this falls within geographical boundaries related to the activities of the Grosvenor Estate and Grosvenor Britain & Ireland.

UK charities awarded major grants in 2017 included:

Cardinal Hume Centre, Chapter (West Cheshire), Cheshire Young Carers, Contact a Family, Crisis UK, Depaul Trust, First Light Trust, Glass Door Homeless Charity, Open Age, Port Grocery, Redthread Youth, Small Charities Coalition, St Vincent's Family Project, The Passage and Youth Federation. The Westminster Foundation also continued to provide funding of commitments made in previous years including Cheshire Community Foundation and the Community Foundation for Merseyside and Lancashire.

Furthermore, in South Belgravia, a portfolio of approximately 22,000 sq ft of office space accommodates just under 30 charities in small office units. This portfolio is managed by Grosvenor Britain & Ireland and each charity receives a contribution, typically amounting to 50% of its rent, from the Westminster Foundation. This is funded by the Group and in 2017 totalled £340,000. These charities tell us that they find the central location very helpful and their presence in the portfolio enables us to develop constructive longer-term relationships with them.

Grants nominated by Grosvenor Europe and awarded via The Westminster Foundation were: Caritas Madrid (Spain), Farsi Prossimo (Italy), Fondation d'Auteuil (France), Friends (Sweden), Habitat et Humanisme (France), Mecenat Chirurgie Cardiaque, Mitt 127 (Sweden), Solidarités Nouvelles pour le Logement (France) and Vasby Tjejjour (Sweden).

Similarly, grants nominated by Grosvenor Asia Pacific and paid by The Westminster Foundation were: Family House (Japan), Habitat for Humanity (Hong Kong), Heep Hong Society (Hong Kong), Mirai no Mori (Japan), Shanghai Tongji University Education and Development Foundation (China), The Sisters of Precious Blood (Hong Kong) and Wonder Art Production (Japan).

Following receipt of a legacy bequest of £20m from the late Duke of Westminster in the first quarter of 2018 and a personal donation of £27.3m from the 7th Duke of Westminster at the end of last year, the value of The Westminster Foundation endowment has increased substantially. The Trustees will be reviewing their grant-making and distribution policies in the current year in view of the increased endowment, however, as the Foundation's distribution target is based on an average over five years, this will have a gradual impact on grant-making.

Directors' report

Political donations

No political donations were made during the year (2016: £nil).

Auditor

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

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

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

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



Judith Ball
Company Secretary

UK Company registration number 3219943
Registered Office
70 Grosvenor Street
London W1K 3JP

22 March 2018

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. The Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the accounts 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.
- Make an assessment of the Company's ability to continue as a going concern.

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- 1 the Financial Statements, prepared in accordance with International Financial Reporting Standards 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.

This responsibility statement was approved by the Board of Directors on 22 March 2018 and is signed on its behalf by:



Lesley Knox
Chairman

Corporate advisers and bankers

Auditor: Deloitte LLP

Tax advisers: KPMG LLP

Principal valuers: Cushman & Wakefield, CBRE

Solicitors: Boodle Hatfield LLP, Slaughter and May

Lead bankers: The Royal Bank of Scotland Group plc

Actuaries: Lane Clark & Peacock LLP

Independent auditor's report

to the members of Grosvenor Group Limited

Report on the audit of the Financial Statements

Opinion

In our opinion:

- The Financial Statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit for the year then ended.
- The Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Grosvenor Group Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- The consolidated income statement.
- The consolidated statement of comprehensive income.
- The consolidated and parent company statements of changes in equity.
- The consolidated and parent company balance sheets.
- The consolidated statement of cash flows.
- The related [Notes 1 to 39](#).

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis of opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the 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.
- 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 12 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.

Independent auditor's report

to the members of Grosvenor Group Limited

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

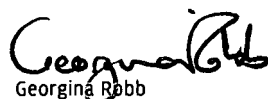
In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

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.
- The parent company financial statements are not in agreement with the accounting records and returns.
- Certain disclosures of Directors' remuneration specified by law are not made.
- We have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Georgina Robb
(Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

22 March 2018

Consolidated income statement

for the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Total revenue	5	378.5	225.1
Gross rental income	6	150.9	154.6
Property outgoings	7	(70.2)	(59.0)
Net rental income		80.7	95.6
Other income	8	38.1	39.9
Administrative expenses	9	(116.5)	(108.9)
Net gains/(losses) on trading properties	13	35.5	(1.8)
Net gains on other investments	14	6.8	1.5
Net gains/(losses) on revaluation and sale of investment property	15	20.1	(36.4)
Impairment of goodwill	24	-	(0.3)
Share of profit from joint ventures and associates	22	189.7	167.7
Gain from operations including share of joint ventures and associates		254.4	157.3
Financial income	16	16.5	13.1
Financial expenses	16	(40.5)	(40.4)
Fair value adjustments	16	2.7	6.8
Net financing costs	16	(21.3)	(20.5)
Profit before tax		233.1	136.8
Current tax expense	17	(8.9)	(109.2)
Deferred tax credit	17	24.5	109.7
Profit for the year	37	248.7	137.3
Attributable to:			
Equity holders of the parent	37	248.7	136.5
Non-controlling interests	37	-	0.8
Profit for the year	37	248.7	137.3

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

All results are derived from continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Profit for the year	37	248.7	137.3
Other comprehensive income which may be reclassified to profit or loss in subsequent periods:			
Revaluation of property, plant and equipment	37	0.2	(3.6)
Available-for-sale financial assets:			
Gains/(losses) arising during the period – Group	37	1.9	(0.3)
Net amount transferred to profit or loss	37	(7.1)	–
Fair value adjustments on swaps			
Gain/(loss) arising during the period – Group	37	1.8	(0.9)
Exchange differences on translation of foreign operations – Group	37	(45.3)	127.3
Exchange differences on translation of foreign operations – joint ventures and associates	37	(67.4)	202.2
Tax relating to gains on fair value adjustments and revaluations	37	–	1.5
Other comprehensive (expense)/income, net of tax, which may be reclassified to profit or loss in subsequent periods		(115.9)	326.2
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit pension schemes	37	24.0	(22.4)
Tax relating to actuarial (gains)/losses	17	(4.4)	3.7
Other comprehensive income/(expense), net of tax, not to be reclassified to profit or loss in subsequent periods		19.6	(18.7)
Total comprehensive income for the period		152.4	444.8
Attributable to:			
Equity holders of the parent		152.4	444.3
Non-controlling interests		–	0.5
		152.4	444.8

The Company's equity remained constant during the year as a result of dividends received from subsidiaries of £42.3m (2016: £40.2m) and paid to Shareholders of £42.3m (2016: £40.2m).

The final dividend proposed by the Directors of £29,106,570 is to be paid on 3 April 2018.

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Attributable to equity holders of the parent							Non-controlling interest £m	Total £m
	Share capital £m	Share premium £m	Translation reserve £m	Other reserve £m	Fair value reserve £m	Revaluation reserve £m	Retained earnings £m		
Balance at 1 January 2016	56.9	28.3	232.6	223.7	6.3	30.7	3,795.7	87.2	4,461.4
Changes in equity for 2016									
Profit for the year	-	-	-	-	-	-	136.5	0.8	137.3
Other comprehensive income/(expense)	-	-	329.2	(0.4)	(0.3)	(2.5)	(18.2)	(0.3)	307.5
Dividends	-	-	-	-	-	-	(40.2)	-	(40.2)
Transfers between reserves	-	-	-	1.9	-	-	(1.9)	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(1.7)	(1.7)
Non-controlling shares acquired by subsidiaries	-	-	-	-	-	-	-	(87.6)	(87.6)
Balance at 31 December 2016	56.9	28.3	561.8	225.2	6.0	28.2	3,871.9	(1.6)	4,776.7
Changes in equity for 2017									
Profit for the year	-	-	-	-	-	-	248.7	-	248.7
Other comprehensive (expense)/income	-	-	(112.4)	1.4	(5.2)	0.7	19.2	-	(96.3)
Dividends	-	-	-	-	-	-	(42.3)	-	(42.3)
Transfers between reserves	-	-	-	1.8	(1.2)	(0.9)	0.3	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(0.5)	(0.5)
Balance at 31 December 2017	56.9	28.3	449.4	228.4	(0.4)	28.0	4,097.8	(2.1)	4,886.3

The Company's statement of changes in equity is presented in [Note 37\(b\)](#).

Balance sheets

as at 31 December 2017

	Notes	Group		Company	
		2017 £m	2016 £m	2017 £m	2016 £m
ASSETS					
Non-current assets					
Investment property	19	4,177.1	3,745.2	-	-
Other property, plant and equipment	20	143.1	139.2	-	-
Investments in subsidiaries	21	-	-	1,358.4	1,358.4
Investments in joint ventures and associates	22	1,426.3	1,350.1	-	-
Other financial assets	23	53.9	105.3	-	-
Intangible assets	24	11.8	11.3	-	-
Trade and other receivables	25	83.1	64.8	-	-
Deferred tax assets	26	67.9	90.6	-	-
Total non-current assets		5,963.2	5,506.5	1,358.4	1,358.4
Current assets					
Trading properties	27	192.7	336.7	-	-
Trade and other receivables	25	123.6	114.1	-	-
Other financial assets	23	17.8	14.5	-	-
Income tax receivable		-	5.0	-	-
Cash and cash equivalents	28	430.8	741.8	-	-
Total current assets		764.9	1,212.1	-	-
TOTAL ASSETS		6,728.1	6,718.6	1,358.4	1,358.4
LIABILITIES					
Non-current liabilities					
Interest-bearing loans and borrowings	29	(775.0)	(774.3)	-	-
Trade and other payables	31	(116.8)	(112.6)	-	-
Employee benefits	11	(39.4)	(57.4)	-	-
Deferred tax liabilities	26	(612.6)	(668.3)	-	-
Provisions	32	(0.3)	(3.8)	-	-
Total non-current liabilities		(1,544.1)	(1,616.4)	-	-
Current liabilities					
Interest-bearing loans and borrowings	29	(65.9)	(41.9)	-	-
Trade and other payables	31	(207.3)	(208.6)	-	-
Income tax payable		(18.6)	(61.8)	-	-
Provisions	32	(5.9)	(13.2)	-	-
Total current liabilities		(297.7)	(325.5)	-	-
TOTAL LIABILITIES		(1,841.8)	(1,941.9)	-	-
NET ASSETS		4,886.3	4,776.7	1,358.4	1,358.4
Equity					
Share capital	36	56.9	56.9	56.9	56.9
Share premium	37	28.3	28.3	28.3	28.3
Reserves	37	705.4	821.2	1,147.5	1,147.5
Retained earnings	37	4,097.8	3,871.9	125.7	125.7
Shareholders' funds	37	4,888.4	4,778.3	1,358.4	1,358.4
Non-controlling interests	37	(2.1)	(1.6)	-	-
TOTAL EQUITY	37	4,886.3	4,776.7	1,358.4	1,358.4

The Company has elected under section 408 of the Companies Act 2006 not to include its own income statement in these Financial Statements.

Lesley Knox Nicholas Scarles

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

Lesley Knox Nicholas Scarles
(Chairman) (Group Finance Director)

Company registration number: 3219943

Consolidated statement of cash flows

for the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Operating activities			
Operating profit before changes in working capital and provisions	38(a)	15.5	14.8
Increase in trade and other receivables		(15.0)	(9.4)
Decrease/(increase) in trading properties		55.4	(74.4)
Decrease in trade and other payables		1.1	86.1
Increase in employee benefits		6.1	8.0
Decrease in provisions		(10.8)	(0.3)
Cash flow from operations		52.3	24.8
Interest paid		(48.9)	(48.4)
Income taxes paid		(39.5)	(84.1)
Interest received		16.2	10.1
Net cash flow used in operations		(19.9)	(97.6)
Investing activities			
Proceeds from sale of investing activities		69.7	726.8
Acquisition of investment and development properties		(414.6)	(146.3)
Development of investment and development properties		(30.4)	(22.6)
Acquisition of other plant, property and equipment		(9.0)	(11.1)
Acquisition of other financial assets		(15.3)	(13.7)
Proceeds from sale of other financial assets		54.4	20.4
Loans to joint ventures and associates		(29.1)	(12.9)
Loans repaid from joint ventures and associates		14.7	10.7
Distributions from joint ventures and associates		94.4	138.8
Acquisitions of joint ventures and associates		(59.8)	(39.9)
Disposals of joint ventures and associates		28.2	28.0
Cash flow (to)/from investing activities		(296.8)	678.2
Financing activities			
Proceeds from additional borrowings		95.2	100.5
Repayment of borrowings		(34.8)	(68.4)
Non-controlling shares acquired by subsidiaries		—	(98.9)
Dividends paid		(42.3)	(40.2)
Cash flow from/(used in) financing activities		18.1	(107.0)
Net (decrease)/increase in cash and cash equivalents		(298.6)	473.6
Cash and cash equivalents at 1 January		741.8	237.6
Effect of exchange rate fluctuation on cash held		(12.4)	30.6
Cash and cash equivalents at 31 December		430.8	741.8

The Company had no cash or cash equivalents during the current and prior year and accordingly no cash flow is presented for the Company.

Notes to the Financial Statements

1 Accounting policies

(a) Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These are those International Accounting Standards, International Financial Reporting Standards and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB) that have been adopted by the European Union.

The Financial Statements are prepared in Sterling. They have been prepared on the going concern basis as described in the going concern section of the Directors' report on page 13. The principal accounting policies adopted are set out below. The Company has elected under section 408 of the Companies Act 2006 not to include its own income statement in these Financial Statements.

(b) Basis of consolidation

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

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

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

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

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

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

Business combinations are accounted for under the acquisition method.

The Group treats acquisition assets in corporate structures as asset purchases in line with the substance of the transaction.

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

Any discount between the cost of the acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary, joint venture or associate at the effective date of acquisition is credited to the income statement in the period of acquisition while any excess is recognised as goodwill. Goodwill is reported in the balance sheet as an intangible asset or included within associates and joint ventures, as appropriate. Goodwill is subject to annual impairment reviews and is stated at cost less any impairment. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

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

(c) Foreign currency translation

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

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

Notes to the Financial Statements

1 Accounting policies continued

(d) Investment property

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

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

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

When the Group begins to redevelop an existing investment property with a view to sale, the property is transferred to trading properties and held as a current asset. The property is re-measured 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.

(e) Leases

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

Group as lessor

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

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

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.

Where a long 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.

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

(f) Other property, plant and equipment

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

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

(g) Other financial assets

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 the fair value reserve. 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. 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 included 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. Mezzanine loan investments comprise a loan principal, which attracts a rate of interest and is accounted for as loans and receivables, and a profit participation element which is treated as an embedded derivative and classified as held for trading.

Notes to the Financial Statements

1 Accounting policies continued

(g) Other financial assets continued

The embedded derivative is held at fair value determined by reference to a prudent estimate of the profit participation that will be ultimately receivable, discounted where material. Financial assets are impaired where 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 adversely affected.

(h) Trading properties

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

(i) Trade and other receivables

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

(j) Cash and cash equivalents

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

(k) Derivative financial instruments

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

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

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

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

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

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

(l) Trade and other payables

Trade and other payables are stated at cost.

(m) Borrowings and other financial liabilities

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

(n) Employee benefits

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

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

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

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

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

Notes to the Financial Statements

1 Accounting policies continued

(o) 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 recoverables from tenants, income from the provision of services including property management fees, development fees, income from hotel operations and fund management fees, proceeds of sales of its trading properties and development income.

Revenue from development is recognised 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.

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.

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 which are independently collected and distributed by a Tronc committee.

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 from funds 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.

(p) Expenses

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

Minimum lease payments on finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the periods in which they are incurred.

(q) Borrowing costs

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

All other borrowing costs are recognised in the Group income statement in the period in which they are incurred.

(r) Corporate income taxes

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

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are not taxable or deductible. The liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period; refer to [Note 17](#) for reconciliation.

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

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

Notes to the Financial Statements

1 Accounting policies continued

(r) Corporate income taxes continued

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

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

(s) Government grants

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

(t) Adoption of standards

In the current year, the following new and amended IFRSs and amendments have been adopted but have not had a material effect on the financial performance or position of the Group:

IAS 7 (Amendments) Disclosure Initiative

IAS 12 (Amendments) Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to IFRSs: 2014 – 2016 Cycle (IFRS 12)

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 28 (Amendments) Long-term Interests in Associates and Joint Ventures

IAS 40 (Amendments) Transfers of Investment Property

IFRS 9 Financial Instruments

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRS 15 Revenue from Contracts with Customers (and the related Clarifications)

IFRS 16 Leases

IFRIC 22 Foreign Currency Transactions and Advanced Consideration

IFRIC 23 Uncertainty over Income Tax Treatments

Annual Improvements to IFRSs 2014-2016 Cycle

The Directors do not expect that the adoption of the standards listed above will have a material impact on the Financial Statements of the Group in future periods, except that at 31 December 2017 the Group has non-cancellable operating lease commitments of £92.3m. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead certain information is disclosed as operating lease commitments in [Note 30](#). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the Group's consolidated Financial Statements and the Directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete the review.

In contrast for finance leases where the Group is a lessee, as the Group has already recognised an asset and related finance lease liability for the lease, arrangement, and in cases where the Group is a lessor (for both operating and finance leases), the Directors do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated Financial Statements.

Notes to the Financial Statements

1 Accounting policies continued

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

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

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

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

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

Taxation

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

ii) Key sources of estimation uncertainty

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

Property valuations

Due to the size of the investment property portfolio held on the balance sheet at market value small changes to the estimates used to derive the market values can have a significant impact on the valuations and therefore a significant impact on the results and financial position of the Group. This includes the value of property yields and the estimated future rental income assumed in the valuations. See [Note 19](#) for details of the estimates used in deriving the valuations.

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

Defined benefit pension schemes

The assumptions used in calculating the balance sheet assets and liabilities of the defined benefit pension schemes include estimates as set out in [Note 11](#). 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.

Notes to the Financial Statements

2 Foreign currencies

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

	Average rate		Year end rate	
	2017 £1	2016 £1	2017 £1	2016 £1
US Dollars	1.30	1.37	1.35	1.24
Canadian Dollars	1.68	1.81	1.69	1.66
Euros	1.15	1.24	1.13	1.17
Australian Dollars	1.69	1.84	1.73	1.71
Hong Kong Dollars	10.10	10.61	10.58	9.58
Chinese Renminbi	8.75	9.06	8.79	8.57
Japanese Yen	145.51	150.49	152.42	144.34
Swedish Krona	11.05	11.65	11.07	11.19

Notes to the Financial Statements

3 Segmental analysis

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

2017

	Proprietary assets – Direct				Proprietary assets – Indirect				Total £m
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra £m	Third-party managed £m	Other £m	Not allocated £m	
Income statement									
Gross rental income	102.2	43.2	5.5	–	–	–	–	–	150.9
Property outgoings (excluding major refurbishments)	(35.7)	(16.3)	(2.2)	–	–	–	–	–	(54.2)
Net rental income	66.5	26.9	3.3	–	–	–	–	–	96.7
Fees and other income/(expenses)	9.9	11.3	1.2	15.8	–	–	0.1	(0.2)	38.1
Administrative expenses	(27.4)	(28.3)	(14.8)	(22.1)	–	–	(4.4)	(19.5)	(116.5)
Net gains on trading properties	5.3	29.7	0.5	–	–	–	–	–	35.5
Net financing (costs)/income	(24.7)	0.1	0.2	0.4	–	0.7	(0.2)	1.0	(22.5)
Revenue profit of joint ventures and associates (Note 22)	18.8	31.9	16.5	5.3	34.5	5.2	–	–	112.2
Group revenue profit/(loss)	48.4	71.6	6.9	(0.6)	34.5	5.9	(4.5)	(18.7)	143.5
Net gains on revaluation and sale of investment properties	(12.6)	30.5	2.2	–	–	–	–	–	20.1
Major refurbishment costs	(16.0)	–	–	–	–	–	–	–	(16.0)
Net gains on other investments	0.3	–	–	0.4	–	6.1	–	–	6.8
Derivative fair value adjustments	–	1.3	(1.4)	–	–	–	–	1.3	1.2
Other gains of joint ventures and associates (Note 22)	–	5.4	45.7	2.8	36.4	10.5	–	–	100.8
Profit/(loss) before tax	20.1	108.8	53.4	2.6	70.9	22.5	(4.5)	(17.4)	256.4
Tax and non-controlling interests in joint ventures and associates	(0.8)	–	(1.9)	(0.3)	(20.2)	(0.1)	–	–	(23.3)
Profit/(loss) before tax reported in the income statement	19.3	108.8	51.5	2.3	50.7	22.4	(4.5)	(17.4)	233.1
Tax credit/(expense)	(3.9)	18.7	3.9	0.3	–	(5.4)	(0.1)	2.1	15.6
Profit/(loss) after tax reported in the income statement	15.4	127.5	55.4	2.6	50.7	17.0	(4.6)	(15.3)	248.7

Notes to the Financial Statements

3 Segmental analysis continued

2017

	Proprietary assets – Direct				Proprietary assets – Indirect			Not allocated £m	Total £m
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra £m	Third-party managed £m	Other £m		
Balance sheet (proportional basis)									
Investment property	3,035.6	1,144.8	693.0	217.8	905.5	176.0	–	–	6,172.7
Investment property under development	206.4	–	–	–	33.6	–	–	–	240.0
Trading property	65.4	177.8	113.7	13.7	–	–	–	–	370.6
Other financial assets	–	49.6	0.4	–	–	9.9	–	–	59.9
Total property assets	3,307.4	1,372.2	807.1	231.5	939.1	185.9	–	–	6,843.2
Net (debt)/cash	(338.2)	(354.9)	(258.6)	(54.7)	(282.8)	(87.6)	7.3	164.4	(1,205.1)
Deferred tax (liability)/asset	(413.4)	(133.7)	(15.2)	(17.7)	(148.4)	(0.5)	(1.9)	4.1	(726.7)
Other net (liabilities)/assets	(69.7)	(43.2)	(9.0)	23.0	17.8	7.2	9.5	39.3	(25.1)
Net assets	2,486.1	840.4	524.3	182.1	525.7	105.0	14.9	207.8	4,886.3
Property additions	191.6	41.3	220.8	48.0	20.6	57.7	–	–	580.0

2016

	Proprietary assets – Direct				Proprietary assets – Indirect			Not allocated £m	Total £m
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra £m	Third-party managed £m	Other £m		
Income statement									
Gross rental income	110.7	35.2	8.7	–	–	–	–	–	154.6
Property outgoings (excluding major refurbishments)	(37.7)	(11.1)	(2.1)	–	–	–	–	–	(50.9)
Net rental income	73.0	24.1	6.6	–	–	–	–	–	103.7
Fees and other income/(expenses)	6.2	18.9	1.1	12.8	–	0.4	(0.3)	0.8	39.9
Administrative expenses	(30.9)	(25.5)	(13.6)	(19.0)	–	–	(4.1)	(15.8)	(108.9)
Net gains on trading properties	(2.4)	0.6	–	–	–	–	–	–	(1.8)
Net financing (costs)/income	(24.6)	(1.9)	(1.3)	–	–	0.4	0.1	0.3	(27.0)
Revenue profit of joint ventures and associates (Note 22)	2.6	11.8	17.9	5.7	28.2	7.1	–	–	73.3
Group revenue profit/(loss)	23.9	28.0	10.7	(0.5)	28.2	7.9	(4.3)	(14.7)	79.2
Net gains on revaluation and sale of investment properties	(66.1)	21.9	7.9	(0.1)	–	–	–	–	(36.4)
Major refurbishment costs	(8.1)	–	–	–	–	–	–	–	(8.1)
Impairment of goodwill	(0.3)	–	–	–	–	–	–	–	(0.3)
Net gains/(losses) on other investments	0.5	–	(0.4)	–	–	1.5	–	(0.1)	1.5
Derivative fair value adjustments	–	1.2	4.4	–	–	–	–	0.9	6.5
Other (losses)/gains of joint ventures and associates (Note 22)	(0.4)	17.5	21.1	3.9	68.1	11.4	–	–	121.6
Profit/(loss) before tax	(50.5)	68.6	43.7	3.3	96.3	20.8	(4.3)	(13.9)	164.0
Tax and non-controlling interests in joint ventures and associates	(0.6)	(0.2)	(1.8)	(1.0)	(23.3)	(0.3)	–	–	(27.2)
Profit/(loss) before tax reported in the income statement	(51.1)	68.4	41.9	2.3	73.0	20.5	(4.3)	(13.9)	136.8
Tax (expense)/credit	34.9	(21.6)	(2.1)	0.3	–	(6.1)	1.4	(6.3)	0.5
Profit/(loss) after tax reported in the income statement	(16.2)	46.8	39.8	2.6	73.0	14.4	(2.9)	(20.2)	137.3

Notes to the Financial Statements

3 Segmental analysis continued

2016

	Proprietary assets – Direct				Proprietary assets – Indirect			Not allocated £m	Total £m
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra £m	Third-party managed £m	Other £m		
Balance sheet (proportional basis)									
Investment property	2,937.2	1,024.1	476.3	231.0	861.9	144.1	–	–	5,674.6
Investment property under development	179.4	–	–	–	29.3	–	–	–	208.7
Trading property	110.7	288.8	129.4	–	–	–	–	–	528.9
Other financial assets	–	40.1	0.4	31.6	–	25.2	–	–	97.3
Total property assets	3,227.3	1,353.0	606.1	262.6	891.2	169.3	–	–	6,509.5
Net (debt)/cash	(212.0)	(320.3)	(59.6)	(82.2)	(248.5)	(71.3)	7.5	152.4	(834.0)
Deferred tax (liability)/asset	(400.5)	(169.6)	(11.7)	(2.6)	(134.7)	(0.3)	(1.2)	4.6	(716.0)
Other net (liabilities)/assets	(139.0)	(34.2)	(5.9)	11.9	(1.7)	5.4	61.6	(81.0)	(182.8)
Net assets	2,475.8	828.9	528.9	189.7	506.3	103.1	67.9	76.0	4,776.7
Property additions	62.2	113.8	0.7	2.6	25.7	50.7	–	–	255.7

4 Revenue profit

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

	2017			2016		
	Group £m	Share of joint ventures and associates (Note 22) £m	Total £m	Group £m	Share of joint ventures and associates (Note 22) £m	Total £m
Gross rental income	150.9	137.1	288.0	154.6	130.2	284.8
Property outgoings (excluding major refurbishments)	(54.2)	(46.6)	(100.8)	(50.9)	(39.6)	(90.5)
Net rental income (before major refurbishments)	96.7	90.5	187.2	103.7	90.6	194.3
Fees and other income	38.1	38.7	76.8	39.9	31.9	71.8
Administrative expenses	(116.5)	(31.3)	(147.8)	(108.9)	(30.1)	(139.0)
Net gains/(losses) on trading properties	35.5	39.2	74.7	(1.8)	4.2	2.4
Net financing costs (excluding derivative fair value adjustments)	(22.5)	(24.9)	(47.4)	(27.0)	(23.3)	(50.3)
Revenue profit	31.3	112.2	143.5	5.9	73.3	79.2
Reconciliation of revenue profit to profit before tax:						
Revenue profit	31.3	112.2	143.5	5.9	73.3	79.2
Joint ventures and associates:						
– Revenue profit	–	(112.2)	(112.2)	–	(73.3)	(73.3)
– Equity accounted profit	–	189.7	189.7	–	167.7	167.7
Net gains/(losses) on revaluation and sale of investment properties	20.1	–	20.1	(36.4)	–	(36.4)
Major refurbishment costs	(16.0)	–	(16.0)	(8.1)	–	(8.1)
Net gains on other investments	6.8	–	6.8	1.5	–	1.5
Impairment of goodwill	–	–	–	(0.3)	–	(0.3)
Derivative fair value adjustments	1.2	–	1.2	6.5	–	6.5
Profit before tax	43.4	189.7	233.1	(30.9)	167.7	136.8

Notes to the Financial Statements

5 Revenue

	2017 £m	2016 £m
Rental income	150.9	154.6
Income from trading and development properties	177.1	20.0
Service charge income	12.4	10.6
Other income	38.1	39.9
	378.5	225.1

6 Gross rental income

	2017 £m	2016 £m
Gross lease payments receivable	130.8	140.4
Amortisation of lease incentives	10.9	6.6
Amortisation of deferred lease premiums	9.2	7.6
	150.9	154.6

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

Total contingent rents included in gross rental income amounted to £nil (2016: £nil).

7 Property outgoings

	2017 £m	2016 £m
Service charge income	12.4	10.6
Service charge expenses	(12.1)	(10.5)
Net service charge expenses	0.3	0.1
Major refurbishment costs	(16.0)	(8.1)
Other property operating expenses	(54.5)	(51.0)
Total net property outgoings	(70.2)	(59.0)

Operating expenses associated with unlet properties totalled £0.7m (2016: £0.7m).

8 Other income

	2017 £m	2016 £m
Fund management and asset management fees	24.8	31.8
Project management fees	3.6	2.9
Net income from hotel operations	2.1	-
Other income	7.6	5.2
	38.1	39.9

Net income from hotel operations is comprised of £14.7m revenue and £12.6m of associated costs.

Notes to the Financial Statements

9 Administrative expenses

	2017 £m	2016 £m
Staff costs	86.3	83.4
Office costs	18.6	18.2
Auditor's remuneration – audit services in relation to Financial Statements	1.6	1.4
– other services	0.1	0.2
Other professional fees	10.9	9.0
Allocation of costs to Grosvenor Trusts	(23.3)	(22.1)
Other administrative expenses	22.3	18.8
	116.5	108.9

All of the Group's Operating Companies were audited by Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited. £0.1m (2016: £0.1m) of the total audit fee is estimated to relate to the audit of the Group and £1.5m (2016: £1.3m) to the audit of the Group's subsidiaries. The Company's audit fees (£0.1m) were borne by another Group company (2016: £0.1m). Amounts paid to other accountancy firms in 2017 totalled £1.2m (2016: £1.4m).

10 Employee information

	2017 £m	2016 £m
Staff costs		
Wages and salaries	73.3	73.5
Social security contributions	6.4	5.8
Other staff costs	9.1	8.0
Pension costs		
Contributions to defined contribution plans	3.1	2.8
Net cost of defined benefit plans (Note 11)	13.4	9.8
	105.3	99.9
Included in:		
Administrative expenses	86.3	83.4
Property operating expenses	17.6	13.5
Development costs	1.4	3.0
	105.3	99.9

The costs of staff directly engaged in investment activities are included in property outgoings and the costs of those directly engaged in development activities are included in development costs. In addition, £5.4m of staff and pension cost is included in net income from hotel operations (note 8).

Notes to the Financial Statements

10 Employee information continued

Employee numbers

	At the end of the year		Average	
	2017 number	2016 number	2017 number	2016 number
Britain & Ireland	465	292	457	292
Americas	96	90	94	89
Asia Pacific	51	55	52	55
Europe	67	69	67	72
Indirect	7	7	7	6
Holding Company and shared services	62	52	60	55
	748	565	737	569

The Company employs no staff (2016: none).

11 Retirement benefit schemes

Defined contribution schemes

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

The total cost of defined contribution pension schemes charged to the income statement was £3.1m (2016: £2.8m).

Defined benefit schemes

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

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

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

The three defined benefit schemes outlined above are funded. They are administered by member and employer nominated Trustees. Independent qualified actuaries complete valuations of the schemes every three years and, in accordance with their recommendations, annual contributions are paid to the schemes 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 schemes. These risks include investment risks and demographic risks, such as the risk of members living longer than expected. The UK scheme holds a large proportion of its assets in equity investments. Strong future equity returns would be expected to reduce the Group's future cash contributions (and vice versa). If the contributions currently agreed are insufficient to pay the benefits due, the Group may need to make further contributions to the scheme. With headroom (being cash and committed undrawn facilities) of £1.4bn, the Group is comfortably positioned to make further contributions to the schemes should they be required.

Notes to the Financial Statements

11 Retirement benefit schemes continued

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

Actuarial valuations were last carried out at the following dates:

UK	31 December 2014 (Actuarial valuation to 31 December 2017 is currently being completed)
USA	31 December 2016
Canada	31 December 2016

All the valuations have been updated to 31 December 2017 using updated assumptions. The results of these valuations together with the key assumptions used are set out below.

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

In Canada, the Group agreed with the Trustees of the plans to make contributions, in addition to payments in respect of the continuing accrual of benefits, of CA\$3.8m per annum from 2017 until 2019 to fund the plan deficit, and, in the USA, contributions are determined on an annual basis. The level of contributions will be reviewed following the next triennial valuation due as at 31 December 2019.

In the UK, no contributions in addition to payments in respect of the continuing accrual of benefits are currently required (2016: £nil). The requirement for additional contributions will be reviewed following the next triennial valuation due as at 31 December 2017.

The weighted average duration to payment of the expected benefit cash flows from the schemes in respect of accrued service at the end of the accounting period is approximately 24 years in the UK scheme, 13 years in the US scheme and 14 years in the Canadian scheme.

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

	2017 £m	2016 £m
Current service cost	12.4	8.6
Past service cost	0.1	0.1
Interest cost	1.5	1.0
Administrative expense	0.1	0.1
Settlements and curtailments	(0.7)	-
	13.4	9.8

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

	2017 £m	2016 £m
Actuarial gains/(losses)	24.0	(22.4)
	24.0	(22.4)

Included within actuarial gains and losses is a gain of £8.0m (2016: £0.5m gain) due to changes in demographic assumptions.

Notes to the Financial Statements

11 Retirement benefit schemes continued

The movement in the net defined benefit obligation is:

	2017 £m	2016 £m
1 January	(57.4)	(25.8)
Expense charged to income statement	(13.4)	(9.8)
Amount recognised in the statement of comprehensive income	24.0	(22.4)
Employer contributions	5.5	3.9
Benefit payments	0.7	0.2
Exchange movement	1.2	(3.5)
31 December	(39.4)	(57.4)

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

	2017 £m	2016 £m
Present value of unfunded obligations	(21.3)	(22.4)
Present value of funded obligations	(280.8)	(278.1)
Present value of total defined benefit obligations	(302.1)	(300.5)
Fair value of scheme assets	262.7	243.1
Defined benefit pension deficit	(39.4)	(57.4)

The net deficit arises in the following regions:

	2017 £m	2016 £m
UK	(19.2)	(36.6)
USA	(11.1)	(12.7)
Canada	(9.1)	(8.1)
	(39.4)	(57.4)

Movements in the present value of defined benefit obligations are:

	2017 £m	2016 £m
At 1 January	300.5	227.6
Current service cost	12.4	8.6
Past service cost	0.1	0.1
Interest cost	8.4	9.0
Settlements and curtailments	(0.7)	-
Actuarial (gains)/losses due to:		
Experience on benefit obligation	(10.3)	(2.7)
Changes in financial assumptions	11.0	53.3
Changes in demographic assumptions	(8.0)	(0.5)
Other actuarial changes	-	2.2
Benefits paid	(8.2)	(7.7)
Exchange movements	(3.1)	10.6
At 31 December	302.1	300.5

Notes to the Financial Statements

11 Retirement benefit schemes continued

Analysis of the scheme liabilities:

	2017 £m	2016 £m
UK	240.4	239.8
USA	25.3	26.8
Canada	36.4	33.9
At 31 December	302.1	300.5

Movements in fair value of scheme assets were:

	2017 £m	2016 £m
At 1 January	243.1	201.8
Interest on plan assets	6.9	8.0
Actual return on plan assets less interest on plan assets	16.5	29.9
Contributions by the employer	5.5	3.9
Benefits paid	(7.5)	(7.5)
Administrative expense	(0.1)	(0.1)
Exchange movements	(1.7)	7.1
At 31 December	262.7	243.1

Analysis of scheme assets:

	2017 £m	2016 £m
Equities	196.1	180.4
Corporate bonds	36.2	33.0
Multi-asset credit funds	19.2	17.5
Other	11.2	12.2
Fair value of plan assets	262.7	243.1

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

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

Notes to the Financial Statements

11 Retirement benefit schemes continued

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

2017

	UK	USA	Canada
Discount rate	2.36%	3.50%	3.55%
Expected rate of salary increase	4.90%	n/a	3.50%
Expected rate of future pension increase	3.17%	2.50%	2.00%
Inflation	3.17%	2.50%	2.00%

2016

	UK	USA	Canada
Discount rate	2.60%	3.90%	3.90%
Expected rate of salary increase	5.10%	n/a	3.50%
Expected rate of future pension increase	3.30%	2.50%	2.00%
Inflation	3.30%	2.50%	2.00%

	Male		Female	
	2017	2016	2017	2016
Life expectancy of a 65-year-old today				
UK	24.2	24.8	25.9	26.5
USA	20.7	20.8	22.7	22.8
Canada	22.9	21.6	25.3	24.0
Life expectancy of a 65-year-old in 20 years				
UK	25.9	27.1	27.4	28.4
USA	22.3	22.4	24.2	24.4
Canada	24.0	22.7	26.3	25.0

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

	Total defined benefit obligation £m	Approximate charge in 2018 £m
Based on the assumptions above	302.1	13.1
Approximate impact of:		
Increase in discount rate by 0.25%	(18.3)	(0.7)
Increase in inflation rate by 0.25%	12.5	0.8
Increase in life expectancy by one year at 65	8.4	0.5

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

Notes to the Financial Statements

12 Directors' remuneration details

	2017 £'000	2016 £'000
Aggregate remuneration:		
Emoluments	2,060	1,436
Performance-related bonus	1,316	953
Long-term incentive scheme	2,287	2,087
	5,663	4,476

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

The amounts above include for the highest paid Director emoluments of £793,000 (2016: £637,000), a performance-related bonus of £788,000 (2016: £544,000) and long-term incentive plans of £1,319,000 (2016: £935,000).

Retirement benefits accrued to two Directors. The highest paid Director accrued benefits under the defined benefit scheme and an unfunded defined benefit scheme. The other Director accrued benefits under an arrangement combining defined benefit and money purchase benefits until April 2012 when he became a deferred member of the defined benefit scheme. The total annual accrued pension under the defined benefit pension schemes was £155,000 (2016: £96,000) and for the highest paid Director was £155,000 (2016: £96,000). Total contributions in respect of money purchase pension benefits were £nil (2016: £nil) and for the highest paid Director were £nil (2016: £nil).

13 Net gains/(losses) on trading properties

	2017 £m	2016 £m
Development costs	(2.6)	(3.3)
Proceeds from sale of trading properties	177.1	20.0
Carrying value of trading properties sold	(137.1)	(18.5)
Reversal of impairment of trading properties	(1.9)	-
	35.5	(1.8)

The carrying value of trading properties sold includes £0.8m of capitalised interest (2016: £0.8m).

Notes to the Financial Statements

14 Net profit on other investments

	2017 £m	2016 £m
Profit on disposal of trade investments/other fixed assets	6.8	1.5
	6.8	1.5

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

	2017 £m	2016 £m
Valuation gains on investment property	34.3	80.5
Valuation losses on investment property	(11.9)	(123.5)
Valuation losses on redevelopment properties	(14.1)	(16.1)
Net valuation gains/(losses) on investment property	8.3	(59.1)
Profit on disposal of investment property	11.8	22.7
Net gains/(losses) on revaluation and sale of investment property	20.1	(36.4)

16 Net financing costs

	2017 £m	2016 £m
Interest income	8.7	7.8
Other financial income	7.8	5.3
Financial income	16.5	13.1
Gross interest expense	(43.9)	(42.0)
Interest capitalised	9.3	7.5
Commitment and other financing costs	(5.9)	(5.9)
Financial expenses	(40.5)	(40.4)
Fair value adjustments of interest rate swaps and foreign exchange contracts	1.2	6.5
Fair value adjustments of embedded derivatives	1.5	0.3
Total fair value adjustments	2.7	6.8
Net financing costs	(21.3)	(20.5)

The average rate of interest capitalised in the year was 5.7% (2016: 5.8%).

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

Notes to the Financial Statements

17 Corporate income tax

Recognised in the income statement

	2017 £m	2016 £m
Current tax expense		
UK corporation tax at 19.25% (2016: 20.0%)	6.7	27.5
Overseas tax	9.1	79.2
Adjustment for prior years	(6.9)	2.5
	8.9	109.2
Deferred tax credit		
Origination and reversal of temporary differences	28.0	(82.3)
Effect of tax rate change	(52.5)	(23.0)
Adjustment for prior years	-	(4.4)
	(24.5)	(109.7)
Total income tax credit in the income statement	(15.6)	(0.5)

Deferred tax recognised in other comprehensive income

	2017 £m	2016 £m
Revaluation of property plant and equipment	(0.4)	(1.1)
Fair value adjustments on financial instruments treated as cash flow hedges	0.4	(0.4)
Actuarial gains/(losses) on defined benefit pension schemes	4.4	(3.7)
	4.4	(5.2)

Reconciliation of effective tax rate

Profit before taxation	233.1	136.8
Less: share of profit of joint ventures	(189.7)	(167.7)
Add: profit of joint ventures where the tax charge is directly attributable to the Group	85.7	57.9
Adjusted Group profit before taxation	129.1	27.0
Tax on adjusted Group profit at standard UK corporation tax rate of 19.25% (2016: 20.0%)	24.9	5.4
Effect of foreign tax rates	17.6	14.9
Adjustment for Indexation	(3.7)	(4.3)
Expenses not deductible for tax purposes	2.4	1.5
Provision for uncertain tax positions	-	6.7
Deferred tax not recognised/previously unrecognised	2.6	0.2
Effect of tax rate change on deferred tax balance	(52.5)	(23.0)
Adjustments in respect of prior years	(6.9)	(1.9)
Total income tax credit in the income statement	(15.6)	(0.5)
Effective tax rate based on adjusted Group profit	(12.1%)	(1.9%)
Effective tax rate excluding the rate change impact on deferred tax	28.6%	83.3%

Notes to the Financial Statements

17 Corporate income tax expense continued

Factors affecting tax charges

Grosvenor, as an international property group, pays taxes in the jurisdictions in which it has operations and holds interests in property. The Group's tax charge and effective tax rate are a direct reflection of the mix of profits across the business regions.

The Group's profits are comprised of realised profits, being net revenue and gains on property disposals, and unrealised profits, being revaluations of investment properties.

The Group accrues and pays current tax to local governments on realised profits and gains and accrues deferred tax on unrealised profits on investment properties not yet sold.

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

A current tax rate of 19.25% has been applied to the year ended 31 December 2017. A deferred tax rate of 17% has been applied to UK opening balances and movements in deferred tax in the year ended 31 December 2017.

The 2017 total tax credit of (£15.6m) includes a current tax (CT) charge of £8.9m, and a deferred tax (DT) credit of (£24.5m).

The CT charge of £8.9m is due to:

- Tax arising on investment property disposals during 2017.
- The effect of foreign tax rates on overseas profits.
- CT on rental income and other revenues.
- The release of previous year provisions in respect of uncertain tax positions now agreed.

The DT credit of (£24.5m) is due to:

- Release of DT liabilities previously booked on investment property disposals.
- Movement in DT arising from the revaluation movement in the accounts.
- The impact on DT of the reduction in the future tax rate of USA tax.

Grosvenor is required by accounting standards to provide for tax liabilities which would be due if the Group's assets were to be sold. Since tax rates are uncertain, Grosvenor is also required to restate our estimate of future liabilities at the reduced rate.

Following a significant change in USA tax legislation which was enacted on 22 December 2017, the Tax Cuts and Jobs Act reduced the statutory rate of corporate income tax from 35% to 21% with effect from 1 January 2018. IFRS rules require that USA deferred tax liabilities are rebased. The 2017 tax credit equates to an effective tax rate of 28.6% (2016: 83.3%) before the impact of the reduction in the future USA corporation tax rate. The restatement of tax liabilities has had the impact of reducing the overall effective tax rate by 40.7% (2016: 85.2%) to -12.1% (2016: -1.9%).

In view of the declining UK tax rate as compared to overseas territories, it is likely that overseas taxes will increase the effective tax rate above the UK rate for the foreseeable future.

The Group's share of joint ventures' and associates' tax charges of £23.3m (2016: £27.1m) are included in the Share of profit from joint ventures and are shown in the Consolidated income statement.

Notes to the Financial Statements

18 Property assets

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

		2017 £m	2016 £m
Investment property	- Group	3,970.7	3,565.8
	- Share of joint ventures and associates	2,202.0	2,108.8
Investment properties under development	- Group	206.4	179.4
	- Share of joint ventures and associates	33.6	29.3
Trading properties	- Group	192.7	336.7
	- Share of joint ventures and associates	177.9	192.2
Other financial assets*		59.9	97.3
Total property assets		6,843.2	6,509.5

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

Notes to the Financial Statements

19 Investment property

	Completed property			Under development			Total £m
	Freehold £m	Leasehold £m	Total £m	Freehold £m	Leasehold £m	Total £m	
At January 2016	591.2	3,692.1	4,283.3	66.1	–	66.1	4,349.4
Acquisitions	112.3	17.1	129.4	16.9	–	16.9	146.3
Costs capitalised	2.4	14.8	17.2	10.4	–	10.4	27.6
Disposals	(216.8)	(487.3)	(704.1)	–	–	–	(704.1)
Revaluation gains/(losses)	16.3	(59.3)	(43.0)	(16.1)	–	(16.1)	(59.1)
Transfer from development projects	0.3	(102.4)	(102.1)	(0.3)	102.4	102.1	–
Transfer to trading properties	–	(69.1)	(69.1)	–	–	–	(69.1)
Transfer to other property plant and equipment	–	(70.1)	(70.1)	–	–	–	(70.1)
Exchange movements	104.0	20.3	124.3	–	–	–	124.3
At 31 December 2016	609.7	2,956.1	3,565.8	77.0	102.4	179.4	3,745.2
Acquisitions	117.3	297.3	414.6	–	–	–	414.6
Costs capitalised	7.3	25.6	32.9	14.9	–	14.9	47.8
Disposals	–	(58.5)	(58.5)	–	–	–	(58.5)
Revaluation gains/(losses)	35.2	(12.8)	22.4	(14.1)	–	(14.1)	8.3
Transfer from development projects	–	(26.2)	(26.2)	–	26.2	26.2	–
Transfer from trading properties	70.2	–	70.2	–	–	–	70.2
Exchange movements	(43.3)	(7.2)	(50.5)	–	–	–	(50.5)
At 31 December 2017	796.4	3,174.3	3,970.7	77.8	128.6	206.4	4,177.1

Investment properties were valued at 31 December 2017 by independent external valuers on the basis of market value in accordance with generally accepted international valuation standards. Valuations were performed as follows:

			£m
Britain & Ireland	Freehold	Cushman & Wakefield, Chartered Surveyors	85.6
	Long leasehold	Cushman & Wakefield, Chartered Surveyors	3,156.3
Americas	Freehold	Altus Group, Research valuation and advisory	300.1
	Freehold	CB Richard Ellis, Chartered Surveyors	397.5
Asia Pacific	Freehold	Tanizawa SOGO Appraisal, Chartered Surveyors	91.0
	Long leasehold	Tanizawa SOGO Appraisal, Chartered Surveyors	111.8
	Long leasehold	Knight Frank, Chartered Surveyors	34.8
			4,177.1

The historical cost of the Group's investment properties was £1,943.0m (2016: £1,678.2m).

The carrying value of investment properties includes capitalised interest of £23.5m (2016: £21.3m).

At 31 December 2017, investment properties with a carrying amount of £2,073.4m were pledged as security for bank loans (2016: £1,917.1m).

Included in the above are investment properties available for sale of £nil (2016: £20.8m).

Notes to the Financial Statements

19 Investment property continued

Fair value measurement

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

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

Valuation reports are based on both information provided by the Group e.g. current rents and lease terms which is derived from the Group's financial and property management systems and is subject to the Group's overall control environment, and assumptions applied by the valuers e.g. ERVs and yields. These assumptions are based on market observation and the valuers' professional judgement. The 2017 fair value represents the highest and best use of the properties.

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

Class of property	Fair value hierarchy	Valuation/FV 2017 £m	Valuation/FV 2016 £m	Valuation technique	Valuation Inputs	Average property 2017	Average property 2016
GBI – Office	Level 3	992.7	998.0	Investment method and market comparable method	Weighted average ERV psf	£62 psf	£67 psf
					ERV range psf	£10–£125 psf	£10–£125 psf
					Weighted average Eq yld	4.2%	4.2%
					Equivalent yield range	3.4%–6.3%	3.4%–6.3%
GBI – Retail	Level 3	1,051.0	914.0	Investment method and market comparable method	Weighted average ERV psf	£62 psf	£64 psf
					ERV range psf	£12–£178 psf	£12–£178 psf
					Weighted average Eq yld	3.6%	3.5%
					Equivalent yield range	2.9%–5.5%	2.8%–5.5%
GBI – Residential	Level 3	1,090.0	1,049.0	Investment method and market comparable method	Average revaluation capital value psf	£1,508 psf	£1,461 psf
					Capital value range psf	£780–£3,840 psf	£800–£3,964 psf
GBI – Hotel	Level 3	102.0	95.0	Discounted cash flow method and market comparable method	Weighted average ERV psf	£53 psf	£63 psf
					ERV range psf	£38–£54 psf	£36–£65 psf
					Weighted average Eq yld	4.9%	4.6%
					Discount rate range	6.8%–8.0%	6.8%–8.3%
GBI – Investment properties under development	Level 3	125.0	179.0	Residual approach	Average capital value psf	n/a	n/a
					ERV range psf	£35–£86 psf	£60–£119 psf
					Exit yield	3.8%	3.7%
GA – Office	Level 3	119.2	101.9	Discounted cash flow	Weighted average capitalisation rate	6.3%	6.9%
					Weighted average discount rate	7.5%	8.0%
GA – Retail	Level 3	211.2	220.3	Discounted cash flow	Weighted average capitalisation rate	4.7%	4.8%
					Weighted average discount rate	6.2%	6.3%

Notes to the Financial Statements

19 Investment property continued

GA – Residential	Level 3	234.5	164.4	Discounted cash flow	Weighted average capitalisation rate	3.7%	5.3%
					Weighted average discount rate	4.7%	7.1%
GA – Industrial	Level 3	132.5	115.9	Discounted cash flow	Weighted average capitalisation rate	5.0%	5.3%
					Weighted average discount rate	6.0%	6.3%
GAsia – Residential	Level 3	27.7	26.3	Investment method and market comparable method	Weighted average passing rents psf	£38 psf	£36 psf
					Weighted average ERV psf	£37 psf	£36 psf
					Weighted average running yield	5.3%	5.6%
					Weighted average reversionary yield	5.4%	5.5%
GAsia – Retail	Level 3	209.9	–	Investment method and market comparable method	Weighted average passing rents psf	£95 psf	–
					Weighted average ERV psf	£116 psf	–
					Weighted average running yield	2.5%	–
					Weighted average reversionary yield	3.1%	–
Total		4,295.7	3,863.8				
The table above includes property classed in Other Property, Plant and Equipment							
		118.6	118.3				

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

Fair value hierarchy:

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

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

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

There were no transfers between levels during the year.

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

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

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

Sensitivity to significant changes in unobservable inputs

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

Notes to the Financial Statements

20 Other property, plant and equipment

2017

	Land and buildings £m	Leasehold improvements £m	Computer and IT equipment £m	Fixtures, fittings and motor vehicles £m	Total £m
Cost					
At 1 January 2017	118.3	10.6	20.4	15.9	165.2
Additions	0.1	1.5	4.4	3.0	9.0
Disposals	-	(1.3)	(0.1)	(3.4)	(4.8)
Revaluation gains	0.2	-	-	-	0.2
At 31 December 2017	118.6	10.8	24.7	15.5	169.6
Depreciation					
At 1 January 2017	-	(7.6)	(10.5)	(7.9)	(26.0)
Depreciation charge for the year	-	(0.5)	(2.9)	(1.7)	(5.1)
Disposals	-	1.2	0.1	3.3	4.6
At 31 December 2017	-	(6.9)	(13.3)	(6.3)	(26.5)
Carrying amount					
At 1 January 2017	118.3	3.0	9.9	8.0	139.2
At 31 December 2017	118.6	3.9	11.4	9.2	143.1

2016

	Land and buildings £m	Leasehold improvements £m	Computer and IT equipment £m	Fixtures, fittings and motor vehicles £m	Total £m
Cost					
At 1 January 2016	51.8	9.4	15.5	11.1	87.8
Additions	-	1.2	5.0	5.0	11.2
Disposals	-	-	(0.1)	(0.2)	(0.3)
Revaluation losses	(3.6)	-	-	-	(3.6)
Transfer from investment property	70.1	-	-	-	70.1
At 31 December 2016	118.3	10.6	20.4	15.9	165.2
Depreciation					
At 1 January 2016	-	(6.7)	(8.5)	(6.5)	(21.7)
Depreciation charge for the year	-	(0.9)	(2.0)	(1.5)	(4.4)
Disposals	-	-	-	0.1	0.1
At 31 December 2016	-	(7.6)	(10.5)	(7.9)	(26.0)
Carrying amount					
At 1 January 2016	51.8	2.7	7.0	4.6	66.1
At 31 December 2016	118.3	3.0	9.9	8.0	139.2

The land and buildings above are long leasehold properties and were valued at 31 December 2017 by independent valuers Cushman & Wakefield, Chartered Surveyors, on the basis of fair value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Notes to the Financial Statements

20 Other property, plant and equipment continued

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

The carrying value of the freehold land and buildings above includes capitalised interest of £nil (2016: £nil).

At 31 December 2017, land and buildings above with a carrying value of £nil were pledged as security for bank loans (2016: £nil).

21 Investments in subsidiary undertakings, associated undertakings and significant holdings

Company

	Shares at cost £m
At 1 January 2017 and 31 December 2017	1,358.4

At 31 December 2017, the Company had the following subsidiary undertakings, associated undertakings and significant holdings:

Direct subsidiary

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

Indirect subsidiaries

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

United Kingdom

Registered office: 70 Grosvenor Street, London W1K 3JP

I-5 GP Management Limited	Gio Investments Limited
110 Park Street Limited	Grosvenor (Basingstoke) Limited
29-37 Davies Street Limited	Grosvenor Alpha Place LLP
32-42 BPR Limited	Grosvenor Americas Holdings Limited
64/70 South Audley Street Limited	Grosvenor Americas Investments Limited
65 Davies Street Development Limited	Grosvenor Asset Management Limited
65 Davies Street Investment Limited	Grosvenor Australia Asia Pacific Limited
Bankside 4 Limited	Grosvenor Basingstoke Management Limited
Barton Park Estate Management Company Limited – 50% owned	Grosvenor Basingstoke Properties Limited
Belgrave House Developments Limited	Grosvenor Commercial Properties
Belgravia Estate Services Limited	Grosvenor Continental Europe Holdings Limited
Belgravia Leases Limited	Grosvenor Developments (GB) Limited
Cambridge Retail Investment Limited	Grosvenor Developments (UK) Limited
Coton Park Limited	Grosvenor Developments Limited
Drummond Road Limited	Grosvenor Eighty Eight Limited
Due West Investments Limited	Grosvenor Eighty Five Limited
Eaton Square Properties Limited	Grosvenor Eighty Four Limited
Fountain North Limited ¹	Grosvenor Eighty Nine Limited
Fournier Securities Limited	Grosvenor Eighty Seven Limited
GCH Investments (1) Limited	Grosvenor Eighty Six LLP
GCH Investments (2) Limited	Grosvenor Eighty Three Limited
GCH Investments LLP	Grosvenor Estate Belgravia
GEB2 Limited	Grosvenor Estate Holdings
GFAL Limited	

Notes to the Financial Statements

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

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

Registered office: ¹50 Lothian Road, Festival Square, Edinburgh EH3 9WJ; ² 240 Blackfriars Road, London SW1 8NW

Notes to the Financial Statements

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

Australia

Registered office: Level 38, Tower 3, 300 Barangaroo Avenue, Sydney

Grosvenor Australasia Investments Pty Ltd

Bermuda

Registered office: Canon's Court, 22 Victoria Street, Hamilton

Grosvenor Fund Management Japan Ltd

British Virgin Islands

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

Finestart International Ltd

Golden Eternal Limited

High Ace Holdings Limited

Seatonmere Limited

Canada

Registered office: 2000-1040 West Georgia

1300 Marine Holdings Ltd

Balsam BT Holdings Limited

Edgemont Village BT Ltd ¹

Edgemont Village GP Ltd

GCC Balsam Properties Limited

Grosvenor 5th Avenue Holdings Limited

Grosvenor Americas Corporation

Grosvenor Beltline Holdings II Limited

Grosvenor Beltline Holdings III Limited

Grosvenor Beltline Holdings Limited

Grosvenor Canada Limited

Grosvenor Capital Corporation

Grosvenor Development Corporation

Grosvenor Edgemont Holdings Limited

Grosvenor High Street GP Limited

Grosvenor High Street Limited Partnership ¹

Grosvenor High Street LP Limited

Grosvenor International Investments (Canada) Limited

Grosvenor International Investments (USA) Corporation

Registered office: ¹ 1200 Waterfront, Vancouver

Grosvenor International Investments Corporation

Grosvenor Oak Street Holdings Limited

Grosvenor Pacific Development Limited

Grosvenor Properties (2008) Limited

Grosvenor True North Services Canada

Grosvenor True North Services Management Canada

Grosvenor Village GP Limited

Grosvenor Village Holdings Limited

Grosvenor Village Limited Partnership ¹

Hornby BT Holdings Ltd

Hornby Pacific GP Limited

King George GP Limited

Marine Drive BT Holdings Limited

Marine Drive WV Development Limited

Pacific BT Holdings Limited

Rosemary GP Limited

True North GP Limited

True North Residential One LP

West 15 Ventures Limited

Cayman Islands

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

Global Real Estate Absolute Return Fund Ltd – in liquidation

Global Real Estate Absolute Return Master Fund Ltd – in liquidation

Grosvenor Vega Fund Management Ltd – 75% owned

Grosvenor Vega GP Ltd – 75% owned

Notes to the Financial Statements

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

China

Registered office: Unit 602-603, No. 233, Taicang Road, Huangpu District, Shanghai

Grosvenor Management Consulting (Shanghai) Limited

France

Registered office: 69 Boulevard Haussman, 75008 Paris

Grosvenor Continental Europe SAS

Hong Kong

Registered office: Suite 3505 Jardine House, One Connaught Place, Central, Hong Kong

Fortune Joy Properties Limited

Global Trinity Limited

Grosvenor Asia Pacific Limited

Grosvenor Fund Management Hong Kong Limited

Grosvenor Hong Kong Limited

Grosvenor Limited

Majesty International Limited

Regal Way International Limited

Unity Asian Development Limited – 60% owned

Italy

Registered office: Corso Garibaldi, Giuseppe 86, CAP 20121 Milano

Grosvenor Fund Management Italy SRL

Isle of Man

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

Grosvenor Belgravia Investment Limited

Japan

Registered office: 1-12-32 Akasaka, Mnato-ku, Tokyo

Ginzanamiki Tokutei Mokuteki Kaisya

GOP3 Tokutei Mokuteki Kaisya

Grosvenor Limited Japan branch

Jersey

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

Grosvenor Management Jersey Limited

Luxembourg

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

GFM (CE) S.A.

Grosvenor Americas Sarl – in liquidation

Grosvenor Continental Europe Holdings Sarl

Grosvenor First European Property Investments Sarl

Grosvenor International Sarl

Grosvenor Investments Portugal Sarl

Notes to the Financial Statements

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

Spain

Registered office: Paseo de la Castellana 60, Oficina Planta 2, Centro, 28046 Madrid

Grosvenor Fund Management Spain SL

Sweden

Registered office: Smalandsgatan 10, 4tr, 11146 Stockholm

Grosvenor Fund Management Sweden AB

United States of America

Registered office: One California Street, Suite 2500, San Francisco, CA 94111

1645 Pacific Homes LLC	Grosvenor California Limited
240 Stockton LLC	Grosvenor Capco Limited
3800 California Street, LLC	Grosvenor DC Residential LLC
394 Pacific, LLC	Grosvenor Financial California LLC
5520 Wisconsin LLC ¹	Grosvenor Financial Inc ¹
720 Battery LLC	Grosvenor Fund Management (USA) Inc. ⁴
875 California II LLC	Grosvenor Fund Management LLC ⁴
875 California LLC	Grosvenor GP Limited LLC
Ballpark Hotel LLC ¹	Grosvenor International (American Freeholds) Limited
Ballpark Square LLC ¹ – 99.4% owned	Grosvenor International (Atlantic Freeholds) Limited
Ballpark Square REA Manager Inc.	Grosvenor International (Cupertino) Limited
Chelsea at Juantina Village LP ¹	Grosvenor International (Nevada) Limited
CP6WW LLC	Grosvenor International (Westcoast Freeholds) Limited
FCB Silver Spring LLC ¹	Grosvenor Investments North America LLC ³
Fenton Street Apartments LLC ¹	Grosvenor Residential GP Limited LLC
GFM Equity Advisors Inc. ⁴	Grosvenor Urban Maryland ¹
GFM Healthcare Advisors LLC ⁴	Grosvenor USA Limited
GP Warehouse Investment Member One LLC ³	Hamaker Court, LLC ¹
Grosvenor Americas Inc	Hamilton Marketplace LLC
Grosvenor Americas Joint Ventures LLC	Reston Sunrise, LLC ¹
Grosvenor Americas LLC	True North California, LLC
Grosvenor Americas Partners	True North US, Inc ¹
Grosvenor Americas USA Inc	West Ridge Park Apartments LP ²
Grosvenor Atlantic Limited	

Registered office: ¹ 1701 Pennsylvania Avenue, Suite 450, Washington; ² 2620 Third Avenue Suite 100, Seattle, WA 98121;

³ 850 New Burton Road, Suite 201, Dover, Kent County, DE 19904; ⁴ 50 S 16th Street, Suite 2600, Philadelphia, PA 19102

Notes to the Financial Statements

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

Indirectly held joint venture entities, associates and significant undertakings

England and Wales

Registered office: 70 Grosvenor Street, London W1K 3JP

20 Balderton Street Project 1 Limited – 50% owned	Halkin Street LLP – 50% owned
59/60 South Audley Street (Management) Limited – 11.1% owned	Headfort Place Garages Limited – 50% owned
7 Green Street Limited – 33.3% owned	IO Investment 2 LLP ² – 27.4% owned
Alpha Place Developments LLP – 33.3% owned	IO Investment LLP ² – 97.75% owned
Barton Oxford LLP – 50% owned	IOG2 LLP ² – 99.2% owned
Clan Kensington LLP ³ – 33.3% owned	Liverpool One Management Company Limited – 50% owned
Coton Park Consortium Limited ⁴ – 50% owned	London Office (No.1) General Partner Limited – 50% owned
Four Ashes Limited ¹ – 40% owned	Montrose Place LLP – 50% owned
GC Bankside LLP ³ – 50% owned	NEOD Investments LLP ³ – 12.57% owned – in liquidation
GC Campden Hill LLP ³ – 16.7% owned	NEOD Trade Limited ³ – 12.57% owned – in liquidation
GCPIB (GB) Ltd – 50% owned	NLG Campden LLP ³ – 33.3% owned
Grosvenor Liverpool Fund – 10% owned	Retail Centres V (Sweden) Investment Ltd – 17.6% owned
Grosvenor Liverpool Residential Fund – 10% interest	Retail Centres V (Sweden) Limited Partnership – 17.6% owned
Grosvenor London Office Fund – 12.673% owned	The Grouss Residential Investment Partnership LLP – 31.8% owned
Grosvenor Stow Limited – 50% owned	Trumpington Meadows Land Company Limited – 50% owned
Grosvenor Stow Projects 2 Limited – 50% owned	Urban Retail V (UK) General Partner Limited – 9.09% interest
Grosvenor Stow Projects Limited – 50% owned	Urban Retail V (UK) Limited Partnership – 9.09% interest

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

³ The Pavilion, 118 Southwark Street, London SE1 0SW; ⁴ Temple House, 20 Holywell Row, London EC2A 4XH

Australia

Registered office: Level 29, 20 Bond Street, Sydney NSW 2000

POP II Investment Partnership – 80% owned	Property Link Office Partnership II – 20% owned
POP III Investment Partnership – 89% owned	

British Virgin Islands

Acute Choice Limited – 20% owned
Bonrite Limited – 30% owned
Eagle Wonder Limited – 20% owned
Spring Plus Limited – 50% owned

Registered office

Sea Meadow House, Blackburn Highway, PO Box 116, Road Town, Tortola
PO Box 957, Offshore Incorporations Centre, Road Town, Tortola
PO Box 957, Offshore Incorporations Centre, Road Town, Tortola
P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola

Notes to the Financial Statements

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

Canada

Registered office: 1200 Waterfront, Vancouver

1300 Marine LP – 30% owned

Edgemont Village Limited Partnership – 0.01% owned

Greensoil Building Innovation Fund (International) LP – 88.71% owned
(33.9% of underlying investments)

Grosvenor Rempel East Clayton Development Ltd – 50% owned¹

Registered office: ¹ 900 Waterfront, Vancouver

Hornby Pacific Limited Partnership – 50% owned

Oak Street Project Holdings Limited – 50% owned

Rise BT Holdings Ltd¹ – 65% owned

West 15 Project Holdings Limited – 50% owned

Cayman Islands

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

Grosvenor Park Partners Limited – 41% owned

Grosvenor Vega China Retail Fund LP – 10.57% owned

France

Registered office: 69 Boulevard Haussman, 75008 Paris

GFRI 1 – 12.57% owned

GFRI 2 – 12.57% owned

GRIF 3 – 12.57% owned

GRIF Holdings Sarl – 12.57% owned – in liquidation

SPPICAV GRIF – 12.57% owned – in liquidation

Hong Kong

First Globe Limited – 50% owned

GDPHK Holdings Limited – 50% owned

Imperial Time Limited – 20% owned

Lucky New Investment Limited – 30% owned

Paramount Shine Limited – 50% owned

Richly Leader Ltd – 50% owned

The Manor Management Services Ltd – 20% owned

Registered office

30/F, Jardine House, One Connaught Place, Central, Hong Kong

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

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

30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong

30th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong

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

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

Ireland

Registered office: 21 Lavitts Quay, Cork

Barkhill Limited – 50% owned

Dietacaron Limited – 50% owned

Dutywell Trading Limited – 50% owned

Everuton Limited – 50% owned

Japan

Registered office: 1-12-32 Akasaka, Mnato-ku, Tokyo

Azabu Tokutei Mokuteki Kaisya – 50% owned

GDP1 Tokutei Mokuteki Kaisya – 38% owned

GDP2 Investment Business Limited Partnership – 38% owned

GDP2 Tokutei Mokuteki Kaisya – 38% owned

GDP3 Tokutei Mokuteki Kaisya – 38% owned

GPT Tokutei Mokuteki Kaisya – 67.8% owned

Notes to the Financial Statements

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

Luxembourg

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

GERP Luxembourg SARL – 5% owned

GFRI 2007 – 12.57% owned

GFRI 2010 – 12.57% owned

Grosvenor French Retail Investments SA – 12.57% owned

Grosvenor Retail European Properties II Sarl – 13.95% owned

Grosvenor Retail European Properties SA – 13.95% owned – in liquidation

Urban Retail V (Europe) Sarl – 9.09% owned

Mauritius

RMB Westport Fund II – 10.9% owned

Registered office

Level 3, Alexander House, 35, Cybercity, Ebene, Mauritius

Portugal

Sonae Sierra SGPS SA (Portugal) – 50% owned

Registered office

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

Spain

Jorge J.53 SL – 50% owned

Logic Spain KCRE SL – 40% owned

LS SPV One SL – 40% owned

Modesto L.26 Investment SL – 50% owned

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

Registered office

Paseo de la Castellana 60, Oficina Planta 2, Centro, 28046 Madrid

Calle Segre no 15, 28002 Madrid

Calle Segre no 15, 28002 Madrid

Paseo de la Castellana 60, Oficina Planta 2, Centro, 28046 Madrid

Paseo de la Castellana 60, Oficina Planta 2, Centro, 28046 Madrid

Sweden

Registered office: Smalandsgatan 10, 4tr, 11146 Stockholm

GERP Balsta Centrum AB – 5% owned

GERP Burlov AB – 5% owned

GERP Haninge Centrum AB – 5% owned

GERP Maxi Helsingborg KB – 5% owned

GERP Sverige AB – 5% owned

GERP Vasby Centrum AB – 5% owned

RCV Skarholmen AB – 17.6% owned

Skarholmen Retail AB – 17.6% owned

Notes to the Financial Statements

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

United States of America

Registered office: One California Street, Suite 2500, San Francisco, CA 94111

1500 K Street LLC – 20% owned	GP Warehouse Investment Propco Three LLP – 50% owned
180 Post Street LLC – 50% owned	GP Warehouse Investment Propco Two LLP – 50% owned
185 Post Street LLC – 50% owned	Grosvenor Maple Leaf Ventures II, LP ¹ – 20% owned
1900 Duke Street LP ¹ – 25% owned	Grosvenor Maple Leaf Ventures III LP – 20% owned
251 Post Street LLC – 50% owned	Grosvenor Maple Leaf Ventures IV LP – 20% owned
306 Rodeo Drive LLC – 50% owned	Grosvenor Maple Leaf Ventures LP – 20% owned
701 North Michigan Avenue LLC – 20% owned	Grosvenor Maple Leaf Ventures V LP – 20% owned
AGP JV LLC – 99% owned ⁴	Grosvenor Maple Leaf Ventures VI LP – 20% owned
Atlantic Freeholds Ltd ¹ – 50% owned	Grosvenor Maple Leaf Ventures VII LP – 20% owned
Ballpark Residential LLC ¹ – 50% owned	Grosvenor Maple Leaf Ventures VIII LP – 20% owned
Crossings II LLC – 19.8% owned	Grosvenor Urban Retail LP – 25% owned
Crossings, LLC – 19.8% owned	HS/GP Warehouse Investment Company LLC ² – 50% owned
Fair Oaks Polo Drive II, LLC – 19.8% owned	ML7 Residential II, LLC – 19.8% owned
Fair Oaks Polo Drive, LLC – 19.8% owned	ML7 Residential, LLC – 19.8% owned
Frontier Drive Metro Centre LP ¹ – 50% owned	Rice Lake Square LP – 25% owned
GP Warehouse Investment Propco One LLP – 50% owned	Stockdale Parking, LLC ³ – 90% owned

Registered office: ¹1701 Pennsylvania Avenue, Suite 450, DC 20006 Washington; ²53 State Street, 38th Floor, Boston, MA 02109;

³c/o Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801; ⁴2711 Centerville Road, Suite 400, Wilmington, DE 19801

All companies are wholly-owned in the United Kingdom except where indicated. Except as disclosed above, all interests are in the form of ordinary shares.

Notes to the Financial Statements

22(a) Investments in joint ventures and associates

2017

	Proprietary assets – Direct				Proprietary assets – Indirect		Total £m
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra* £m	Third-party managed £m	
Share of profit from joint ventures and associates							
Gross rental income	0.1	28.6	21.7	12.8	59.7	14.2	137.1
Property outgoings	–	(10.5)	(4.0)	(3.9)	(23.8)	(4.4)	(46.6)
Net rental income	0.1	18.1	17.7	8.9	35.9	9.8	90.5
Fees and other income	–	–	–	0.5	37.9	0.3	38.7
Administrative expenses	(0.1)	(0.4)	(0.4)	(1.2)	(27.8)	(1.4)	(31.3)
Net gains/(losses) on trading properties	18.9	19.9	1.1	(0.1)	(0.6)	–	39.2
Net financing costs	(0.1)	(5.7)	(1.9)	(2.8)	(10.9)	(3.5)	(24.9)
Revenue profit	18.8	31.9	16.5	5.3	34.5	5.2	112.2
Net gains on revaluation and sale of investment properties	–	4.9	45.6	1.9	36.4	10.1	98.9
Net gains on other investments	–	–	–	0.9	–	0.2	1.1
Derivative fair value adjustments	–	0.5	0.1	–	–	0.2	0.8
Profit before tax	18.8	37.3	62.2	8.1	70.9	15.7	213.0
Current tax	(0.8)	–	(1.4)	(0.8)	(6.6)	(0.1)	(9.7)
Deferred tax	–	–	(0.5)	0.5	(13.6)	–	(13.6)
Non-controlling interest	–	–	–	–	–	–	–
	18.0	37.3	60.3	7.8	50.7	15.6	189.7
Share of assets and liabilities							
Non-current assets							
– investment properties	–	447.4	455.4	217.8	905.4	176.0	2,202.0
– investment properties under development	–	–	–	–	33.6	–	33.6
– other	–	0.3	–	(0.3)	6.3	2.7	9.0
Current assets							
– cash	13.1	4.8	22.3	22.9	63.7	4.2	131.0
– trading properties	55.2	58.4	50.6	13.7	–	–	177.9
– other	7.2	1.1	4.6	8.0	58.0	2.1	81.0
Non-current liabilities	(5.3)	(123.1)	(183.9)	(139.7)	(494.9)	(88.9)	(1,035.8)
Current liabilities	(24.6)	(58.9)	(19.3)	(7.9)	(58.4)	(3.3)	(172.4)
Net assets	45.6	330.0	329.7	114.5	513.7	92.8	1,426.3
Borrowings included in liabilities	–	(170.6)	(177.5)	(139.5)	(346.6)	(91.8)	(926.0)

* In order to best reflect the underlying results of the Group, for purposes of presenting the Group's revenue profit (Note 4) and share of property assets (Note 18), Sonae Sierra's results have been incorporated on a management accounts basis rather than an IFRS basis, reflecting Sonae Sierra's proportionate share of its underlying investments.

Notes to the Financial Statements

22(a) Investments in joint ventures and associates continued

2016

	Proprietary assets – Direct				Proprietary assets – Indirect		
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Europe £m	Sonae Sierra* £m	Third-party managed £m	Total £m
Share of profit from joint ventures and associates							
Gross rental income	0.1	27.8	21.4	15.7	52.6	12.6	130.2
Property outgoings	(0.1)	(10.3)	(4.0)	(5.6)	(17.8)	(1.8)	(39.6)
Net rental income	–	17.5	17.4	10.1	34.8	10.8	90.6
Fees and other income/(expenses)	0.1	–	–	(0.1)	31.8	0.1	31.9
Administrative expenses	0.6	(0.3)	(0.4)	(1.5)	(27.3)	(1.2)	(30.1)
Net gains/(losses) on trading properties	1.9	(0.3)	2.7	–	(0.5)	0.4	4.2
Net financing costs	–	(5.1)	(1.8)	(2.8)	(10.6)	(3.0)	(23.3)
Revenue profit	2.6	11.8	17.9	5.7	28.2	7.1	73.3
Net (losses)/gains on revaluation and sale of investment properties	(0.3)	17.0	21.1	3.9	68.1	11.6	121.4
Derivative fair value adjustments	(0.1)	0.5	–	–	–	(0.2)	0.2
Profit before tax	2.2	29.3	39.0	9.6	96.3	18.5	194.9
Current tax	(0.6)	(0.2)	(1.3)	(0.3)	(5.6)	–	(8.0)
Deferred tax	–	–	(0.5)	(0.7)	(17.7)	(0.2)	(19.1)
Non-controlling interest	–	–	–	(0.1)	–	–	(0.1)
	1.6	29.1	37.2	8.5	73.0	18.3	167.7
Share of assets and liabilities							
Non-current assets							
– investment properties	0.1	421.7	450.0	231.0	861.9	144.1	2,108.8
– investment properties under development	–	–	–	–	29.3	–	29.3
– other	0.2	0.1	–	–	6.3	1.6	8.2
Current assets							
– cash	20.5	2.3	28.0	13.8	85.6	4.6	154.8
– trading properties	69.1	65.8	57.3	–	–	–	192.2
– other	8.6	1.4	5.2	5.8	43.9	3.3	68.2
Non-current liabilities	(38.6)	(158.6)	(200.9)	(122.4)	(468.8)	(75.1)	(1,064.4)
Current liabilities	(28.5)	(22.1)	(18.7)	(11.2)	(63.4)	(3.1)	(147.0)
Net assets	31.4	310.6	320.9	117.0	494.8	75.4	1,350.1
Borrowings included in liabilities	(29.0)	(168.4)	(194.2)	(122.8)	(334.1)	(75.9)	(924.4)

* In order to best reflect the underlying results of the Group, for purposes of presenting the Group's revenue profit (Note 4) and share of property assets (Note 18), Sonae Sierra's results have been incorporated on a management accounts basis rather than an IFRS basis, reflecting Sonae Sierra's proportionate share of its underlying investments.

Notes to the Financial Statements

22(b) Investments in joint ventures and associates

Summarised financial information in respect of the Group's material joint venture in Sonae Sierra is set out below. This represents amounts shown in Sonae Sierra's financial statements prepared in accordance with IFRS and is prepared on a different basis to the information shown in [Note 22\(a\)](#) where it is presented on a management accounts basis (see [Note 22\(a\)](#)).

Sonae Sierra

	2017 £m	2016 £m
Net rental income	206.5	201.0
Depreciation and amortisation	(0.9)	(0.8)
Other operating expenses	(118.8)	(122.4)
Financial income	6.0	5.1
Financial expenses	(12.9)	(13.9)
Share of results of associates	110.5	168.8
Losses on investments	9.6	28.9
Profit before tax	200.0	266.7
Tax	(22.7)	(19.7)
Profit after tax	177.3	247.0
Attributable to:		
Equity holders of Sonae Sierra	101.3	146.7
Non-controlling interest	76.0	100.3
Consolidated net profit for the period	177.3	247.0
The Group's share of profit for the year (Note 22(a))	50.7	73.0
Non-controlling interest of the Group's profit for the year	-	-
	2017 £m	2016 £m
Non-current assets	1,915.1	1,773.8
Current assets		
Cash	60.5	127.7
Other current assets	92.2	74.5
Total assets	2,067.4	1,976.0
Non-current liabilities		
Non-current financial liabilities	(176.2)	(314.5)
Other non-current liabilities	(128.2)	(117.6)
Current liabilities		
Current financial liabilities	(152.4)	(45.2)
Other current liabilities	(69.9)	(75.0)
Total liabilities	(526.7)	(552.3)
Net assets	1,541.1	1,423.7
Shareholders' funds	1,027.4	989.7
Non-controlling interest	513.7	434.0
Total Equity	1,541.1	1,423.7
Carrying amount of the Group's interest in Sonae Sierra (Note 22(a))	513.7	494.8
Non-controlling interest of the Group's interest in Sonae Sierra	-	-

Notes to the Financial Statements

22(c) Investments in joint ventures and associates

At 31 December 2017, the Group had the following principal interests in joint ventures and associates which are accounted for on the basis explained in [Note 1\(b\)](#):

	Principal activities	Country of incorporation/registration	Effective interest	Group share of net assets £m
Britain & Ireland				
GC Bankside LLP	Property development	England and Wales	50.0%	1.7
Barkhill Limited	Property development	Republic of Ireland	50.0%	10.3
NLG Campden LLP	Property development	England and Wales	16.7%	31.4
Trumpington Meadows Land Company Limited	Property development	England and Wales	50.0%	2.6
Americas				
Joint ventures with BBCAF Inc	Property investment	United States of America	50.0%/25.0%	198.6
Joint ventures with the Getty Family Trust	Property investment	United States of America	50.0%	17.9
Joint ventures with PSP and Alberta Teachers' Retirement Fund	Property investment	United States of America	20.0%	34.0
Joint ventures with Clark Ballpark Residential LLC	Property investment	United States of America	50.0%	31.6
Joint ventures with Manitoba Civil Service Superannuation Board, Bindali Group	Property investment	Canada	30.0%	11.8
GEMOA Inc	Property investment	United States of America	50.0%	22.1
Asia Pacific				
Richly Leader Limited*	Property investment	Hong Kong	50.0%	249.8
Imperial Time Limited*	Property development	Hong Kong	20.0%	17.4
Grosvenor Park Partners Limited	Property development	Cayman Islands	40.8%	9.3
Azabu Tokutei Mokuteki Kaisya	Property development	Japan	50.0%	17.3
GPT Tokutei Mokuteki Kaisya	Property development	Japan	67.8%	22.2
GDP1 Tokutei Mokuteki Kaisya	Investment holding	Japan	38.5%	6.9
GDP2 Tokutei Mokuteki Kaisya	Investment holding	Japan	38.5%	5.0
Europe				
Grosvenor London Office Fund*	Property investment	England and Wales	12.7%	16.6
Grosvenor Liverpool Fund*	Property investment	England and Wales	10.0%	58.4
Grosvenor Retail European Properties*	Property investment	Luxembourg	14.0%	1.3
Grosvenor French Retail Investment	Property investment	Luxembourg	11.1%	6.9
Grosvenor European Retail Partnership	Property investment	Luxembourg	5.0%	10.4
Retail Centres V (Sweden) Limited Partnership	Property investment	England and Wales	17.6%	32.5
Urban Retail V UK Limited Partnership	Property investment	England and Wales	9.1%	2.4
Urban Retail V (Europe) SARL	Property investment	Luxembourg	9.1%	0.2
Urban Value Add I (Spain) SL	Property investment	Spain	50.0%	13.2

Notes to the Financial Statements

22(c) Investments in joint ventures and associates continued

	Principal activities	Country of incorporation/registration	Effective interest	Group share of net assets £m
Indirect investments				
Sonae Sierra SGPS SA	Property investment and development	Portugal	50.0%	513.7
HS/GP Warehouse Investment Company, LLP	Property investment	United States of America	50.0%	15.7
iO Investment 2 LLP	Property investment	England and Wales	27.2%	16.7
Propertylink Office Partnership III	Property investment	Australia	88.8%	27.6
Logic Spain KCRE, S.L.	Property investment	Spain	40.0%	4.5
Stockdale Parking, LLC	Property investment	United States of America	90.0%	10.7
Four Ashes Limited	Property investment	England and Wales	40.0%	6.4
Alden Street Capital Management LLC	Property investment	United States of America	99.0%	10.8

* Associate (all other investments are joint ventures).

22(d) Investments in joint ventures and associates

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

23 Other financial assets

	2017 £m	2016 £m
Non-current assets		
Equity shares	0.4	11.4
Mezzanine loans	36.6	26.2
Other financial assets	16.9	53.0
Non-current portion of interest and currency swaps	–	14.7
	53.9	105.3
Current assets		
Mezzanine loans	16.0	14.5
Current portion of currency swaps	1.8	–
	17.8	14.5

Included in the above are property-related financial assets of £59.9m (2016: £97.0m).

Notes to the Financial Statements

23 Other financial assets continued

Mezzanine loans

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

24 Intangible assets

2017

	Goodwill £m	Total £m
Cost		
At 1 January 2017	11.6	11.6
Exchange movements	0.5	0.5
At 31 December 2017	12.1	12.1
Amortisation/impairment		
At 1 January 2017	(0.3)	(0.3)
Impairment	-	-
At 31 December 2017	(0.3)	(0.3)
Carrying amount		
At 1 January 2017	11.3	11.3
At 31 December 2017	11.8	11.8

Notes to the Financial Statements

24 Intangible assets continued

2016

	Goodwill £m	Total £m
Cost		
At 1 January 2016	-	-
Additions	11.0	11.0
Exchange movements	0.6	0.6
At 31 December 2016	11.6	11.6
Amortisation/impairment		
At 1 January 2016	-	-
Impairment	(0.3)	(0.3)
At 31 December 2016	(0.3)	(0.3)
Carrying amount		
At 1 January 2016	-	-
At 31 December 2016	11.3	11.3

25 Trade and other receivables

	2017 £m	2016 £m
Current receivables		
Trade receivables	30.1	48.6
Receivables due from joint ventures	2.8	3.0
Other receivables	80.8	49.8
Prepayments	6.0	9.9
Accrued income	3.9	2.8
	123.6	114.1
Non-current receivables		
Receivables due from joint ventures	83.1	64.8
	83.1	64.8
	206.7	178.9

Trade receivables are shown net of allowances for bad debts of £1.8m (2016: £1.5m). Included in the above are receivables due after more than one year totalling £0.1m (2016: £0.4m).

Notes to the Financial Statements

26 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

	2017			2016		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Investment property – contingent losses/(gains)	24.1	(454.3)	(430.2)	39.7	(463.5)	(423.8)
Investment property – deferred losses/(gains)	27.7	(145.2)	(117.5)	22.4	(190.2)	(167.8)
Other property, plant and equipment	–	(12.8)	(12.8)	0.1	(12.2)	(12.1)
Other financial assets	–	–	–	0.7	(0.1)	0.6
Interest-bearing loans and borrowings	1.6	(0.1)	1.5	3.1	(0.7)	2.4
Employee benefits	11.8	(0.2)	11.6	20.3	(1.5)	18.8
Provisions	–	–	–	0.7	(0.1)	0.6
Tax value and loss carry-forwards recognised	2.7	–	2.7	3.6	–	3.6
Tax assets/(liabilities)	67.9	(612.6)	(544.7)	90.6	(668.3)	(577.7)

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

Temporary differences, including those from unremitted earnings, can arise on the Group's investments in subsidiaries and jointly controlled entities. Deferred tax is not recognised on these as the Group is able to control their reversal and it is probable they will not reverse in the foreseeable future. At 31 December 2017, the total of these temporary differences was £680.7m (2016: £590.0m) and the potential tax effect was £40.7m (2016: £36.0m), accruing principally as a result of potential dividend withholding taxes levied by overseas tax jurisdictions.

Unrecognised deferred tax assets

	2017 £m	2016 £m
Tax losses	64.3	61.3

Movement in temporary differences during the year

	Balance at 1 January 2017 £m	Recognised in income £m	Recognised in equity £m	Exchange movement £m	Balance at 31 December 2017 £m
Investment property – contingent gains	(423.8)	(6.8)	0.4	–	(430.2)
Investment property – deferred gains	(167.8)	37.1	–	13.2	(117.5)
Other property, plant and equipment	(12.1)	(0.8)	–	0.1	(12.8)
Other financial assets	0.6	(0.4)	–	(0.2)	–
Interest-bearing loans and borrowings	2.4	(0.4)	(0.4)	(0.1)	1.5
Employee benefits	18.8	(2.7)	(4.4)	(0.1)	11.6
Provisions	0.6	(0.6)	–	–	–
Tax value and loss carry-forwards recognised	3.6	(0.9)	–	–	2.7
Tax (liabilities)/assets	(577.7)	24.5	(4.4)	12.9	(544.7)

Notes to the Financial Statements

27 Trading properties

	2017 £m	2016 £m
At 1 January	336.7	157.1
Additions	72.2	92.8
Capitalised interest	0.7	1.5
Disposals	(137.1)	(18.4)
Transfer (to)/from investment properties	(62.8)	69.1
Provision for impairment	(1.9)	–
Exchange movements	(15.1)	34.6
	192.7	336.7

At 31 December 2017, trading properties with a carrying value of £56.5m were pledged as security for bank loans (2016: £98.7m).

During the year the Group transferred a trading property with a cost of £62.8m at a fair value of £70.2m to investment properties (Note 19).

The Group realised a valuation gain of £7.4m on the transfer.

28 Cash and cash equivalents

	2017 £m	2016 £m
Bank balances	118.7	122.4
Cash deposits	312.1	619.4
Cash and cash equivalents	430.8	741.8
Cash and cash equivalents in the statement of cash flows	430.8	741.8

The amount of cash and cash equivalents not available for use by the Group totals £37.6m (2016: £40.1m), of which £nil (2016: £nil) has been pledged as collateral.

Notes to the Financial Statements

29 Interest-bearing loans and borrowings

	2017 £m	2016 £m
Non-current liabilities		
Secured bank loans	295.5	227.2
Unsecured bank loans	7.8	67.3
Secured bond issues	202.8	201.8
Unsecured bond issues	267.5	268.6
Finance lease liabilities	1.4	1.6
Non-current portion of currency swaps	–	7.8
	775.0	774.3
Current liabilities		
Current portion of secured bank loans	65.9	37.7
Current portion of currency swaps	–	4.2
	65.9	41.9
	840.9	816.2

The secured bank loans and secured bonds are secured over investment properties with a carrying value of £2,073.4m (2016: £1,917.1m) and trading properties with a carrying value of £56.5m (2016: £98.7m). Included in secured bond issues is £1.6m (2016: £1.8m) of net unamortised premium.

The interest-bearing loans and borrowings shown above include deferred finance costs of £3.0m (2016: £3.3m).

Finance lease liabilities

Finance lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2017			2016		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	0.4	0.3	0.1	0.3	0.3	–
Between one and five years	1.3	1.3	0.1	1.3	1.3	–
More than five years	72.3	71.0	1.2	73.0	71.4	1.6
	74.0	72.6	1.4	74.6	73.0	1.6

Notes to the Financial Statements

30 Financial instruments

Capital risk management

The capital structure of the Group comprises debt, which includes the borrowings disclosed in [Note 29](#); cash and cash equivalents disclosed in [Note 28](#); and equity, comprising issued share capital, reserves and retained earnings as disclosed in [Notes 36](#) and [37](#).

The Group manages its capital to optimise the allocation of equity between the Operating Companies and Indirect Investments and to enable them to meet their short-, medium- and long-term targets. Internal gearing and interest cover limits are set for each Operating Company. Group gearing on an IFRS basis at the year end is 8.4% (2016: 1.3%); while gearing on an economic basis is 23.8% (2016: 17.0%).

Categories of financial instruments and their fair values

2017

	Loans and receivables £m	Held for trading £m	Available-for-sale securities £m	Financial assets at amortised cost £m	Total carrying amount £m	Fair value £m
Financial assets:						
Equity shares	–	–	0.4	–	0.4	0.4
Mezzanine loans (current and non-current)	49.6	3.0	–	–	52.6	52.6
Other financial assets	–	–	9.9	–	9.9	9.9
Trade and other receivables	196.8	–	–	–	196.8	196.8
Cash and cash equivalents	–	–	–	430.8	430.8	430.8
Total financial assets	246.4	3.0	10.3	430.8	690.5	690.5

Notes to the Financial Statements

30 Financial instruments continued

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

	Financial liabilities at amortised cost £m	Total carrying amount £m	Fair value £m
Financial liabilities:			
Fixed rate loans			
Sterling unsecured bond 2019	(52.5)	(52.5)	(58.3)
Sterling unsecured bond 2022	(60.0)	(60.0)	(64.5)
Sterling secured bond 2026	(201.8)	(201.8)	(267.4)
Sterling unsecured bond 2031	(95.0)	(95.0)	(128.7)
Sterling secured mortgage 2034	(50.0)	(50.0)	(97.2)
Sterling unsecured bond 2037	(30.0)	(30.0)	(41.1)
Sterling unsecured bond 2041	(30.0)	(30.0)	(47.7)
US Dollars	(18.6)	(18.6)	(18.6)
Canadian Dollars	(28.7)	(28.7)	(28.7)
Japanese Yen	(100.7)	(100.7)	(100.7)
Total fixed rate loans	(667.3)	(667.3)	(852.9)
Floating rate loans			
US Dollars	(93.4)	(93.4)	(93.4)
Canadian Dollars	(29.4)	(29.4)	(29.4)
Japanese Yen	(50.5)	(50.5)	(50.5)
Total floating rate loans	(173.3)	(173.3)	(173.3)
Finance lease liabilities	(1.4)	(1.4)	(1.4)
Tax payable	-	-	-
Trade and other payables	(110.2)	(110.2)	(110.2)
Total financial liabilities	(952.2)	(952.2)	(1,137.8)

Notes to the Financial Statements

30 Financial instruments continued

	Held for trading £m	Total carrying amount £m	Fair value £m
Derivatives			
Interest rate swaps			
US Dollars	(1.9)	(1.9)	(1.9)
Hong Kong Dollars	3.0	3.0	3.0
Total interest rate swaps	1.1	1.1	1.1
Currency swaps			
Euros	(0.6)	(0.6)	(0.6)
Total currency swaps	(0.6)	(0.6)	(0.6)
Total derivatives	0.5	0.5	0.5

Currency swaps are against Sterling unless stated otherwise.

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

Notes to the Financial Statements

30 Financial instruments continued

	2017			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Available-for-sale financial assets				
Equity shares	0.4	–	–	0.4
Other	–	–	9.9	9.9
Financial assets held for trading				
Mezzanine loan investments	–	–	3.0	3.0
Derivatives	–	3.0	–	3.0
Total financial assets	0.4	3.0	12.9	16.3
Financial liabilities held for trading				
Derivatives	–	(2.5)	–	(2.5)
Total financial liabilities	–	(2.5)	–	(2.5)

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

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

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

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

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

2016

	Loans and receivables £m	Held for trading £m	Available-for-sale securities £m	Financial assets at amortised cost £m	Total carrying amount £m	Fair value £m
Financial assets:						
Equity shares	–	–	11.4	–	11.4	11.4
Mezzanine loans (current and non-current)	40.2	0.5	–	–	40.7	40.7
Other financial assets	–	–	45.7	–	45.7	45.7
Trade and other receivables	166.2	–	–	–	166.2	166.2
Cash and cash equivalents	–	–	–	741.8	741.8	741.8
Total financial assets	206.4	0.5	57.1	741.8	1,005.8	1,005.8

Notes to the Financial Statements

30 Financial instruments continued

	Financial liabilities at amortised cost £m	Total carrying amount £m	Fair value £m
Financial liabilities:			
Fixed rate loans			
Sterling unsecured bond 2019	(52.5)	(52.5)	(62.0)
Sterling unsecured bond 2022	(60.0)	(60.0)	(65.6)
Sterling secured bond 2026	(201.6)	(201.6)	(254.9)
Sterling unsecured bond 2031	(95.0)	(95.0)	(127.1)
Sterling secured mortgage 2034	(50.0)	(50.0)	(91.3)
Sterling unsecured bond 2037	(30.0)	(30.0)	(38.9)
Sterling unsecured bond 2041	(30.0)	(30.0)	(44.6)
US Dollars	(20.8)	(20.8)	(22.7)
Canadian Dollars	(30.3)	(30.3)	(31.3)
Total fixed rate loans	(570.2)	(570.2)	(738.4)
Floating rate loans			
Sterling	(29.3)	(29.3)	(29.3)
US Dollars	(105.0)	(105.0)	(105.0)
Canadian Dollars	(42.9)	(42.9)	(42.9)
Japanese Yen	(55.1)	(55.1)	(55.1)
Total floating rate loans	(232.3)	(232.3)	(232.3)
Finance lease liabilities	(1.6)	(1.6)	(1.6)
Tax payable	-	-	-
Trade and other payables	(103.6)	(103.6)	(103.6)
Total financial liabilities	(907.7)	(907.7)	(1,075.9)

Notes to the Financial Statements

30 Financial instruments continued

	Held for trading £m	Total carrying amount £m	Fair value £m
Derivatives			
Interest rate swaps			
US Dollars	(3.4)	(3.4)	(3.4)
Hong Kong Dollars	4.8	4.8	4.8
Total interest rate swaps	1.4	1.4	1.4
Currency swaps			
Euros	(2.1)	(2.1)	(2.1)
Total currency swaps	(2.1)	(2.1)	(2.1)
Total derivatives	(0.7)	(0.7)	(0.7)

Currency swaps are against Sterling unless stated otherwise.

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

	2016			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Available-for-sale financial assets				
Equity shares	10.9	–	0.5	11.4
Other	30.8	–	14.9	45.7
Financial assets held for trading				
Mezzanine loan investments	–	–	0.5	0.5
Derivatives	–	4.8	–	4.8
Total financial assets	41.7	4.8	15.9	62.4
Financial liabilities held for trading				
Derivatives	–	(5.5)	–	(5.5)
Total financial liabilities	–	(5.5)	–	(5.5)

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

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

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

Notes to the Financial Statements

30 Financial instruments continued

Financial risk management

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

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

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

Interest rate risk

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

Notes to the Financial Statements

30 Financial instruments continued

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

2017

	Effective interest rate %	Floating interest rate £m	Fixed interest rate			Non-interest-bearing £m	Total £m
			< 1 year £m	1-5 years £m	> 5 years £m		
Financial assets:							
Equity shares	-	-	-	-	-	0.4	0.4
Mezzanine loans (current and non-current)	10.0	-	16.0	28.7	7.9	-	52.6
Other financial assets	-	-	-	3.0	-	6.9	9.9
Trade and other receivables (excluding prepayments and accrued income)	2.6	60.0	-	-	-	136.8	196.8
Tax receivable	-	-	-	-	-	-	-
Cash and cash equivalents	0.3	385.2	-	-	-	45.6	430.8
Total financial assets		445.2	16.0	31.7	7.9	189.7	690.5
Financial liabilities:							
Fixed rate loans							
Sterling unsecured bond 2019	8.4	-	-	(52.5)	-	-	(52.5)
Sterling unsecured bond 2022	3.4	-	-	-	(60.0)	-	(60.0)
Sterling secured bond 2026	6.5	-	-	-	(201.8)	-	(201.8)
Sterling unsecured bond 2031	5.6	-	-	-	(95.0)	-	(95.0)
Sterling secured mortgage 2034	10.4	-	-	-	(50.0)	-	(50.0)
Sterling unsecured bond 2037	5.0	-	-	-	(30.0)	-	(30.0)
Sterling unsecured bond 2041	6.1	-	-	-	(30.0)	-	(30.0)
US Dollars fixed rate	4.9	-	(0.3)	(18.3)	-	-	(18.6)
Canadian Dollars fixed rate	5.2	-	(20.2)	(0.8)	(7.7)	-	(28.7)
Japanese Yen fixed rate	1.0	-	-	-	(100.7)	-	(100.7)
Total fixed rate loans		-	(20.5)	(71.6)	(575.2)	-	(667.3)
Floating rate loans fixed through interest rate swaps							
US Dollars	1.7	-	(6.2)	(1.3)	-	-	(7.5)
Canadian Dollars	3.9	-	(0.5)	(1.5)	(15.6)	-	(17.6)
Total floating rate loans fixed through interest rate swaps		-	(6.7)	(2.8)	(15.6)	-	(25.1)
Floating rate loans							
US Dollars floating rate	3.6	(87.8)	-	-	-	-	(87.8)
Canadian Dollars floating rate	3.6	(11.8)	-	-	-	-	(11.8)
Japanese Yen floating rate	0.4	(50.5)	-	-	-	-	(50.5)
Total floating rate loans		(150.1)	-	-	-	-	(150.1)
Currency swaps	-	-	1.8	(2.4)	-	-	(0.6)
Finance lease liabilities	6.0	-	-	-	(1.4)	-	(1.4)
Trade and other payables (excluding deferred income and accrued expenses)	-	-	-	-	-	(110.2)	(110.2)
Total financial liabilities		(150.1)	(25.4)	(76.8)	(592.2)	(110.2)	(954.7)

The total average cost of debt for the year ended 31 December 2017 was 5.1% (2016: 5.2%).

Notes to the Financial Statements

30 Financial instruments continued

2016

	Effective interest rate %	Floating interest rate £m	Fixed interest rate			Non-interest-bearing £m	Total £m
			< 1 year £m	1–5 years £m	> 5 years £m		
Financial assets:							
Equity shares	–	–	–	–	–	11.4	11.4
Mezzanine loans (current and non-current)	10.0	–	14.5	24.4	1.8	–	40.7
Other financial assets	–	–	–	4.8	–	40.9	45.7
Trade and other receivables (excluding prepayments and accrued income)	2.0	23.0	–	–	–	143.2	166.2
Tax receivable	–	–	–	–	–	–	–
Cash and cash equivalents	0.4	727.1	–	–	–	14.7	741.8
Total financial assets		750.1	14.5	29.2	1.8	210.2	1,005.8
Financial liabilities:							
Fixed rate loans							
Sterling unsecured bond 2019	8.4	–	–	(52.5)	–	–	(52.5)
Sterling unsecured bond 2022	3.4	–	–	–	(60.0)	–	(60.0)
Sterling secured bond 2026	6.5	–	–	–	(201.6)	–	(201.6)
Sterling unsecured bond 2031	5.6	–	–	–	(95.0)	–	(95.0)
Sterling secured mortgage 2034	10.4	–	–	–	(50.0)	–	(50.0)
Sterling unsecured bond 2037	5.0	–	–	–	(30.0)	–	(30.0)
Sterling unsecured bond 2041	6.1	–	–	–	(30.0)	–	(30.0)
Sterling fixed rate	–	–	–	–	–	–	–
US Dollars fixed rate	4.9	–	(0.4)	(1.2)	(19.2)	–	(20.8)
Canadian Dollars fixed rate	5.9	–	(1.0)	(21.2)	(8.1)	–	(30.3)
Japanese Yen fixed rate	–	–	–	–	–	–	–
Total fixed rate loans		–	(1.4)	(74.9)	(493.9)	–	(570.2)
Floating rate loans fixed through interest rate swaps							
US Dollars	2.3	–	0.2	(50.3)	–	–	(50.1)
Canadian Dollars	4.0	–	(0.2)	(0.6)	(5.9)	–	(6.7)
Total floating rate loans fixed through interest rate swaps		–	–	(50.9)	(5.9)	–	(56.8)
Floating rate loans							
Sterling floating rate	1.7	(29.3)	–	–	–	–	(29.3)
US Dollars floating rate	3.5	(58.3)	–	–	–	–	(58.3)
Canadian Dollars floating rate	3.5	(36.2)	–	–	–	–	(36.2)
Hong Kong Dollars floating rate	–	–	–	–	–	–	–
Japanese Yen floating rate	0.4	(55.1)	–	–	–	–	(55.1)
Total floating rate loans		(178.9)	–	–	–	–	(178.9)
Currency swaps	–	–	(4.2)	1.7	0.4	–	(2.1)
Finance lease liabilities	6.0	–	–	–	(1.6)	–	(1.6)
Trade and other payables (excluding deferred income and accrued expenses)	–	–	–	–	–	(103.6)	(103.6)
Total financial liabilities		(178.9)	(5.6)	(124.1)	(501.0)	(103.6)	(913.2)

Notes to the Financial Statements

30 Financial instruments continued

Interest rate sensitivity

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

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

		2017 £m	2016 £m
Increase in results for the year	- interest charge	1.9	3.4
	- mark to market of interest rate swaps	2.7	3.4
	- tax charge	(0.9)	(1.4)
Total impact in profit and equity		3.7	5.4

Similarly, if interest rates had been 0.5% lower, then Group profit and equity would have decreased by £3.8m (2016: £5.4m).

As part of the Group's interest rate risk management, interest rate swaps exchanging floating for fixed interest with a notional principal of £24.5m (2016: £13.5m) and a fair value asset of £0.1m (2016: £0.6m liability) were designated for cash flow hedge accounting at 31 December 2017. These hedges were highly effective during the year.

Foreign currency risk

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

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

Equity price risk

The Group is exposed to equity price risks arising from its equity investments disclosed in [Note 23](#). Equity investments designated as available-for-sale are held for strategic rather than trading purposes.

Equity price sensitivity

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

If equity prices had been 10% higher/lower other equity reserves would increase/decrease by £0.2m (2016: increase/decrease by £1.1m) as a result of changes in fair value of available-for-sale shares.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual financial obligations resulting in financial loss to the Group. The Group is exposed to credit risk in respect of its surplus cash deposits, undrawn committed borrowing facilities, trade receivables, mezzanine loan investments, loans to joint ventures and in the money derivatives.

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

Notes to the Financial Statements

30 Financial instruments continued

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

	Total cash and cash equivalents at 31 December	
	2017 £m	2016 £m
AAA	247.0	466.0
AA-	47.2	153.1
A+	14.8	26.4
A	70.4	57.2
A-	8.2	-
BBB+	43.2	39.1
	430.8	741.8

Trade receivables consist of amounts due from a large number of tenants, spread across diverse industries and geographical areas. Credit checks are carried out before commencement of tenancies and before entering joint venture partnership agreements and continuing credit evaluation seeks to ensure any receivables are provided for as required. Trade receivables are small relative to turnover and therefore do not present a significant risk to the Group. Trade receivables at the year end totalled £30.1m of which £7.4m was outstanding at 1 March 2018.

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

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

Liquidity risk

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

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

	Drawn facilities		Undrawn facilities	
	2017 £m	2016 £m	2017 £m	2016 £m
Expiring in less than one year	64.8	109.2	65.1	115.8
Expiring from one to two years	80.0	42.4	85.6	116.2
Expiring from two to five years	162.4	113.4	822.5	725.7
Expiring after more than five years	532.8	537.6	-	0.0
Total	840.0	802.6	973.2	957.7

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

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

Notes to the Financial Statements

30 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 (which therefore differs from both carrying value and fair value) is as follows:

2017

	Fixed rate loans £m	Floating rate loans £m	Finance lease liabilities £m	Other £m	Total £m
Due within one year	56.7	50.0	0.4	109.4	216.5
From one to two years	84.7	30.6	0.4	0.8	116.5
From two to three years	31.7	30.6	0.3	–	62.6
From three to four years	48.5	5.6	0.3	–	54.4
From four to five years	90.1	52.2	0.3	–	142.6
After five years	723.5	16.2	72.3	–	812.0
	1,035.2	185.2	74.0	110.2	1,404.6

2016

	Fixed rate loans £m	Floating rate loans £m	Finance lease liabilities £m	Other £m	Total £m
Due within one year	78.8	66.4	0.3	103.0	248.5
From one to two years	56.4	24.0	0.3	0.6	81.3
From two to three years	83.2	43.8	0.3	–	127.3
From three to four years	30.2	0.9	0.3	–	31.4
From four to five years	50.6	0.9	0.3	–	51.8
After five years	710.8	61.1	72.7	–	844.6
	1,010.0	197.1	74.2	103.6	1,384.9

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

	2017		2016	
	Payable £m	Receivable £m	Payable £m	Receivable £m
Due within one year	(211.2)	214.5	(64.4)	60.0
From one to two years	(51.1)	52.0	(147.6)	152.8
From two to three years	(24.9)	23.6	(49.8)	51.2
From three to four years	(17.6)	18.5	(24.0)	23.6
From four to five years	(0.6)	0.6	(16.6)	18.3
After five years	(0.8)	0.9	(0.6)	0.5
	(306.2)	310.1	(303.0)	306.4

Notes to the Financial Statements

31 Trade and other payables

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Current liabilities				
Trade payables	26.0	24.1	-	-
Other payables	83.4	78.9	-	-
Accrued expenses	57.1	65.9	-	-
Deferred income	40.8	39.7	-	-
	207.3	208.6	-	-
Non-current liabilities				
Other payables	0.8	0.6	-	-
Deferred income	116.0	112.0	-	-
	116.8	112.6	-	-
	324.1	321.2	-	-

Deferred income includes £119.4m in respect of deferred lease premium profits (2016: £115.2m).

32 Provisions

Development loss provision

	2017 £m	2016 £m
Current liabilities		
At 1 January	13.2	10.9
Recognised in the year	3.7	5.8
Utilised in the year	(11.0)	(3.5)
At 31 December	5.9	13.2
Non-current liabilities		
At 1 January	3.8	6.4
Recognised in the year	-	3.1
Released in the year	(3.5)	(5.7)
At 31 December	0.3	3.8
	6.2	17.1

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

Notes to the Financial Statements

33 Operating lease commitments

Leases as lessee

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

	2017 £m	2016 £m
Land and buildings	6.0	4.9

Non-cancellable operating lease rentals are payable as follows:

	2017 £m	2016 £m
Less than one year	8.2	7.7
Between one and five years	26.3	25.0
More than five years	57.8	44.2
	92.3	76.9

Leases as lessor

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

	2017 £m	2016 £m
Less than one year	108.9	107.4
Between one and five years	290.8	255.1
More than five years	1,191.6	1,086.1
	1,591.3	1,448.6

34 Capital commitments

	2017 £m	2016 £m
Investment properties contracted but not provided	35.3	32.4
Development properties contracted but not provided	45.0	112.7
	80.3	145.0

Included in the above is the Group's share of joint venture and associate capital commitments of £15.1m (2016: £32.0m) relating to development properties.

35 Contingent liabilities

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

Notes to the Financial Statements

36 Share capital

	Number of shares	2017 £m	Number of shares	2016 £m
Allocated, called up and fully paid				
Ordinary shares of £1	5,684,877	5.7	5,684,877	5.7
Non-voting ordinary shares of £1	45,479,016	45.5	45,479,016	45.5
'A' preference shares of £1	5,684,877	5.7	5,684,877	5.7
	56,848,770	56.9	56,848,770	56.9

Rights of classes of shares

Profits determined by the Directors as available for distribution are to be applied first in paying a fixed non-cumulative dividend of 12% per annum on the amounts paid up on the 'A' preference shares; secondly in paying a floating coupon on the amounts paid up or deemed paid up on the 'C' preference shares. The balance of profits available for distribution is payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

On a return of the Company's assets to Shareholders the assets are to be applied first in repaying to the holders of the 'A' preference shares the amounts paid up on their shares; secondly repaying to the holders of the 'B' preference shares and the holders of the 'C' preference shares the amounts paid up or deemed paid up on their shares. The balance of the assets is payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares up to an amount of £10bn. Thereafter the balance of assets is payable to the holders of the 'B' preference shares, 'C' preference shares, ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

As at 31 December 2017, there were no 'B' or 'C' preference shares in issue.

Notes to the Financial Statements

37 Reconciliation of share capital and reserves

(a) Group

	Share capital £m	Share premium £m	Translation reserve £m	Other reserve £m	Fair value reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2016	56.9	28.3	232.6	223.7	6.3	30.7	3,795.7	4,374.2	87.2	4,461.4
Profit for the year	-	-	-	-	-	-	136.5	136.5	0.8	137.3
Revaluation movement	-	-	-	-	-	(3.6)	-	(3.6)	-	(3.6)
Fair value adjustments	-	-	-	(0.9)	(0.3)	-	-	(1.2)	-	(1.2)
Deferred tax	-	-	-	0.4	-	1.1	3.7	5.2	-	5.2
Pension actuarial losses	-	-	-	-	-	-	(22.4)	(22.4)	-	(22.4)
Dividends	-	-	-	-	-	-	(40.2)	(40.2)	-	(40.2)
Transfer between reserves	-	-	-	1.9	-	-	(1.9)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(1.7)	(1.7)
Non-controlling shares acquired by subsidiary	-	-	-	-	-	-	-	-	(87.6)	(87.6)
Exchange	-	-	329.2	0.1	-	-	0.5	329.8	(0.3)	329.5
Balance at 31 December 2016	56.9	28.3	561.8	225.2	6.0	28.2	3,871.9	4,778.3	(1.6)	4,776.7
Profit for the year	-	-	-	-	-	-	248.7	248.7	-	248.7
Revaluation movement	-	-	-	-	-	0.2	-	0.2	-	0.2
Fair value adjustments	-	-	-	1.8	1.9	-	-	3.7	-	3.7
Net gains reclassified from fair value reserve to profit or loss	-	-	-	-	(7.1)	-	-	(7.1)	-	(7.1)
Deferred tax	-	-	-	(0.4)	-	0.4	(4.4)	(4.4)	-	(4.4)
Pension actuarial gains	-	-	-	-	-	-	24.0	24.0	-	24.0
Dividends	-	-	-	-	-	-	(42.3)	(42.3)	-	(42.3)
Transfer between reserves	-	-	-	1.8	(1.2)	(0.9)	0.3	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(0.5)	(0.5)
Exchange	-	-	(112.4)	-	-	0.1	(0.4)	(112.7)	-	(112.7)
Balance at 31 December 2017	56.9	28.3	449.4	228.4	(0.4)	28.0	4,097.8	4,888.4	(2.1)	4,886.3

Other reserves comprise net interest rate hedging gains of £0.7m (2016: losses of £2.5m) and capital redemption reserve of £227.7m (2016: £227.7m).

Notes to the Financial Statements

37 Reconciliation of share capital and reserves continued

(b) Company

	Share capital £m	Share premium £m	Merger capital reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2016	56.9	28.3	921.9	225.6	125.7	1,358.4
Dividends received from subsidiaries	-	-	-	-	40.2	40.2
Dividends paid	-	-	-	-	(40.2)	(40.2)
At 31 December 2016	56.9	28.3	921.9	225.6	125.7	1,358.4
Dividends received from subsidiaries	-	-	-	-	42.3	42.3
Dividends paid	-	-	-	-	(42.3)	(42.3)
At 31 December 2017	56.9	28.3	921.9	225.6	125.7	1,358.4

38 Notes to the consolidated statement of cash flows

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

	2017 £m	2016 £m
Operating activities		
Profit from operations including share of profit from joint ventures	254.4	157.3
Adjustments for:		
Depreciation	5.1	4.4
Amortisation of capitalised lease incentives	(10.9)	(6.6)
Amortisation of deferred lease premiums	(9.2)	(7.6)
Recognition of income from operating lease incentives	0.2	0.2
Uplift on trading properties completed and transferred to investment property	(7.5)	-
Net gains on other investments	(6.8)	(1.9)
Net (gains)/losses on revaluation and sale of investment property	(20.1)	36.4
Share of profit from joint ventures	(189.7)	(167.7)
Impairment of goodwill	-	0.3
Operating profit before changes in working capital and provisions	15.5	14.8

Notes to the Financial Statements

38 Notes to the consolidated statement of cash flows continued

(b) Analysis of net debt

	1 January 2017 £m	Cash flow £m	Other non-cash movements £m	Exchange £m	31 December 2017 £m
Cash at bank and in hand	122.4	1.0	–	(4.7)	118.7
Short-term deposits and short-term liquidity investments	619.4	(299.6)	–	(7.7)	312.1
Cash and cash equivalents	741.8	(298.6)	–	(12.4)	430.8
Borrowings due within one year	(37.7)	(30.9)	0.1	2.6	(65.9)
Borrowings due after more than one year	(768.6)	(29.5)	3.8	19.3	(775.0)
Total borrowings	(806.3)	(60.4)	3.9	21.9	(840.9)
Net debt	(64.5)	(359.0)	3.9	9.5	(410.1)

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

39 Related party transactions

The Group is wholly-owned by Trustees of the Grosvenor Trusts who hold the shares for the benefit of current and future generations of the Grosvenor family headed by the Duke of Westminster. During 2017, the Group entered into the following transactions with the Grosvenor Trusts and members of the Grosvenor family:

	2017 £m	2016 £m
Rent and service charge income	0.6	0.5
Rent and service charge expenses	(1.9)	(2.0)
Development management fees	1.5	2.2
Management and administration fees	22.5	20.9

During 2017, the Group entered into the following transactions with other related parties:

	2017 £m	2016 £m
Development and asset management fees received from joint ventures	–	0.4
Other fees received from joint ventures	2.6	3.9
Other fees paid to joint ventures	(0.7)	(0.7)
Insurance premiums payable to a related company	(8.2)	(7.8)

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

	2017 £m	2016 £m
Amounts due from joint ventures	85.9	68.2
Amounts due from/(to) a related company	0.3	(29.3)

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

Consolidated income statement presented in US Dollars

for the year ended 31 December 2017

	2017 \$m	2016 \$m
Total revenue	490.4	307.7
Gross rental income	195.5	211.5
Property outgoings	(91.0)	(88.4)
Net rental income	104.5	123.1
Other income	49.4	54.5
Administrative expenses	(150.9)	(139.1)
Net gains/(losses) on trading properties	46.0	(4.6)
Net gains on other investments	8.8	2.0
Net gains/(losses) on revaluation and sale of investment property	26.0	(49.7)
Impairment of goodwill	-	(0.3)
Share of profit from joint ventures and associates	245.9	229.4
Gain from operations including share of joint ventures and associates	329.7	215.3
Financial income	21.3	17.9
Financial expenses	(52.5)	(55.2)
Fair value adjustments	3.5	9.4
Net financing costs	(27.7)	(27.9)
Profit before tax	302.0	187.4
Current tax expense	(11.5)	(149.4)
Deferred tax expense	31.7	150.0
Profit for the year	322.2	188.0
Attributable to:		
Equity holders of the parent	322.2	186.9
Non-controlling interests	-	1.1
Profit for the year	322.2	188.0

Consolidated balance sheet presented in US Dollars

as at 31 December 2017

	Group	
	2017 \$m	2016 \$m
ASSETS		
Non-current assets		
Investment property	5,654.2	4,625.3
Other property, plant and equipment	193.7	171.9
Investments in joint ventures and associates	1,930.6	1,667.3
Other financial assets	74.5	130.0
Intangible assets	16.0	15.4
Trade and other receivables	112.5	80.0
Deferred tax assets	91.9	111.9
Total non-current assets	8,073.4	6,800.4
Current assets		
Trading properties	260.9	415.8
Trade and other receivables	165.7	140.9
Other financial assets	24.1	17.9
Income tax receivable	-	6.2
Cash and cash equivalents	583.2	916.2
Total current assets	1,033.9	1,497.0
TOTAL ASSETS	9,107.3	8,297.4
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	(1,049.0)	(956.2)
Trade and other payables	(158.2)	(139.1)
Employee benefits	(53.4)	(70.9)
Deferred tax liabilities	(829.2)	(825.4)
Provisions	(0.4)	(4.8)
Total non-current liabilities	(2,090.2)	(1,996.4)
Current liabilities		
Interest-bearing loans and borrowings	(89.3)	(51.8)
Trade and other payables	(280.6)	(257.6)
Income tax payable	(25.1)	(76.3)
Provisions	(7.9)	(16.3)
Total current liabilities	(402.9)	(402.0)
TOTAL LIABILITIES	(2,493.1)	(2,398.4)
NET ASSETS	6,614.2	5,899.0
Equity		
Share capital	77.0	70.3
Share premium	38.6	34.8
Reserves	954.7	1,014.1
Retained earnings	5,546.7	4,781.8
Shareholders' funds	6,617.0	5,901.0
Non-controlling interests	(2.8)	(2.0)
TOTAL EQUITY	6,614.2	5,899.0

Consolidated income statement presented in Euros

for the year ended 31 December 2017

	2017 €m	2016 €m
Total revenue	433.4	278.2
Gross rental income	172.8	191.1
Property outgoings	(80.4)	(79.9)
Net rental income	92.4	111.2
Other income	43.6	49.3
Administrative expenses	(133.4)	(125.7)
Net gains/(losses) on trading properties	40.7	(4.2)
Net gains on other investments	7.8	1.8
Net gains/(losses) on revaluation and sale of investment property	23.0	(45.1)
Impairment of goodwill	-	(0.3)
Share of profit from joint ventures and associates	217.3	207.4
Gain from operations including share of joint ventures and associates	291.4	194.4
Financial income	18.9	16.1
Financial expenses	(46.4)	(49.9)
Fair value adjustments	3.1	8.5
Net financing costs	(24.4)	(25.3)
Profit before tax	267.0	169.1
Current tax expense	(10.2)	(135.0)
Deferred tax expense	28.0	135.6
Profit for the year	284.8	169.7
Attributable to:		
Equity holders of the parent	284.8	168.7
Non-controlling interests	-	1.0
Profit for the year	284.8	169.7

Consolidated balance sheet presented in Euros

as at 31 December 2017

	Group	
	2017 €m	2016 €m
ASSETS		
Non-current assets		
Investment property	4,702.2	4,387.9
Other property, plant and equipment	161.1	163.1
Investments in joint ventures and associates	1,605.6	1,581.7
Other financial assets	61.9	123.4
Intangible assets	13.3	12.8
Trade and other receivables	93.5	75.9
Deferred tax assets	76.4	106.2
Total non-current assets	6,714.0	6,451.5
Current assets		
Trading properties	217.0	394.5
Trade and other receivables	137.9	133.7
Other financial assets	20.0	17.0
Income tax receivable	–	5.9
Cash and cash equivalents	485.0	869.1
Total current assets	859.9	1,420.2
TOTAL ASSETS	7,573.9	7,871.7
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	(872.4)	(907.1)
Trade and other payables	(131.5)	(132.0)
Employee benefits	(44.4)	(67.3)
Deferred tax liabilities	(689.6)	(783.0)
Provisions	(0.3)	(4.5)
Total non-current liabilities	(1,738.2)	(1,893.9)
Current liabilities		
Interest-bearing loans and borrowings	(74.2)	(49.1)
Trade and other payables	(233.4)	(244.4)
Income tax payable	(20.9)	(72.4)
Provisions	(6.6)	(15.4)
Total current liabilities	(335.1)	(381.3)
TOTAL LIABILITIES	(2,073.3)	(2,275.2)
NET ASSETS	5,500.6	5,596.5
Equity		
Share capital	64.1	66.7
Share premium	31.8	33.1
Reserves	794.3	962.2
Retained earnings	4,612.8	4,536.4
Shareholders' funds	5,503.0	5,598.4
Non-controlling interests	(2.4)	(1.9)
TOTAL EQUITY	5,500.6	5,596.5

10-year summary

Income statement

	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
Net rental income	68.3	87.4	73.7	86.9	82.8	78.6	82.7	83.3	95.6	80.7
Other income	37.0	35.1	54.0	40.7	38.7	33.6	30.7	30.4	39.9	38.1
Administrative expenses	(82.7)	(84.5)	(86.2)	(89.8)	(91.0)	(98.6)	(94.7)	(103.9)	(108.9)	(116.5)
Net (losses)/gains on trading properties	(106.6)	(1.4)	(5.7)	(12.5)	(13.7)	87.9	15.9	9.1	(1.8)	35.5
Net (losses)/gains on other investments	(12.0)	(12.8)	(1.5)	(7.1)	0.9	(17.7)	(0.2)	(0.5)	1.5	6.8
Net (losses)/gains on revaluation and sale of investment properties	(267.7)	(87.6)	292.4	324.4	329.0	354.7	540.6	386.3	(36.4)	20.1
Impairment of goodwill	-	-	-	(0.7)	-	(4.4)	-	-	(0.3)	-
Share of (loss)/profit from joint ventures	(209.7)	(134.4)	103.7	25.0	58.5	103.2	138.1	151.3	167.7	189.7
Profit/(loss) before net financing costs and tax	(573.4)	(198.2)	430.4	366.9	405.2	537.3	713.1	556.0	157.3	254.4
Net financing costs	(20.5)	(37.6)	(35.6)	(51.9)	(37.4)	(30.4)	(31.3)	(29.4)	(20.5)	(21.3)
Profit/(loss) before tax	(593.9)	(235.8)	394.8	315.0	367.8	506.9	681.8	526.6	136.8	233.1
Revenue profit/(loss)	(59.7)	52.3	50.5	63.6	65.2	153.3	80.1	83.3	79.2	143.5

Balance sheet

	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
Total property assets including share of joint ventures	5,574.0	4,689.8	5,031.0	5,358.9	5,440.7	5,491.3	6,001.2	6,674.6	6,509.5	6,843.2
Investment property	2,785.8	2,279.1	2,525.9	2,812.7	3,054.4	3,349.0	3,876.7	4,349.4	3,745.2	4,177.1
Investment in joint ventures	1,093.3	859.6	1,063.3	1,074.8	1,003.9	964.1	992.9	1,114.0	1,350.1	1,426.3
Other financial assets	46.6	38.7	42.6	36.9	52.9	43.6	67.0	83.3	105.3	53.9
Other non-current assets	133.8	133.4	144.4	148.1	120.0	113.0	134.3	218.8	305.9	305.9
	4,059.5	3,310.8	3,776.2	4,072.5	4,231.2	4,469.7	5,070.9	5,765.5	5,506.5	5,963.2
Trading properties	164.2	142.3	138.7	245.2	294.8	124.9	128.1	157.1	336.7	192.7
Cash and cash equivalents	91.5	505.2	269.4	237.5	238.4	516.6	477.6	237.6	741.8	430.8
Other net current assets/(liabilities)	57.7	(22.3)	54.5	31.3	40.2	(49.2)	(68.7)	(109.6)	(150.0)	(90.4)
	313.4	625.2	462.6	514.0	573.4	592.3	537.0	285.1	928.5	533.1
Borrowings (including current)	(785.9)	(775.4)	(738.7)	(805.5)	(818.9)	(825.8)	(743.4)	(736.4)	(816.2)	(840.9)
Deferred tax	(519.3)	(431.5)	(522.1)	(576.4)	(600.1)	(613.7)	(703.4)	(749.1)	(668.3)	(612.6)
Other non-current liabilities	(231.2)	(185.8)	(202.1)	(241.5)	(107.0)	(81.6)	(106.2)	(103.7)	(173.8)	(156.5)
	(1,536.4)	(1,392.7)	(1,462.9)	(1,623.4)	(1,526.0)	(1,521.1)	(1,553.0)	(1,589.2)	(1,658.3)	(1,610.0)
Net Assets	2,836.5	2,543.3	2,775.9	2,963.1	3,278.6	3,540.9	4,054.9	4,461.4	4,776.7	4,886.3
Share capital and share premium	229.9	306.8	193.2	167.3	130.8	106.8	85.2	85.2	85.2	85.2
Reserves	2,420.4	2,080.0	2,456.1	2,688.0	3,061.4	3,348.3	3,881.4	4,289.0	4,693.1	4,803.2
Shareholders' funds	2,650.3	2,386.8	2,649.3	2,855.3	3,192.2	3,455.1	3,966.6	4,374.2	4,778.3	4,888.4
Non-controlling interest	186.2	156.5	126.6	107.8	86.4	85.8	88.3	87.2	(1.6)	(2.1)
Total equity	2,836.5	2,543.3	2,775.9	2,963.1	3,278.6	3,540.9	4,054.9	4,461.4	4,776.7	4,886.3

Glossary

Assets under management

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

Co-investment

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

Development exposure

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

Development property

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

ERV (Estimated Rental Value)

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

Finance lease

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

Financial capacity

Wholly-owned unrestricted cash and undrawn committed facilities.

Future development commitment

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

Gearing

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

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

Gross rental income

Total income from rents from the Group's properties.

Grosvenor Estate

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

Ground-rented

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

Group

Grosvenor Group Limited and its subsidiary undertakings.

IFRS

International Financial Reporting Standard(s).

Indirect Investments

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

Interest rate swap

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

Investment property

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

Joint venture

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

London estate

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

Mark to market

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

Market value

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

Mezzanine loans

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

Glossary

Operating Companies

The Group's regional investment and development businesses.

Passing rent

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

Performance fees

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

Property assets

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

Proportional

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

Proprietary

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

Resilience

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

Revenue profit

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

Reversionary yield

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

Running yield

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

Third-party interests

The non-Group share of investments managed by Group.

Total return

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

Trading property

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