

# 2016 Review



GROSVENOR



# In this year's review

Foreword	01
Our history	02
Our purpose	04
Our strategic objectives	10
List of offices	50
Glossary	51

14  
Chairman's statement



16  
Group Chief Executive's review



19  
Group Executive Director's perspective



20  
Group Finance Director's report



## Direct Investment

26  
Grosvenor Britain & Ireland



32  
Grosvenor Americas



38  
Grosvenor Asia Pacific



42  
Grosvenor Europe



46  
Indirect Investment



The financial information set out on page 25 does not constitute the Group's statutory financial statements for the year ended 31 December 2016 and 2015, but is derived from those accounts. Statutory financial statements for 2015 and 2016 have been delivered to the Registrar of Companies.

The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

### View our 2016 Financial Statements:

 [grosvenor.com/2016financialstatements](https://www.grosvenor.com/2016financialstatements)

### View our 2016 Non-Financial Data Report:

 [grosvenor.com/2016nonfinancialdata](https://www.grosvenor.com/2016nonfinancialdata)

# Foreword

## 1,524

properties in our direct investment portfolio

## 34

projects in our development pipeline

## 15

third-party managed investments

## 15

offices worldwide

## £6bn

development pipeline

## 565

people

## 61

cities in which we are active

Since developing London's fashionable Mayfair in the 1720s and elegant Belgravia a hundred years later, the Grosvenor name has been associated with world-class real estate.

Grosvenor Group, the property company of the Grosvenor Estate, owes its enduring success to many factors, the most important of which being a deep-rooted sense of responsibility and commitment to stewardship, managing property for long-term benefit.

Building on a track-record of over 340 years in property, it is an approach which endures to this day and one we aim to live up to in all of our business activities.

Today, we are one of the world's largest privately owned property businesses. We develop, manage and invest in property in more than 60 cities around the world.

Since 2000, we have published Annual Reviews and Financial Statements with no legal obligation to do so, simply a belief in the importance of transparency and accountability.

We hope you enjoy reading about our activities and finding out more about our performance in 2016.



**Mark Preston**  
Group Chief Executive

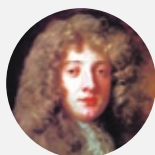


## Our history

# Reputations are built over time

## ...and ours has been 340 years in the making.

We prepare for the short-term, but plan with a longer-term view. It's an approach which has its roots in our history, dating back to 1677, and is a commitment to judge success by a yardstick which looks to the next generation.



### 1677

#### The family and the land

The Grosvenor family history stretches back almost 1,000 years, to the time of William the Conqueror. However, the origins of the property business are more recent and begin when land to the west of the City of London, comprising swamp, pasture and orchards, came into the family in 1677 following the marriage of Mary Davies and Sir Thomas Grosvenor. Today, these areas, renowned as Mayfair and Belgravia, remain and form part of Grosvenor's London estate.

### 1720s

#### Development begins in Mayfair

Mayfair, the northern part of this land, took its name from the fair held there in May until well into the 19th century. In 1720, the family began developing the land into a fashionable residential area, centred on Grosvenor Square. The area's character continued to evolve through subsequent redevelopment. In the 19th century, shops and, later, embassies and diplomatic residences moved in. Social housing was introduced around Brown Hart Gardens. During the 20th century, it saw the westerly migration of office users from the war-damaged City of London.



### 1820s



#### Creating elegance in Belgravia

Belgravia, which lies south-west of Mayfair, was originally part of the 'Five Fields' - open land between Hyde Park and the River Thames. The end of the Napoleonic Wars and the conversion of nearby Buckingham House into a palace for George IV prompted the Grosvenors to develop it. In the 1820s, the family's surveyor, together with master builder Thomas Cubitt, oversaw the creation of an elegant estate in the classic Regency style of squares, including Belgrave Square, streets and crescents overlooking private gardens.

### International expansion

During the second half of the 20th century, Grosvenor began to apply its estate management skills of investment, development and asset management internationally. Our business expanded, successively, into the Americas (from the 1950s with a development at Annacis Island near Vancouver, our first international project), Australia (from the 1960s), Asia Pacific (1994) and Continental Europe (1996). Many projects were undertaken in partnership with other investors.



### 1950s





1979

## Gerald Cavendish Grosvenor (1951-2016) becomes 6th Duke of Westminster

Gerald Cavendish Grosvenor inherited the title of Duke of Westminster in 1979, taking on the responsibility of stewardship of the Grosvenor Estate.



### 2008: Liverpool ONE

Liverpool ONE, a 250,000m<sup>2</sup> Grosvenor development in central Liverpool which we continue to manage and invest in, comprises over 165 shops, more than 500 apartments, two hotels, 25 restaurants, a 14-screen cinema, four office buildings, a revitalised two-hectare park, 3,000 car parking spaces and a public transport interchange. Since opening in 2008, Liverpool ONE has attracted over 200m visitors, has acted as a catalyst for further regeneration projects in the city and has helped transform Liverpool's economic prospects.

### 2014: Grosvenor Ambleside launches in West Vancouver

After nearly 10 years of assembling the site and careful planning, we launched Grosvenor Ambleside – a collection of 99 residences in two terraced buildings above specialty shops, cafés and restaurants. The development was launched to help infuse new life into this waterfront community and village shopping district. Once complete, a 650m<sup>2</sup> glazed pedestrian galleria will join the two buildings and provide a vibrant public plaza which will open up views and access to the beach, seawall and waterfront.



### 2017: A new vision for the London estate

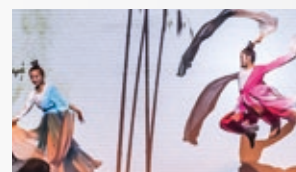
Our vision for the London estate sets some headline objectives to make Mayfair and Belgravia better places. It is based on maintaining our focus on the long-term. It will frame our business decisions and help us communicate change in a consistent way. There is little in the vision that we can deliver alone. Success will require deeper partnership with residents, businesses and neighbours, as well as government officials and regulators at all levels.



Today

### 2000: Corporate structure and diversification

Grosvenor's corporate governance has evolved in line with the Group's development. In April 2000, we adopted a corporate structure formed by a Group of regional operating businesses and published our first full Annual Report and Accounts. In 2011, we brought all our indirect investments in property together into one portfolio. Our present structure emphasises this distinction between 'direct' and 'indirect' investment in property.



### 2014: 20 years in Asia

2014 marked the 20th anniversary of Grosvenor in Asia. Our first office in Hong Kong in 1994 was followed by Tokyo in 2001 and Shanghai in 2004. Over the period, our established local teams in each city have been behind the development of a number of award-winning residential projects.



### 2016: Sub-Saharan Africa

In early 2016, we completed our first indirect investment in Sub-Saharan Africa, with a commitment to RMB Westport's second development fund. This will develop high-grade retail, office and industrial assets in key cities in Nigeria, Ghana, Angola and Ivory Coast.

## Making a lasting contribution for current and future generations

We look ahead to the next generation under the stewardship of **Hugh, Duke of Westminster**. Our ambition is for our business activities to create, invest in and manage properties and places, applying rigorous financial discipline to achieve commercial success. In doing so, we are committed to putting into practice our 'Living cities' philosophy, through which we aim to make a lasting contribution, today and for future generations, to the economic, social and environmental wellbeing of the urban communities of which we are part and on which our own success depends. We want our activities to help foster thriving places which reflect the spirit of individual cities, ultimately contributing to their enduring success.

## Our purpose

# The way we work

We aim to diversify our property portfolio by geography, sector, activity, currency and management teams through our four regional Operating Companies and our Indirect Investment business.

## Direct investment

Grosvenor Britain & Ireland, Grosvenor Americas, Grosvenor Asia Pacific and Grosvenor Europe operate in a devolved structure model, each being responsible for its own property strategy founded on local experience and assessment of market opportunities. Together, they invested 84% of Grosvenor Group's capital in 2016.

## Indirect investment

Our Indirect Investment business is tasked with further diversifying Grosvenor's property-related interests beyond the expertise and strategies of our four regional Operating Companies. It invested 16% of Grosvenor Group's capital in Africa, Asia, Australia, Europe, South America and the USA in 2016.



## 'Living cities'

We create, invest in and manage properties and places, applying rigorous financial discipline to achieve commercial success. But we do so with the aim of making a lasting contribution, today and for future generations, to the economic, social and environmental wellbeing of the urban communities we are part of and on which our own success depends. It's what we call our 'Living cities' philosophy, which guides our activities to help foster thriving places which reflect the spirit of individual cities, ultimately contributing to their enduring success.



## Part of the Grosvenor Estate

Grosvenor Group is one of three constituent parts of the Grosvenor Estate which encompasses all the activities of the Grosvenor family. The others are:

**Wheatsheaf Group Limited**, which operates and invests in companies in the food and agri-business sectors that contribute long-term solutions to meet the food production demands of a changing global population; and

the **Family Investment Office**, which manages the Grosvenor family's other interests including securities investments, rural estates in the UK and Spain, The Westminster Foundation, a fine art collection and a family archive.

Grosvenor Group's Shareholders are the Trustees of the Grosvenor Estate. They hold the shares in the business for the benefit of current and future members of the Grosvenor family.

## Our approach

We apply property expertise built over centuries which, coupled with a deep understanding of the neighbourhoods and cities in which we work, enable us to help address the challenges they face.

We work responsibly with local communities, adopting an uncompromising focus on creative design, pursuing high-quality building methods and promoting outstanding craftsmanship. We work to ensure that existing buildings are used intensely but sensitively, carefully adapted to allow new imaginative uses; and that new ones are designed and built to last.

## Behaving responsibly

We believe that any business must constantly earn its licence to operate. We do so by striving to develop a reputation for quality, integrity and social responsibility.

We aim to operate and encourage working practices that are economically, socially and environmentally sustainable for the benefit of current and future generations.

Whether supporting or organising community events, conserving buildings with a heritage listing, letting units below market rate on our London estate to provide a greater mix of tenants, improving the public realm or completing energy-efficient retrofits, we want our work to be judged on social, environmental and financial measurement criteria.

## See our approach in action



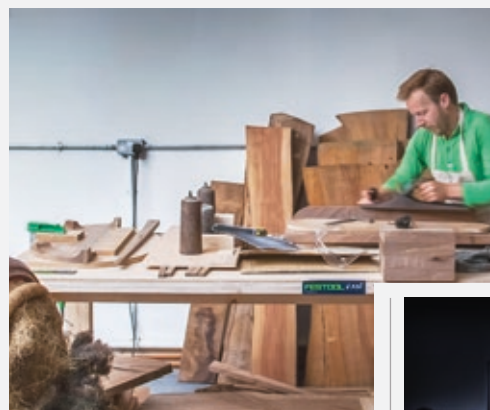
Read more about how we are bringing new urban living options to homeowners in Calgary on [page 07](#)



Find out how we are investing in our people on [page 08](#)



See how we are transforming shopping centres into destinations of choice in Stockholm on [page 09](#)



Learn how we are opening up underused spaces in Bermondsey for a range of creative uses on [page 27](#)



Understand more about the value we create through our partnerships in Australia on [page 47](#)



Discover how we brought together a strong panel of respected thinkers to discuss Hong Kong neighbourhoods on [page 39](#)





“The centre of the city is a continually evolving organism. We have a shared ambition to help steer its success.”

**Ed Watson**

Executive Director, Growth, Planning & Housing  
Westminster City Council

## Working together to enable the London estate's evolution

We have published a 20-year vision to transform our **London estate** and tackle the pressures facing the capital. With London's rapid growth, we want our estate in Mayfair and Belgravia to work harder for its communities, and all Londoners, by adapting.

### Responding to the capital's growth

As long-term stewards, we want to understand how our London estate will adapt - with better streets, greener spaces and more active and enterprising places that appeal to the many, not just to the few.

**7**

bold and ambitious outcomes define our vision for Mayfair and Belgravia in the future



“The vision will frame our business decisions and help us communicate change in a consistent way. We are looking for partners and collaboration. There is little here we can deliver alone.”

**Will Bax**

Executive Director, London Estate  
Investment & Development  
Grosvenor Britain & Ireland





“Smith’s layout, location and curb appeal attracted me instantly. I couldn’t be happier in my new home.”

Dalton Kamensek  
Homeowner at Smith, Calgary



## Sophisticated city living

**Smith** offers 127 condominium homes in Calgary’s Beltline, a vibrant neighbourhood that is walkably close to downtown. Resident services at Smith include a concierge, a bike-share programme and a tool library.

“We designed Smith to be set back from 6th Street, allowing us to create new green space for the Beltline neighbourhood. A landscaped plaza frames the tower’s entrance and features benches, unique lighting and greenery.”


Laura Keirstead  
Development Manager  
Grosvenor Americas



## Homes of high design

Together, Smith (which completed in 2016) and Drake (which completed in 2013) have delivered over 250 homes near downtown Calgary, bringing new urban living options with stylish interiors and efficient layouts that appeal to young professionals.

**250**  
homes



“Grosvenor has allowed me to broaden my professional horizons, trusting me with new roles and responsibilities.”

**Brenda Chung**

Executive Director and Chief Representative, China  
Grosvenor Asia Pacific

## Investing in our people

We are committed to investing in the development of **our people**. In 2016, we made a significant number of appointments from within, demonstrating the strength of our talent pool. In addition, seven international secondments or relocations took place during the year.



### Investing in people systems

2016 saw a significant investment in tools and systems to help our people perform their roles more easily and efficiently.

**£6m**

was invested in tools and systems



“Intellectual and professional development is consistently encouraged and thoroughly supported. I firmly believe it is a major reason why Grosvenor is able to attract and retain so many gifted people.”

**Jonathan Carr**  
Senior Vice President, Development  
Grosvenor Americas



“The transformation undertaken by Grosvenor in Haninge is making such a difference to the local community. People of all ages now have somewhere to go and spend their time.”

**Michael Issa**  
Manager  
Rollers & Bowlers, Stockholm

## Enabling fresh thinking to thrive

In 2016, we welcomed dining and leisure operator, **Rollers & Bowlers**, to **Haninge Centrum** in southern Stockholm. **Rollers & Bowlers** is a unique attraction and the first combined sports bar and amusement centre south of Stockholm.



“Grosvenor’s role is to help create the hub of the local community, not just manage a shopping centre. We want Haninge to be the beating heart of the municipality where everyone comes together to spend time.”

**Christoffer Toll**  
Senior Analyst, Asset Management  
Grosvenor Europe

### Transforming places

By reconfiguring existing office and retail space, we are transforming shopping centres into destinations of choice. Expanding a shopping centre offering from pure retail to incorporate food and leisure not only increases footfall, occupier demand and performance, but contributes to the growing vibrancy of the location.

5

shopping centres owned/managed in Sweden



## Our strategic objectives

# Implementing our strategy

Guided by our 'Living cities' philosophy, we have three strategic objectives.

As we develop and co-ordinate an internationally diversified property group, we believe that it is by earning a reputation for quality, integrity and social responsibility that we will be able to deliver attractive long-term returns.



## Grosvenor Group Limited – Executive Committee as at 23 March 2017

The Group Executive Committee is responsible for the implementation of Group strategy. It meets three times a year.

From left to right:

**Andrew Bibby**  
Chief Executive  
Grosvenor Americas

**Benjamin Cha**  
Chief Executive  
Grosvenor Asia Pacific

**Mark Preston** FRICS  
Group Chief Executive

**Nicholas Scarles**  
FCA ATTORNEY AT LAW  
Group Finance Director

**Craig McWilliam** FRICS  
Chief Executive  
Grosvenor Britain & Ireland

**James Raynor**  
Chief Executive  
Grosvenor Europe

**Peter Vernon** FRICS  
Chairman, Executive  
Committee  
Group Executive Director



## To uphold Grosvenor's reputation for quality, integrity and social responsibility

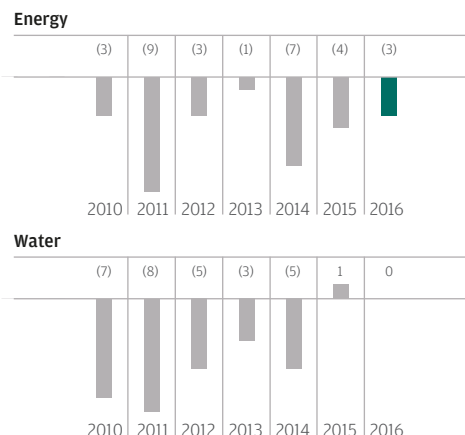
We aim to operate and encourage working practices that are economically, socially and environmentally sustainable for the benefit of current and future generations. We maintain a deep-rooted sense of responsibility and commitment to stewardship, managing property for long-term benefit.

We aim to fulfil our promises, invest in our people, recruit from a diverse pool of talent, build lasting relationships with partners, work closely and responsibly with local communities and support good causes through charitable activity and volunteering.



For more details, view our 2016 Non-Financial Data Report: [grosvenor.com/2016nonfinancialdata](http://grosvenor.com/2016nonfinancialdata)

### Group 'like-for-like' energy and water results each year Percentage change year-on-year

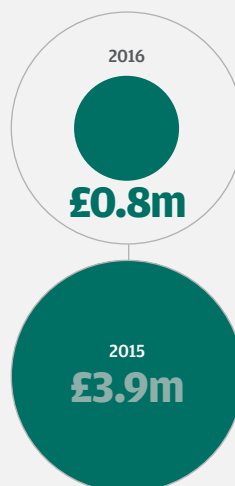


Our energy use reduced for the seventh consecutive year, this time by 3%. This is equivalent to saving the typical amount of energy used by 213 homes.

There was no change to our water consumption in 2016 compared with 2015.

### Public realm

Amount spent over and above planning requirements. A total of £23.2m has been spent since 2010.



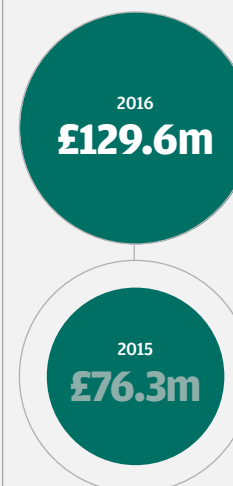
### Green space

Hectares of green space under management in our international portfolio. In 2016, this was equivalent to 3,983 tennis courts.



### Tax paid

For commentary and a breakdown of tax paid by type and location, see page 24.



### Highlights for 2016

**10,289**

hours of formal in-house training delivered; an average of 18 hours per person

**186**

community events supported, including 56 that we organised

**99.6%**

of our properties are within a 15-minute walk of public transport connections

**£33m**

### Charitable donations

Total paid to charitable causes by the Westminster Foundation	£32.1m
Amount donated to the Westminster Foundation from Grosvenor Group	£2.4m
Other charitable contributions by Grosvenor Group	£0.9m



## Our strategic objectives (continued)



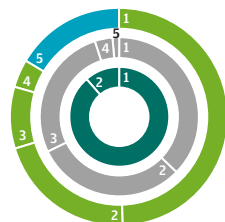
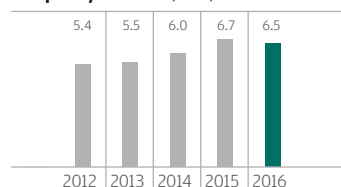
## To develop and co-ordinate an internationally diversified property group

We achieve an internationally diversified property portfolio by investing directly through our four regional Operating Companies, and by backing managers with specialist skills and investing in new markets through our Indirect Investment team.

Diversification is further achieved by investing across various currencies, geographies, sectors, activities and management teams. Our exposure is measured in terms of our share of property assets held on our balance sheet and assets under management.

During 2016, Grosvenor's share of property assets reduced by 2.4% to £6,510m and assets under management reduced by 3.4% to £12,618m. The fall in value is reflective of the realisation of our strategy of disposals (£1.0bn of property assets; £1.6bn of assets under management), carried out to crystallise market and development gains, partially mitigated by increases arising from revaluations, foreign currency movements and further acquisitions to our investment and development portfolios.

### Property assets (£bn)



#### By Operating Company

1 Britain & Ireland	£3,227m	49.6%
2 Americas	£1,353m	20.8%
3 Asia Pacific	£606m	9.3%
4 Europe	£263m	4.0%
5 Indirect	£1,061m	16.3%

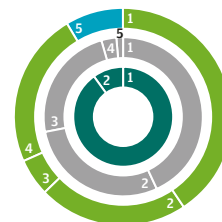
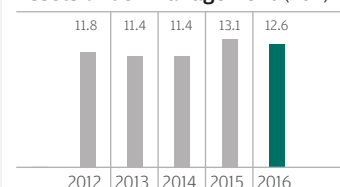
#### By sector

1 Retail	£2,427m	37.3%
2 Residential	£2,001m	30.7%
3 Office	£1,760m	27.0%
4 Hotel	£247m	3.8%
5 Other	£75m	1.2%

#### By activity

1 Investment	£5,773m	88.7%
2 Development	£737m	11.3%

### Assets under management (£bn)



#### By Operating Company

1 Britain & Ireland	£5,136m	40.8%
2 Americas	£2,791m	22.1%
3 Asia Pacific	£711m	5.6%
4 Europe	£2,919m	23.1%
5 Indirect	£1,061m	8.4%

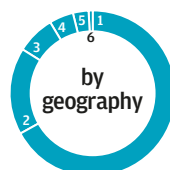
#### By sector

1 Retail	£5,462m	43.3%
2 Residential	£3,630m	28.8%
3 Office	£2,962m	23.5%
4 Other	£394m	3.1%
5 Hotel	£170m	1.3%

#### By activity

1 Investment	£11,361m	90.0%
2 Development	£1,257m	10.0%

### Indirect investment – Property assets



1 Continental Europe	£716m	67.5%
2 Brazil	£182m	17.2%
3 Australia	£80m	7.5%
4 USA	£51m	4.8%
5 UK	£31m	2.9%
6 Asia	£2m	0.1%



1 Retail	£891m	84.1%
2 Office	£78m	7.4%
3 Industrial	£79m	7.4%
4 Other	£12m	1.1%

### Highlights for 2016

# £6.5bn

Property assets  
(2015: £6.7bn)

# £12.6bn

Assets under management  
(2015: £13.1bn)

# 95.0%

Occupancy  
(2015: 95.0%)

# 61

cities in which we are active  
(2015: 60)

# 10

currencies in which we operate  
(2015: 10)

# 11

countries from which we operate  
(2015: 12)



## To deliver attractive long-term returns

### Revenue profit

Revenue profit is the measure by which we monitor our underlying performance, as it excludes market movements. Revenue profit of £79.2m in 2016 was marginally down on 2015, but was significantly better than expected due to delayed asset sales, increased performance-related management fees and the strength of overseas currencies against Sterling.

While it is not one of our key metrics, profit before tax fell from £526.6m in 2015 to £136.8m in 2016, almost entirely attributable to the movement in revaluations in Grosvenor Britain & Ireland.

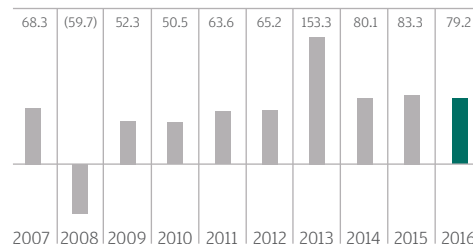
### Total return

We measure total return to show how our property portfolio has performed, including both income and capital returns. 2016's total return of 8.0% reflects the strength of our overseas operations against a weakening UK market, and is supported by the boost to our returns through Sterling's depreciation against our other operating currencies – another clear benefit of diversification.

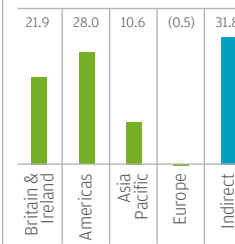
### Shareholders' funds

As a result of this return, Shareholders' funds grew for the seventh consecutive year to £4.8bn.

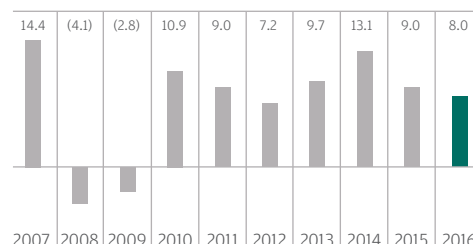
### Revenue profit £m



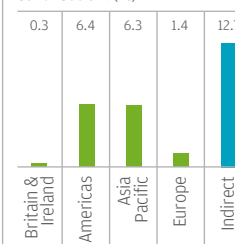
### 2016 Operating Company contribution: (£m)



### Total return %



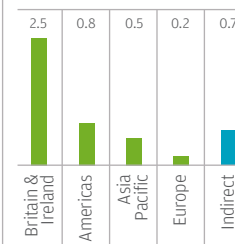
### 2016 Operating Company contribution: (%)



### Shareholders' funds £bn



### 2016 Operating Company contribution: (£bn)



## Highlights for 2016

# £79.2m

**Revenue profit**  
(2015: £83.3m)

# 8.0%

**Total return**  
(2015: 9.0%)

# £4.8bn

**Shareholders' funds**  
(2015: £4.4bn)

# £136.8m

**Profit before tax**  
(2015: £526.6m)

# 17.0%

**Economic gearing**  
(2015: 27.1%)

# £1.7bn

**Financial capacity**  
(2015: £0.9bn)

## Chairman's statement

# Continuity amid change

## Business as usual

2016 was the year when many presumed geopolitical and economic certainties seemed to lapse.

Against such a volatile backdrop, I believe that Grosvenor's long-term approach and strong sense of responsibility for its actions have never been more relevant.

When we create, invest in and manage properties and places, we do so to make a lasting contribution, in economic, social and environmental terms, to future generations.

A key challenge is how to ensure that our activities help foster thriving places which reflect the spirit of individual cities and ultimately contribute to their enduring success.

We cannot achieve this goal without applying rigorous financial discipline as the foundation of consistently strong financial performance.

In 2016, we delivered solid results. Our revenue profit of £79.2m and our total return of 8.0% are ahead of our predictions in last year's review.

**“When we  
create, invest  
in and manage  
properties  
and places,  
we do so to  
make a lasting  
contribution  
in economic,  
environmental  
and social  
terms to future  
generations.”**

**Lesley Knox**  
Chairman  
Grosvenor Group

It is now over 60 years since we first ventured beyond the UK with our purchase of Annacis Island near Vancouver. Our efforts to further diversify the business since, investing in North America, Asia, Continental Europe and beyond, help smooth our returns, allow us to withstand greater shocks and support our long-term approach.

For our diversification strategy to succeed, we believe that it is critically important for us to access and retain genuine local experience and talent.

## The 6th Duke of Westminster

The death in August of Gerald Grosvenor, the 6th Duke of Westminster, at the too young age of 64 was a terrible blow.

The Duke was a great champion of our values and worked tirelessly to promote a long-term perspective and a profound belief in doing the right thing, something which permeates the cultures of all the Grosvenor companies.

Over almost 40 years under his stewardship, the Grosvenor Estate, and Grosvenor Group in particular, have evolved considerably, developing into one of few truly international property groups.

## In summary

- Grosvenor's long-term approach and strong sense of responsibility have never been more relevant
- We maintain continuity amid significant generational and management changes
- Focusing on contributing to the communities of which we are part is integral to our long-term success



# 60

years since we made our first investment outside the UK with the purchase of Annacis Island





The Duke's interests and commitments reached well beyond Grosvenor. Perhaps his greatest legacy, the Defence and National Rehabilitation Centre (DNRC), will become a reality in 2018. The centre, which will provide a state-of-the-art clinical rehabilitation facility for injured personnel, was his idea. It has been significantly funded by him personally, and also indirectly by Grosvenor Group. It is sad that he will not be there to see it complete, but it will be a fitting legacy of which he would have been rightly proud.

It was pleasing to see the many generous obituaries written upon the Duke's death. Many portrayed him as a man of principle, which he most certainly was. He was keen to encourage all of us to apply the letter of the law as well as support its spirit. What you are currently reading is a product of that thinking. Since April 2000, Grosvenor Group has published its Report & Accounts on an entirely voluntary basis, underlying its commitment to transparency and accountability.

## Transitioning to a new generation

As we progress into 2017, we do so with both significant generational and management changes taking place. And yet, as ever at Grosvenor, there is continuity amid the change.

We have a governance model in place whereby the Trustees are tasked with overseeing the management of the Grosvenor Estate for the benefit of current and future members of the Grosvenor family, the new Duke becoming a Trustee following his father's death. They delegate the management of the urban property business to the board of Grosvenor Group and its Operating Companies.

After a comprehensive handover period with his predecessor Jeremy Newsum, Mark Preston took up his additional role as Executive Trustee of the Grosvenor Estate on 1 January 2017. Meanwhile, Peter Vernon has taken up the new role of Group Executive Director, with responsibility for oversight of three of the Group's four regional Operating Companies and its research function. Craig McWilliam succeeded him as Chief Executive of Grosvenor Britain & Ireland.



**“For the first time in history, the over 65s will be the largest age group by 2045. We are exploring the profound implications this will have for economic growth and investment returns.”**

**Graham Parry**  
Group Research Director  
Grosvenor Group

## Forecasting the future

Forecasters have had a rough ride over the last several months. At Grosvenor, we seek to learn and be guided by our history but to be informed by experts and our own research to prepare for the future. In the year just gone, we completed our own study on ‘the ageing society’, and its implications for cities and their property needs. We will consider how our own business strategy should respond to such significant demographic shifts.

Looking ahead, I am confident that our chosen direction of travel will remain consistent and that we will continue to be united by our belief that we can make a positive contribution to the economic, social and environmental wellbeing of the urban communities of which we are part and on which our own success depends.

**Lesley Knox**  
Group Chairman  
23 March 2017

## Grosvenor Group Limited – Board of Directors

as at 23 March 2017

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



Left to right:

**Mark Preston FRICS**  
Executive Trustee,  
Grosvenor Estate  
Group Chief Executive

**Lesley Knox**  
Chairman  
Non-Executive Director  
Trustee, Grosvenor Estate

**Nicholas Scarles**  
FCA ATTORNEY AT LAW  
Executive Director  
Group Finance Director

**Sir Philip Dilley**  
Non-Executive Director

**Domenico Siniscalco PhD**  
Non-Executive Director

**Michael McLintock**  
Non-Executive Director  
Trustee, Grosvenor Estate

**Christopher Pratt**  
Non-Executive Director

**Peter Vernon FRICS**  
Group Executive Director

## Group Chief Executive's review

# Succession plans and planning for success



## A resilient business

2016 has been widely described as an exceptional year of tide-changing events. The uncertain outcome of Brexit, and the impact on the global economy of radical reforms promised by the new US administration, may well prove this right.

While not wanting to downplay these events, our own approach is to be prepared for the short-term, but plan with a longer-term view. It is an approach which has its roots in our history, dating back to 1677, and in a commitment to judge success by a yardstick which looks to the next generation.

We believe that the changes we are seeing, and that are being predicted, in both the world of business and throughout wider society, reinforce the strength and validity of our approach and perspective. This is especially poignant when considered in light of the sudden and untimely death last year of Gerald Grosvenor, the 6th Duke of Westminster. For it was his vision, and that of my predecessor, Jeremy Newsum, which put in place a governance and operating structure for Grosvenor Group in 2000 that enabled the successful growth of this international property group.

In further developing and diversifying the Group's activities, we aim to create, invest in and manage properties and places, applying rigorous financial discipline to achieve long-term commercial success.

## In summary

- International diversification helped deliver strong returns in a more challenging business environment
- Almost half of our assets are now held outside the UK
- We continue to invest in people and are committed to greater diversity



**“Our focus on the long term provides clarity of purpose and culture which enables us to attract and properly develop talent. This strength gives us a competitive advantage.”**

**Camilla Faith**  
Group HR Director  
Grosvenor Group

We do so with a clear purpose of making a lasting and socially responsible impact on the communities of which we are part. It is an approach we call our ‘Living cities’ philosophy, which is at the core of our three-pronged corporate strategy.

My review this year emphasises this approach.

## Our reputation comes first

Each of our Operating Companies is responsible for its own strategy, founded on local experience and an assessment of market opportunities. What is consistent across the Group, and a cornerstone of our internal constitution, is the endeavour to generate value which goes beyond the Grosvenor balance sheet, for the benefit of current and future residents and occupiers of our properties and places, as well as their visitors.

How do we aim to achieve this?

Firstly, the senior leadership encourages our people to learn from our own experience, our mistakes and our successes. Stewardship, concern for people in the community and the importance of legacy are all significantly rooted in Grosvenor's history and culture.

Secondly, we place a huge emphasis on our recruitment programme. The strength and recognition of our values and brand define, in part, who might be interested in joining our organisation.

# 48%

of assets outside the UK



Recruiting people who share our values is consistent with our commitment to improving diversity within our organisation. In terms of gender, our business-wide balance is close to 50:50 yet, at the senior management end of the spectrum, we are still too much the product of an industry which has traditionally been very male-dominated and we intend to see that change. More broadly, we are committed to creating a workforce that is reflective of the diversity of the cities in which we operate and invest.

Thirdly, we invest heavily in the training and development of our people. Importantly, our training programmes place as much emphasis on the way in which we conduct our business as on the development of our property skills.

### Financial performance

The main metric by which we judge our financial results is revenue profit, which measures our underlying performance, excluding market movements. This year's figure (£79.2m) is similar to last year (£83.3m), and better than we expected.

Our other key metric is total return, which shows how our property portfolio has performed, including both income and capital returns. Total return fell from 9.0% in 2015 to 8.0% in the year under review. This is rather better than we predicted last year and consists of much poorer results in the UK and rather better results elsewhere, together with an unexpected boost from Sterling's weakness.

**"119 Ebury Street shows that with sensitive design, innovative low carbon solutions can be combined with older buildings to enable our city's historic fabric to remain protected, while contributing to a modern and environmentally conscious built environment."**

Jennifer Juritz  
Head of Environmental Design  
David Morley Architects



In Grosvenor Britain & Ireland, at the top end of the market, we saw (and made sales ahead of) more evidence of falling prices, caused in part by higher stamp duty and a mood of general uncertainty in the run-up to the UK's EU referendum in June and thereafter.

Looking ahead, I am less concerned about the actual impact of leaving the EU on our business than a sustained period of uncertainty resulting from protracted exit negotiations. The continued weakness of Sterling may have a small beneficial impact on our business in Great Britain & Ireland, but it is only small: London's attraction to overseas investors relies on its prospective stability, openness, transparency and growth. With our uniquely long-term perspective, we would regard any (unlikely) significant downward repricing as more of an opportunity than a threat.

### Diversification

2016 again proved the benefit of our strategic objective to develop and co-ordinate an internationally diversified property group. Almost half of our property assets are now outside the UK.

Grosvenor Britain & Ireland's activity during the year focused on residential developments in Oxford and Cambridge which, on completion, will create over 2,085 new homes. In the capital, we continued a three-year rolling improvement programme on our London estate.

In terms of scale and ambition, the most important project on our horizon will be the design and delivery of a five-hectare urban neighbourhood in Bermondsey, south London. Our ambition to create homes, principally for rent, a new school and high-quality open spaces provides a good example of how we place equal emphasis on our three strategic objectives.

Other highlights included the restructuring of the joint venture with The Hongkong and Shanghai Hotels, Limited, to create a new landmark hotel to be built at London's Hyde Park Corner, and our conversion of 119 Ebury Street in Belgravia into three highly-sustainable apartments which gained the first ever BREEAM 'outstanding' environmental certification for a listed residential building in the UK and was named 'Sustainable Building of the Year' at the edie Sustainability Leaders Awards.

Grosvenor Americas benefited from a stable economic environment which helped the successful sale of residential units in both the USA and Canada. Partly as a consequence, Grosvenor Americas delivered a particularly strong revenue profit (£28.0m). A significant development programme in Vancouver, Calgary, San Francisco and Washington, DC, reflects our belief that favourable economic conditions will endure.

# 53:47

is our male to female ratio

# 18

hours of formal in-house training were received per person

# £1bn

is the expected end value of the London estate assets in our three-year rolling investment and improvement programme



# £1.4bn

across Grosvenor Americas' development pipeline of seven major projects

## Group Chief Executive's review (continued)

Grosvenor Asia Pacific completed a number of residential and commercial sales in 2016, positioning the business for reinvestment over the next year or two when we expect buying conditions to be favourable. We also made our first retail investment in Hong Kong.

Also in Hong Kong, we held the first Grosvenor Neighbourhood Series event, bringing together a group of respected thinkers to inspire debate on what makes for a successful neighbourhood. We hope to hold similar events in other cities across the world in the future.

During the year, we transitioned Grosvenor Fund Management into Grosvenor Europe. This business will make its own direct investments and grow a portfolio of largely retail and residential properties, while working with existing and new investment partners. The new company's focus on Paris, Madrid, Stockholm, Liverpool, Lyon and Madrid will, we believe, deliver above-market returns in the years ahead. Its assets were inherited from Grosvenor Fund Management, which had become almost entirely focused on Europe.

Our Indirect Investment arm demonstrated how a relatively small team can use its expertise to develop strong partnerships with specialist and like-minded third parties across four continents.

The team has now partnered with Propertylink for a third time, acquiring four secondary office properties in Sydney. We sold our first investment with the Australian firm during the year and realised a significant return.

Our longest third-party relationship is with Sonae Sierra, which dates back to 1996. Over that period, the partnership, which gives us exposure to some of the best shopping centres and management in Continental Europe and South America, has delivered an average annual net return of 8%.

In terms of new relationships, the Indirect Investment team made its first investment with the GreenSoil Building Innovation Fund, a Canadian equity-based fund that invests in technologies which help improve the environmental efficiency of buildings.

### Looking ahead

On 1 January 2017, I took on my new role as Executive Trustee of the Grosvenor Estate, in addition to continuing as Chief Executive of Grosvenor Group.

Although the role adds to the breadth of my responsibilities, the appointment of Peter Vernon to the newly-created position of Group Executive Director, responsible for the oversight of three of our four regional Operating Companies, bolsters senior support at Group level and underlines the increasing importance of our international activities.

Peter's former role as Chief Executive of Grosvenor Britain & Ireland has been taken on by Craig McWilliam, who was previously Executive Director of the London estate. Will Bax has been promoted to the latter role.

One of Craig's and Will's important tasks in 2017 and beyond will be to promote and stimulate engagement around a 20-year vision for the London estate.



**“By implementing our ‘Living cities’ philosophy, we deepen our understanding of the challenges cities face and play an active stewardship role in the communities we serve.”**

**Kate Brown**  
Group Sustainability Director  
Grosvenor Group

The vision is ambitious in its scope and, we believe, provides a wonderful opportunity for our ‘Living cities’ philosophy to be put into practice.

The same is true of our approach to digital technology and sustainability. Our investment in the former in 2017 will be the highest ever, and our commitment to projects such as 119 Ebury Street will, we hope, have a value and a positive environmental impact which extend beyond Grosvenor Group.

The Duke of Westminster inherits the title at a similar age as his father. Yet, thanks to the late Duke's foresight, he does so with the benefit of much stronger foundations than the 6th Duke experienced in 1979.

As he takes on his father's role as one of the Trustees of the Grosvenor Estate and, at the age of 26, seeks to broaden his knowledge and business experience, he does so in the knowledge that the organisation's long-term interests are managed by a dedicated professional team with deep property experience and a common set of values.

My commitment is to ensure that our actions continue to match our words and that our contribution to cities, for the benefit of current and future generations, is enduring. I am confident that long-term financial success will follow as a result.

**Mark Preston**  
Group Chief Executive  
23 March 2017



# 6

cities on which Grosvenor Europe is focusing its new direct investment strategy



# 20

year partnership with Sonae Sierra, brings in an average annual net return of 8%



## Group Executive Director's perspective

## Boosting local performance with international capability



**Peter Vernon**  
Group Executive Director

Property is a local business. We have long believed that success in developing and managing real estate is critically dependent on an intimate knowledge of the cities and neighbourhoods in which we invest. Unsurprisingly, the vast majority of property developers tend to be local or national players, with a relative handful venturing internationally.

Today, Grosvenor is more international than ever, with investments in more than 60 cities worldwide and at the end of 2016, around 50% of assets held outside the UK. Our approach to doing business internationally is to devolve substantial responsibility to our regional businesses, while enabling them to benefit from being part of the wider Grosvenor Group.

This approach is central to my new role. After nine years as CEO of Grosvenor's Britain & Ireland business, as Group Executive Director, I now oversee the three established Operating Companies (OpCos) representing Grosvenor Group as a Non-Executive Director on their devolved boards while enabling OpCos to benefit from the synergies that being part of the Group can bring. As Chair of the Group Executive Committee, which brings together Group Executives and OpCo CEOs, my goal is to ensure alignment to Group strategy and enable us to benefit from our international expertise, scale and reach.

# 15

offices in 11 countries across which we share knowledge and expertise

### The benefits of diversification

Over the foreseeable future, we may be operating in an unusually uncertain geopolitical environment, characterised by slower growth in the developed economies, a weight of capital looking for investment and the likelihood of a cyclical correction. Within this context, achieving strong returns will be challenging, and, as such, maximising our competitive advantage as a Group is now as important as ever. The benefits to the Group of having pursued diversification since the early 1950s are clear, but there are strong benefits to our regional OpCos too. The devolved Group structure allows us to bring together the scale and expertise of the international Group with the on-the-ground expertise of the regional CEOs and their teams without undermining vital local responsibility.

### The Group function in action

So, what are the primary advantages that the Group can provide to its OpCos in each region?

First and foremost, the brand. Our long history, rich heritage and a reputation built over centuries for quality, integrity and social responsibility means our brand carries weight across the world. Empowering our people in each city to communicate and leverage Grosvenor's international capability, values and history to best effect is a powerful differentiator.

Secondly, our people. Our international presence creates unique opportunities for our people to accelerate their careers, sharing knowledge and experience with a diverse team in diverse international markets across 15 offices in 11 countries. Grosvenor people take part in overseas placements, we have a long-running leadership development programme run in conjunction with the IMD business school in Lausanne, Switzerland, and we have Group-wide knowledge sharing networks that give people original insights and access to innovation within Grosvenor and beyond.

Third, technology. Our scale allows us to invest significantly in technological innovation that smaller one-country operators would struggle to justify. Adam Burstow, Group IT Director, and his team have developed a range of new digital resources for application internationally that include easy-to-use 'portals' for Asset Management, Property Management and Customer Relationship Management that give people new possibilities for driving performance.

Finally, business intelligence. Our Group Research Director, Graham Parry, and his team's brief is to not only help inform our strategy, but to challenge it against the development of long-term international mega-trends, looking at how these will shape the property industry. In 2016, we carried out research into the future implications of 'the ageing society' and outlook for property taxation on our industry. Our recent investments in mid-market residential development in Bermondsey in London and multi-family apartments in Washington, DC, stemmed directly from our own trend and market analysis.

### A distinctive way of doing business

Grosvenor has a distinctive way of operating. Diversification is a core plank of our strategy. At the same time, our international scale brings real advantages. Our goal is to achieve the best of both worlds: a devolved business model that allows our OpCos to make decisions locally, guided by their boards, combined with the ability to tap into our experience and intelligence from centres of excellence.

**Peter Vernon**  
Group Executive Director  
23 March 2017

## Group Finance Director's report

# Smoothing returns through diversity

In the last Annual Review, I said that the next few years would bring a more challenging business environment, particularly when interest rates rise. 2016 was indeed more challenging, albeit perhaps not to the extent anticipated.

Our revenue profit last year was £79.2m, only slightly lower than 2015 (£83.3m), but higher than planned due to delayed asset sales, increased performance-related fees in Grosvenor Americas and the strength of overseas currencies against Sterling.

Total return was 8.0%, as expected lower than 2015 (9.0%), but significantly bolstered by the impact of Sterling's depreciation, without which total return would have been 3.5%. Profit before tax was £136.8m (2015: £527.0m), and Shareholders' funds increased to £4.8bn (2015: £4.4bn).

The performance of our Operating Companies reflects the lack of correlation across our different markets and further demonstrates the benefit of our diversification strategy: by geography, sector, activity, currency and management teams. Summarising their performance briefly:

Our Indirect Investment team had another very good year, generating a total return of 12.7% (2015: 10.0%), with strong performances by both third-party managed investments (13.8% total return) and Sonae Sierra (12.4% total return).



**“Our Group-wide review of JV arrangements is one example of how the legal team stimulates a cross-fertilisation of ideas and best practice across the Group, leading to even better transaction structuring and risk mitigation strategies.”**

**Karima Fahmy**  
General Counsel  
Grosvenor Group

Grosvenor Americas' total return was 6.4% (2015: 8.4%), and Grosvenor Asia Pacific's was 6.3% (2015: 6.6%), reflecting pleasing performances in markets which experienced more 'normal' levels of revaluation.

Grosvenor Britain & Ireland's total return declined to 0.3% (2015: 10.7%). This was influenced by two factors. First, little overall movement in valuations (following a number of years of above cycle-average market uplifts), which reflected a combination of values being dampened by increased property taxation and the UK's vote to leave the European Union. Second, reduced income and increased overheads, prompted by our deliberate strategy to pursue asset sales (tapping an attractive time in the market) and make investments in our people and capabilities, both supporting our next phase of significant development.

Grosvenor Europe enjoyed its first year as an Operating Company responsible for investing its own capital in six European cities. It generated a total return of 1.4%. This result reflects Grosvenor Europe's strategy to position itself for new opportunities which it anticipates in the next few years.

## Improving our business

Moving towards market conditions in which more modest returns become the norm raises the importance of making a series of improvements in the way in which our businesses operate.

## In summary

- Strong performance by our Indirect Investment, North America and Asia businesses, coupled with the impact of Sterling depreciation, delivered strong returns
- Our long-term mind-set is reflected in a new defined benefit UK pension scheme
- Investment in technology and people reflects the increasing contributions both will make in the future
- Taking a long-term view to position ourselves to manage the shorter-term challenges

# 8.0%

Total return

# £79.2m

Revenue profit



Property expertise, coupled with market-leading supporting functions, will deliver outperformance in the next few years.

Over the past decade, we have made great strides in professionalising the support functions within our business, often looking beyond our own industry to identify some of the best practices and practitioners.

In 2016, by way of example, we continued this approach and embarked on a commitment to improve our Treasury function through the introduction of a new Group-wide system. We also increased our use of area specialists, with greater sharing of skills and resources between our Operating Companies, and engaged in Group-wide reviews of our approaches to debt financing and joint venture structuring. This resulted in the implementation of a series of best practices for the benefit of all Operating Companies.

More generally, we invested heavily in technology. In 2016, we launched Grosvenor Europe's investor relations mobile application and prepared the ground for the development of a £2m connectivity project with Openreach, announced in February 2017, which will provide our London estate with superfast broadband, estate-wide 4G coverage and free targeted Wi-Fi.

All of these developments reflect our increasing desire to work with partners who can bring deep and specialist levels of expertise.



**“Our expenditure on information and digital technologies is ultimately an investment in business performance. In 2016, we focused on enhancing our customers’ experiences, gaining insights from data, and improving operational efficiency.”**

**Adam Burstow**  
Group IT Director  
Grosvenor Group

## People and pensions

During the year, we made a significant investment in training for our people and introduced a new system to facilitate better decision-making and reduce cumbersome administration processes related to managing people.

In June, we held our second Grosvenor Finance Conference, attended by 71 of our finance professionals representing each Grosvenor Estate business, including Wheatsheaf and the Family Investment Office. The focus was on sharing experience and insights between individuals with similar roles in different regions and facilitating our ambition for all to operate at the standard of the best.

We remain one of the few companies in the UK which has kept open a final salary pension scheme for the benefit of both existing members and new joiners. In 2016, we reviewed our UK pension arrangements, focusing on the level of defined benefits for our lower-paid, longer-serving people and the relative attractiveness of our pension benefits for those who are higher paid.

Our new UK pension scheme, which is currently being rolled out, offers a richer defined benefit pension for our lower-paid, longer-serving people, and a simpler and competitive defined contribution arrangement for our higher-paid people. Those who are within the existing UK pension scheme arrangements have the choice to either remain, accruing benefits within their existing scheme, or to switch into the new scheme.

## Taxation and transparency

We believe there are huge benefits for a long-term organisation from operating transparently. For 16 years, we have published annual reviews and financial statements, irrespective of our private ownership, which does not carry such disclosure requirements. In early 2017, we responded to the Government's Green Paper on corporate governance reform. One of the questions raised in the paper was whether the private sector should import more of what are regarded as the best features of corporate governance that apply to public companies. We welcome this debate, not least because we believe that, in some circumstances, the learning process could be the other way round. In particular, we believe that our approach to long-termism and the creation of a culture in which we are taught to live with and learn from the long-term consequences of our actions could be a model for others.



# £4.8bn

Shareholders' funds

# £136.8m

Profit before tax

# 71

of our finance professionals attended our  
Grosvenor Finance Conference

## Group Finance Director's report (continued)

In our view, this is best achieved by demonstrations of best practice and education, rather than strict rules which lead to box-ticking and thus ineffective and uninspired 'compliance'.

The issue of taxation in a globalised world is rightly under scrutiny. In the case of real estate, the issue is unequivocal: property is and should be taxed in the jurisdiction in which it is located.

We welcome the reporting requirement to show the actual amount of tax paid in all the countries in which a company is operating. In 2016, we published the Group's tax policy on our website, together with details of the taxes we pay and where we pay them. We continue to contribute constructively to debate designed to improve the taxation regimes under which we and others operate.

On this last point, we have responded to the OECD Base Erosion and Profit Shifting (BEPS) recommendations. We agree with the objectives of the proposals - to prevent profits being artificially shifted into low tax jurisdictions - yet we also recognise that, in relation to real estate, the ability to obtain taxation deductions for interest on genuine (reasonable loan-to-value level) borrowings against property income and gains is an important contributor to the economic growth that is so desperately needed.

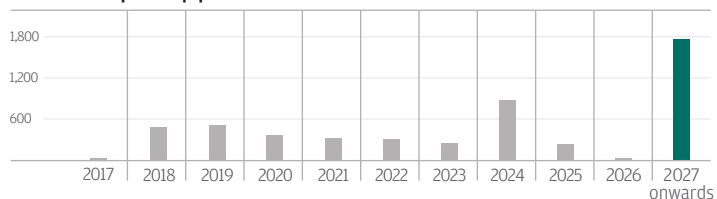
Our approach to taxation, our tax policy and the amount of tax we pay by type and location are shown on page 24.

### Development pipeline

Grosvenor's commitment to delivering returns over the long term is partly demonstrated through our development pipeline, much of which involves many years of planning and pre-construction activity.

The chart below shows the expected gross development value of the development pipeline projects under our management (£6.0bn), together with potential completion dates.

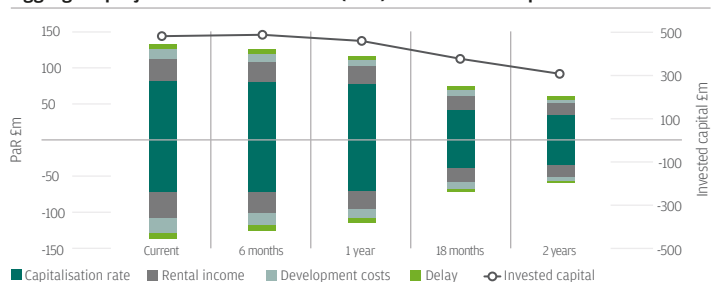
Gross development pipeline value £m



### Development risk

Current risk levels are similar to last year. Underlying profit projections for UK projects have been reduced to reflect uncertainties relating to Brexit. However, the consequent decrease in risk profile is offset by greater uncertainty in a number of our core markets and weakness in the UK prime residential sector. 2018 sees risks and invested capital reduce as a number of projects reach completion.

Aggregate projection of Profit at Risk (PaR) and invested capital



### The (long-term) future is bright

As always, our approach remains to position ourselves to manage the challenges which the shorter term might present to us - Brexit, rising interest rates, modest economic growth, increased protectionism and unilateral action - and position Grosvenor to prosper over the medium and longer term. In that longer-term horizon, we see the potential of an increasing impact of technology in real estate, ageing populations, lower levels of growth and higher and broader expectations of how organisations behave.

We anticipate a downturn in each of our regions over the next few years. All of our Operating Companies have well-prepared downturn plans which, in most cases, incorporate increased development activity. Higher costs and lower income will therefore mean lower total returns over the next few years. We believe that by thinking about the longer term, we can become better placed for enduring success. Meanwhile, in anticipation of the medium-term opportunities which will arise in the next few years, we are confident that the breadth of our business, combined with our increased financial capacity - up from £0.9bn last year to £1.7bn today - put us in a good position to capitalise on them.

Some might consider the consistency of our long-term approach unexciting, but to us it is rewarding, both financially and for our people whose roles are made richer as a consequence.

**Nicholas Scarles**  
Group Finance Director  
23 March 2017

CGI



# £6.0bn

Development pipeline

# £129.6m

taxes paid

# £328m

uplift in Shareholders' funds from currency gains



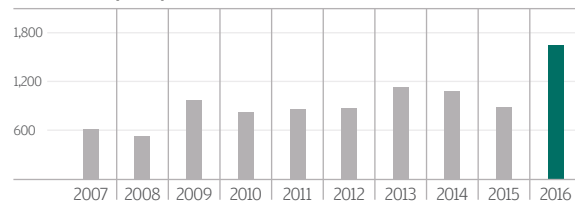
## Financial capacity and liquidity

We manage our financial capacity and liquidity with the dual aim of limiting exposure during periods of global economic stress and ensuring that we are positioned to take advantage of opportunities at times when others are unable to access finance. This is achieved by maintaining sufficient financial capacity, i.e. the amount of available cash and undrawn, committed, general use facilities which are immediately available.

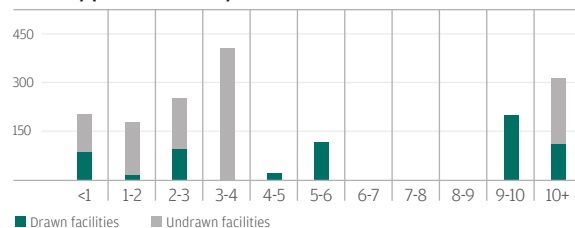
At 31 December 2016, financial capacity was high at £1.7bn (see chart below). While there is a cost in maintaining such capacity, the benefit far outweighs that cost, ensuring that we are well positioned as we increase our exposure to development activity.

The second chart below illustrates the spread of maturities of our wholly-owned debt facilities, split between those which are drawn and undrawn. The weighted average life of these facilities is 5.9 years.

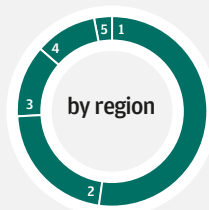
Financial capacity £m



Maturity profile of wholly-owned facilities £m



## Property assets by location



	2015	2016
1 United Kingdom	61.9%	52.4%
2 North America	16.6%	21.9%
3 Continental Europe	9.1%	12.2%
4 Australia/Asia Pacific	10.9%	10.7%
5 South America	1.5%	2.9%
6 Africa	<0.1%	<0.1%

United Kingdom	2015	2016
West End, London	53.9%	46.4%
Liverpool	1.5%	1.5%
Other London	3.3%	3.0%
Other UK	3.2%	1.5%
<b>Total</b>	<b>61.9%</b>	<b>52.4%</b>

North America	2015	2016
Washington, DC	3.9%	6.4%
Vancouver	2.8%	3.8%
San Francisco	2.8%	3.8%
Seattle	2.2%	2.3%
Calgary	1.1%	1.5%
Other USA	3.7%	1.3%
Other Canada	0.2%	1.3%
<b>Total</b>	<b>16.6%</b>	<b>21.9%</b>

Continental Europe	2015	2016
Lisbon	1.6%	2.5%
Other Portugal	1.9%	2.3%
Porto	1.1%	1.7%
Spain	1.0%	1.4%
Italy	0.7%	1.1%
Germany	1.1%	0.9%
Sweden	0.7%	0.8%
France	0.5%	0.3%
Other Europe	0.5%	1.2%
<b>Total</b>	<b>9.1%</b>	<b>12.2%</b>

South America	2015	2016
São Paulo	1.0%	1.9%
Other Brazil	0.5%	1.0%
<b>Total</b>	<b>1.5%</b>	<b>2.9%</b>

Australia/Asia Pacific	2015	2016
Hong Kong	4.7%	6.0%
Tokyo	3.1%	3.3%
Australia	1.3%	1.3%
Beijing	1.5%	0.0%
Shanghai	0.4%	0.0%
Other Asia	0.1%	0.1%
<b>Total</b>	<b>10.9%</b>	<b>10.7%</b>

# £1.7bn

Financial capacity



# 10

currencies in which we operate

## Our approach to taxation

Our approach to taxation reflects our desire to uphold our reputation for quality, integrity and social responsibility.

First, we ensure the appropriate management of all compliance obligations by seeking to apply the spirit as well as the letter of the law. Second, we make, where we are able, a positive, informed and objective contribution to the debate on taxation matters as they affect our industry.

We support measures aimed at enhancing the tax transparency of multinational corporations. We therefore welcome the UK legislative requirements for companies to publish their tax strategy and to report information about their global activities in accordance with the final recommendations from the OECD Base Erosion and Profit Shifting project.

For many years, we have had a tax policy which lays down our approach to taxation matters. This has been shared with UK tax authorities and was published by us last year.

### The Grosvenor Tax Policy

The objective of our tax policy is to ensure we fully comply with our obligations to pay tax and make tax filings to fully meet the legal and compliance obligations in each relevant jurisdiction, while recognising the legitimate requirements of all stakeholders.

This objective will be met by ensuring:

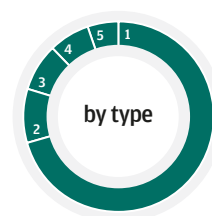
- That realised economic income, gains and profits are taxed, after claiming allowable deductions or tax relief for real economic costs or losses, in accordance with the legislation of the country or countries with taxing rights (taking any double tax treaty or unilateral relief into account).
- That no transaction is entered into, or implemented in a manner, which is considered high risk or likely to be characterised as abusive for tax purposes.
- Full tax compliance (in terms of both appropriate and timely disclosure of information, filings and payment of liabilities) in all relevant jurisdictions.
- Co-operation with tax authorities in the spirit of mutual trust, openness and transparency.
- That relevant personnel are suitably forewarned and informed about forthcoming changes of legislation, policy or practice which will need to be respected and/or implemented in accordance with this policy.
- Where possible, and reflecting our experience, knowledge and abilities, we engage in appropriate dialogue with relevant authorities or bodies, with the objective of helping to improve the appropriateness and quality of the taxation regimes in which we operate.

### Tax contribution

In applying our tax policy, we respect not only the letter of the law but its underlying intention. In the case of real estate, the underlying premise is simple – property should be taxed in the jurisdiction in which it is located. We pay taxes on realised economic gains and profits, in accordance with the applicable laws.

In 2016, Grosvenor Group made tax payments totalling £129.6m. The charts below provide a breakdown by type of tax and location.

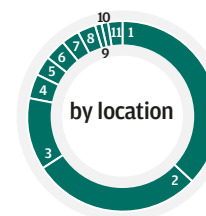
### Taxes borne



1	Corporate income tax paid in the year	£91.3m	70.5%
2	Annual property taxes	£12.3m	9.5%
3	Property transaction taxes paid in the year	£9.7m	7.5%
4	Employer taxes and social security costs	£9.2m	7.1%
5	Irrecoverable VAT (UK only)	£7.1m	5.5%

# 71%

of our tax contribution in the year was borne from corporate income tax



1	United Kingdom	£48.2m	37.2%
2	Ireland	£37.3m	28.8%
3	United States of America	£16.1m	12.4%
4	Portugal	£5.2m	4.0%
5	Canada	£4.6m	3.5%
6	Japan	£4.4m	3.4%
7	Hong Kong	£4.1m	3.2%
8	Australia	£3.7m	2.9%
9	Brazil	£1.6m	1.2%
10	China	£1.4m	1.1%
11	Other	£3.1m	2.4%

# 66%

of our tax contribution in the year was borne in the UK and Ireland

## Our performance over ten years

### Financial statements (£m)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Income statement – proportional*</b>										
Net rental income	169.7	208.0	241.1	184.4	195.8	195.6	172.2	175.3	186.7	<b>194.3</b>
Fees and other income and expenses	59.3	51.3	53.9	75.7	60.5	58.5	63.0	63.9	58.9	<b>71.8</b>
Net gains/(losses) on trading properties	2.5	(131.6)	(12.1)	(3.6)	2.5	4.7	115.2	30.7	27.5	<b>2.4</b>
Administrative expenses	(113.2)	(121.0)	(123.8)	(123.8)	(120.5)	(118.8)	(128.6)	(127.3)	(134.2)	<b>(139.0)</b>
Net financing costs	(44.9)	(83.4)	(96.9)	(82.2)	(74.7)	(74.9)	(68.5)	(62.5)	(55.6)	<b>(50.3)</b>
<b>Group revenue profit/(loss)</b>	<b>73.4</b>	<b>(76.7)</b>	<b>62.2</b>	<b>50.5</b>	<b>63.6</b>	<b>65.2</b>	<b>153.3</b>	<b>80.1</b>	<b>83.3</b>	<b>79.2</b>
Net gains/(losses) on revaluation and sale of investment properties	509.5	(514.2)	(307.9)	386.6	329.5	320.1	380.9	638.0	478.9	<b>85.0</b>
Other	5.5	(47.2)	(23.6)	(16.4)	(67.4)	(11.9)	(20.9)	(15.8)	(18.5)	<b>(0.2)</b>
Tax and non-controlling interests in joint ventures	(64.4)	44.2	33.5	(25.9)	(10.7)	(5.6)	(6.4)	(20.5)	(17.1)	<b>(27.2)</b>
<b>Profit/(loss) before tax</b>	<b>524.0</b>	<b>(593.9)</b>	<b>(235.8)</b>	<b>394.8</b>	<b>315.0</b>	<b>367.8</b>	<b>506.9</b>	<b>681.8</b>	<b>526.6</b>	<b>136.8</b>
<b>Balance sheet – proportional*</b>										
Total property assets including share of joint ventures	5,963.3	6,172.8	5,221.9	5,031.0	5,358.9	5,440.7	5,491.4	6,001.2	6,674.6	<b>6,509.5</b>
Net debt	(1,155.5)	(2,291.3)	(1,762.3)	(1,567.8)	(1,606.4)	(1,454.0)	(1,140.6)	(1,031.4)	(1,298.8)	<b>(834.0)</b>
Deferred tax	(852.9)	(687.3)	(559.7)	(382.1)	(593.5)	(491.1)	(665.0)	(739.3)	(764.0)	<b>(716.0)</b>
Other assets and liabilities	(891.4)	(357.7)	(356.6)	(305.2)	(195.9)	(217.0)	(144.9)	(175.6)	(150.4)	<b>(182.8)</b>
Net assets	3,063.5	2,836.5	2,543.3	2,775.9	2,963.1	3,278.6	3,540.9	4,054.9	4,461.4	<b>4,776.7</b>
Minority interests	175.1	186.2	156.5	126.6	107.8	86.4	85.8	88.3	87.2	<b>(1.6)</b>
<b>Shareholders' funds</b>	<b>2,888.4</b>	<b>2,650.3</b>	<b>2,386.8</b>	<b>2,649.3</b>	<b>2,855.3</b>	<b>3,192.2</b>	<b>3,455.1</b>	<b>3,966.6</b>	<b>4,374.2</b>	<b>4,778.3</b>

\* Non-statutory basis. Incorporates both Grosvenor-controlled activities and share of joint ventures and associates.

## Grosvenor Britain &amp; Ireland

# GROSVENOR BRITAIN & IRELAND

We aim to create and manage sustainable, urban neighbourhoods that are great places to live, work and visit.



## Key metrics

### £21.9m

Revenue profit  
(2015: £31.4m)

### £5.1bn

Assets under management  
(2015: £5.7bn)

### 0.3%

Total return  
(2015: 10.7%)

### 4% reduction

Like-for-like energy consumption  
(2015: 1% increase)

### 7% reduction

Like-for-like water consumption  
(2015: 3% increase)



# “Our new studios in Bermondsey allow our art, architecture and design practice to grow.”

Maria Lisogorskaya  
Director  
Assemble



## New homes for London

We are developing plans for a burgeoning new neighbourhood in **Bermondsey**, south-east London, which embodies the energy and life of its location, celebrates its past, connects its communities and creates new opportunities. Our ambition is to deliver around 1,500 new homes, principally for rent, alongside a new secondary school, high-quality open spaces and better physical connections for this five-hectare site.



### Positive change

We have had an immediate and positive impact on this place and local communities by opening up under-used buildings and spaces to a range of arts, cultural, creative and educational organisations and activity. Turner Prize-winning collective, Assemble, is just one organisation that has, with our support, opened a creative workspace for artists, designers and makers.

## 1,500

is the number of new homes we want to deliver in Bermondsey



“We are consulting on proposals for this site in Bermondsey and are talking to the residents and businesses we have grown to know over the last two years.”

Kate Nottidge  
Community Engagement Manager  
Grosvenor Britain & Ireland

# Delivering great urban neighbourhoods

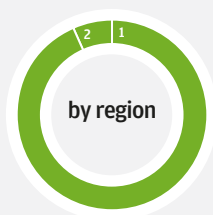
## Performance highlights

- We drove the performance of the London estate and sold over £556.5m of mature assets
- Our occupancy rates remained high at 97.0% (2015: 97.0%), a significant achievement given growing political and economic uncertainty
- Revenue profit before trading was £23.7m (2015: £20.5m), from growing rental income
- Net Rental Income of £65.0m, up from £53.2m in 2015
- As expected, revenue profit of £22.4m was lower than 2015 (£31.4m), largely as a result of lower trading profits
- Total return of 0.3% reflected the fall in market valuations, offsetting the value created through our activities
- Gearing at the end of the year remained low at 9.3%, and down from 16.1% in 2015
- Assets under management were £5.1bn (2015: £5.7bn), returning to 2014's level

## Grosvenor's share of property assets



1 Residential	£1,225.2m	38.0%
2 Office	£1,052.5m	32.6%
3 Retail	£924.5m	28.6%
4 Hotel	£25.2m	0.8%



1 London West End	£3,017.5m	93.5%
2 Outside London	£209.9m	6.5%



1 Investment	£2,937.6m	91.0%
2 Development	£289.8m	9.0%

## Board of Directors as at 23 March 2017

**Graham Pimlott CBE**  
Chairman  
Non-Executive Director

**Stephen Lovegrove**  
Non-Executive Director

**Heather Rabbatts DBE**  
Non-Executive Director

**Nicholas Scarles**  
FCA ATTORNEY AT LAW  
Non-Executive Director  
Group Finance Director

**Peter Vernon FRICS**  
Non-Executive Director  
Group Executive Director

**Craig McWilliam FRICS**  
Executive Director  
Chief Executive

**Roger Blundell ACA**  
Executive Director  
Finance Director

**Will Bax**  
Executive Director  
London Estate Investment & Development

**Simon Harding-Roots**  
Executive Director  
Major Projects

## Chief Executive Statement

It is a great honour for me to be asked to succeed Peter Vernon as Chief Executive of Grosvenor Britain & Ireland and lead this great organisation. Peter has joined the board of Grosvenor Group and is taking responsibility for oversight of three of the Group's four regional Operating Companies. He has made a significant contribution to our success and leaves our business in very good shape.

## Strategic report

When considering the challenges facing our cities, we continue to believe that the most successful urban centres in the UK will be those that attract and retain national and international talent. Key to attracting such talent will be the creation of great places that are both dense and liveable: urban neighbourhoods with rich histories that offer an appealing lifestyle to people with a mix of incomes, life stages and backgrounds, and commercial districts with a compelling mix of opportunities, amenities and jobs.

It is a profound challenge to create and manage such places. Meeting it will require closer and more creative collaboration between government and the real estate industry. Bold public sector leadership will be needed, and a high national priority remains dealing with the housing shortage in our growing cities.



**Craig McWilliam**  
Chief Executive  
Grosvenor Britain & Ireland

# 4,398

total new homes in our five major developments, including those built through our partnerships



Full biographies are available online at:  
[grosvenor.com](http://grosvenor.com)



We want to apply our expertise as master planner, developer, asset manager, landlord and public sector partner to the challenges our cities face. Our objective is to generate long-term, growing income from recurring sources. Our strategy is to create and manage sustainable urban neighbourhoods.

This is our placemaking purpose. The success of our long-standing and long-term approach rests heavily on the impact that places, not just individual buildings, have on the people who use them. We work at neighbourhood scale over the long-term and we judge our financial success principally by revenue profit and total return.

### Our activity in London

Our key asset, the London estate, is the focus of continued investment and transformation. We have set ourselves ambitious goals to ensure it can adapt and grow its appeal with the best residential and commercial spaces, public realm and amenities.

In early 2017, we published a 20-year vision for the London estate which summarises our aspirations and sets some headline outcomes to make Mayfair & Belgravia better places. This vision reflects our 'Living cities' philosophy which helps us contribute to the enduring success of cities. It is based on maintaining our focus on the long-term. It will frame our business decisions and help us communicate change in a consistent way.

Recognising where we were in the property cycle in 2016, we undertook a programme of strategic sales, recycling capital in readiness for new market opportunities and to fund our placemaking development pipeline. In addition, our rolling improvement programme grew income and strengthened the long-term resilience of our assets, predicting and responding to shifts in habit and demand. In driving this programme, we gained planning approval to:

- transform a timber yard into new retail space to grow Pimlico Road's global appeal as an independent design and retail district;
- convert an under-used space at Eccleston Place, near Victoria station, into a creative hub for entrepreneurs and independent retailers;
- reconfigure and extend 425 Oxford Street, in the heart of the West End, pre-letting it to adidas which will make it its flagship store in the UK;
- create a new 30-bedroom hotel close to the current US Embassy at 22 Grosvenor Square; and
- restore and open to the public St Marks, a Grade 1 listed landmark building in Mayfair to create retail, restaurant and community space.

We have continued to drive the performance of the estate's retail portfolio and attract world-class restaurant and retail occupiers to London and the West End. We secured internationally-recognised gourmet food specialist Dean & DeLuca which will shortly open its first store in Europe in Mayfair's Mount Street.



**“New investment will be key to the success of the West End. We're focused on unlocking the district's potential to host more jobs and better places.”**

**Simon Harding-Roots**  
Executive Director,  
Major Projects  
Grosvenor Britain & Ireland

Deliciously Ella opened its 'MaE' deli concept in Mayfair, and Dominique Ansell, famed for the 'Cronut', launched his eponymous bakery in Belgravia's Elizabeth Street. We also welcomed a range of fashion occupiers, including ME+EM and Loquet London to Elizabeth Street, and Valextra to Mount Street.

We have maintained our estate-wide retrofit programme with 150 units benefiting from improvements last year. This retrofit programme contributed both to our energy reduction of 4% (compared with 2015), alongside the 645 tonnes of carbon we estimate was saved by residential units on the estate in 2016. Our conversion of 119 Ebury Street from a dilapidated hotel into three luxury, highly-sustainable apartments, gained the world's first BREEAM 'outstanding' certification - a globally-recognised benchmark for sustainability - for a listed residential building.

Elsewhere in London, in Bermondsey, we have ambitions to create and manage a new urban neighbourhood. We are refining proposals to deliver around 1,500 new homes, predominantly for private rent, a new school, high-quality open spaces and improved pedestrian and cycle connections. We established a new design team and made substantial progress which will allow us to submit planning proposals later this year.

# 8

hectares of new green space were created



# 645

tonnes of carbon were saved as a result of the improved energy-efficiency of 150 residential units that are part of our retrofit programme

## Grosvenor Britain &amp; Ireland (continued)

**Our activity in the rest of the UK**

Our joint venture with Oxford City Council remains on schedule to deliver Barton Park, a 21st century, 36-hectare garden suburb, in one of the country's most physically-constrained cities. With planning approval for up to 885 new homes, a new primary school, community hub and park, we installed further infrastructure and saw our first housebuilder, Hill Residential, start delivering new homes.

In Cambridge, our 24-hectare neighbourhood development of 1,200 new homes at Trumpington Meadows, which borders a 61-hectare country park, reached the next stage of development with 82 new homes completed last year. This takes the total to over 490 homes delivered to date through a successful relationship with Barratt.

In Edinburgh, we contracted to sell our site in Fountainbridge to Moda Living and its joint venture partner Apache Capital. The site comprises 250 completed homes, including 46 private rented homes and two student residences providing accommodation for over 600 students. It has planning approval for a further 525 new homes for rent, whose delivery would help drive the district's regeneration.

**Our financial performance**

We use two principal measures of overall performance: total return on property assets and revenue profit. The objective is for total return to exceed the cost of capital over the long term. In the short term, total return is highly dependent on market fluctuations which are outside the control of the business. We therefore also focus on revenue profit, which is principally profit before tax excluding revaluation gains and profits on disposal of investment properties, as a key performance measure. The objective is to grow revenue profit year-on-year, both including and excluding trading profits.

Net Rental Income (NRI) for the year was £65.0m, up from £53.2m in 2015, with occupancy rates maintained at 97% (2015: 97%). In the year, we followed a strategy to limit our acquisitions and executed a sales programme which generated proceeds of £556.5m by selling lower-yielding, mature assets, taking advantage of the market cycle. This sales programme will reduce NRI in the short term, but has created the capacity to fund our development pipeline.

Revenue profit before trading for the year of £23.7m was up £3.2m on 2015 (£20.5m), with the increase in NRI offset partly through an increase in overheads, reflecting an investment in capability to deliver the development pipeline. Revenue profit was lower at £22.4m (2015: £31.4m), reflecting the loss from trading activity of £1.3m incurred during the year (2015: trading profit of £11.2m).



**“We chose North Mayfair because it’s bursting with character, accessible, under-served for local office workers and residents, and only 90 metres from Oxford Street. We’re thrilled to have made the choice.”**

**Ella Mills**  
Founder  
MaE Deli

Following six successive years of returns above 10%, total return for the year fell to 0.3%, reflecting the fall in market values in our investment portfolio, offsetting the value created through our development and asset management programme, reversionary gain and income returns.

Assets under management were £5.1bn (2015: £5.7bn), following the significant disposals during the year and are now back at their 2014 level.

**Our customers**

Our programme to improve customer service on the London estate is measured at the point of delivery by immediate, post-event surveys and by an annual review conducted by the market research company Ipsos MORI. Net customer satisfaction in post-event surveys rose throughout 2016 to 79%. The annual survey showed customer advocacy for Grosvenor remained constant.

In parallel, we deepened our engagement with the communities at the heart of the neighbourhoods in which we operate. Amongst other things:

- We led or supported 20 community events, including our annual open-air cultural summer festival in Grosvenor Square. In total, 50 of our people were involved as volunteers, playing a key role in enabling the success of our events.

# 203

commercial properties in Mayfair and Belgravia have been encouraged by us to sign up to a single recycling provider to help reduce traffic and noise pollution in the area



# 10

grants were provided to new grassroots community projects in Westminster; a total of 27 since we launched our 'Living Communities Fund' in 2014



- We supported 10 new grassroots community projects, through our Living Communities Fund, set up to improve the lives of people living and working in the South Westminster area. The Fund endowment stands at £832,000. Since 2014, it has supported 27 projects seeking to improve health and wellbeing, including mental health, to enhance community cohesion and to help create better futures for young people.
- In Bermondsey, we continued to create opportunities for community integration by enabling our spaces to be used for a range of initiatives, programmes and events on site. In addition, 416 people accessed training as a result of our community investment in skills through initiatives that included an enterprise course, a community kitchen which trains long-term unemployed people, and the Construction Youth Trust's Construction Skills Centre which helps young people build better futures by providing access to training, education and employment opportunities. At this centre, 950 young people have been engaged in career awareness sessions.

### Our people

In 2016, we continued to invest in our people – from the continuation of a substantial and tailored leadership programme through to a wide-ranging curriculum of learning opportunities for all.



**“The ambitious commercial goals we have set ourselves require us to continue to transform, investing even more in the leadership and development of our people, fostering a more inclusive environment.”**

**Jo Banfield**  
HR Director  
Grosvenor Britain & Ireland

The growth of internal talent continues to be a priority, and we are proud that we have seen a number of internal appointments made at all levels of the business including Will Bax's appointment to Executive Director, London Estate, and Karima Fahmy's appointment as General Counsel.

We recognise the importance of people to our long-term success and, as a values-driven business, strong relationships between our people are nurtured. We are committed to keeping our people informed on matters affecting them as well as the financial and economic factors affecting the Group's performance. We strive for continuous improvement and aim to create a clear line of sight between its strategic goals and individual objectives through regular performance reviews and continuous learning. A range of programmes is available for our people to further train and develop.

We strive to be an inclusive organisation that welcomes, respects and encourages diversity.

### Looking ahead

Against the context of external uncertainty, we remain cautiously positive about the UK market and positive in our outlook for London's long-term future prospects. However, we believe that the property market is late in the cycle across key sectors, and anticipate total return to be lower than 2016 over the next year or two.

More broadly, London's growth is putting pressure on our communities, our infrastructure and our quality of life. Sitting at the heart of the capital, Grosvenor's London estate cannot be insulated from those pressures – nor should it be. It will have to respond by being more active, more open and more integrated – with better streets, greener spaces and enterprising places that appeal to all.

In response, our 20-year vision for the London estate summarises our aspirations and sets some headline outcomes to make Mayfair and Belgravia better places, able to adapt. Some of this change may be possible in the short term, some in the medium to long term. Its manifestation will vary across the estate. We are discussing the best way to bring about this change and we are looking for partners and collaboration. There is little in the vision we can deliver alone.

The estate has adapted for three centuries to changes in habits, demand and the city itself. To survive, flourish and grow, it will need to keep changing.

**Craig McWilliam**  
Chief Executive  
Grosvenor Britain & Ireland  
23 March 2017

# 416

people have accessed training as a result of our community investment in skills in Bermondsey to date

# £35m

is the intrinsic value of the trees we look after across our London estate



# 20

year vision for the London estate was published and widely disseminated

## Grosvenor Americas

# GROSVENOR AMERICAS

Our aim is to be recognised as a market leader in select locations and sectors in Canada and the USA through focused, strategic expansion. We use our knowledge of the cities we work in and our property skills to develop and invest in projects that genuinely contribute to the vibrancy and attractiveness of the communities in which they are located.

**CANADA:**  
**Calgary**  
Assets: 8  
**Vancouver**  
Assets: 7  
**Victoria**  
Assets: 1

**USA:**  
**Chicago**  
Assets: 2  
**Los Angeles**  
Assets: 1  
**San Francisco**  
Assets: 8  
**San Jose**  
Assets: 2  
**Seattle**  
Assets: 3  
**Washington, DC**  
Assets: 19



## Key metrics

### C\$50.6m

Revenue profit  
(2015: C\$52.4m)

### C\$4.6bn

Assets under management  
(2015: C\$4.5bn)

### 6.4%

Total return  
(2015: 8.4%)


### 4% reduction

Like-for-like energy consumption  
(2015: 5% reduction)

### 4% increase

Like-for-like water consumption  
(2015: 3% increase)





“Grosvenor is a developer that understands that they have a responsibility to preserve the past while building the future.”

Thomas Young  
Archaeologist  
WSA Inc.

## Unearthing the past

In the mid-1880s, the California Gold Rush transformed San Francisco. On 8 September 2016, after three archaeological excavations, the ‘Arkansas’ – a legendary ship from that era – was discovered on our development site at **240 Pacific Avenue**. The City and the San Francisco Maritime Historic Park asked that its location be mapped and that the ship be left in situ, untouched by construction, a request that we honoured.



## New homes

Grosvenor is adding a collection of 33 homes and a retail offering, designed to LEED Gold, to San Francisco's historic Jackson Square neighbourhood at 240 Pacific Avenue, which is near the Financial District and The Embarcadero waterfront.

12

weeks were required to excavate our site and find the ‘Arkansas’



“We are definitely working with history – looking at the original buildings, the character, how they’ve been transformed – and we can incorporate those ideas into what we are designing here at 240 Pacific Avenue.”

Glenn Rescalvo FAIA  
Partner  
Handel Architects



# Contributing to community vibrancy and attractiveness

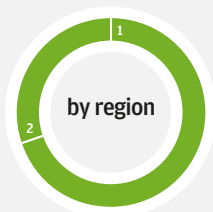
## Performance highlights

- Began construction on two mixed-use developments, completed construction on one residential tower, acquired three office and retail investment properties and sold five investment properties
- Commenced renovation and re-positioning programmes on five investment properties
- Received an additional commitment of C\$40m from our existing True North partners, bringing the committed capital in the Structured Development Financing Programme to C\$225m
- Gained planning approval for new residential developments at 240 Pacific Avenue and 875 California Street, in San Francisco, CA
- Promoted Graham Drexel to Chief Financial Officer and welcomed two new board members, Sarah Morgan-Silvester and Gordon Campbell, OBC

## Grosvenor's share of property assets



1 Residential	C\$867.2m	38.6%
2 Retail	C\$723.0m	32.2%
3 Office	C\$383.3m	17.0%
4 Industrial	C\$192.2m	8.5%
5 Hotel	C\$83.0m	3.7%



1 USA	C\$1,571.8m	69.9%
2 Canada	C\$676.7m	30.1%



1 Investment	C\$1,768.8m	78.7%
2 Development	C\$479.9m	21.3%

## Board of Directors as at 23 March 2017

**John T Roberts**  
Chairman  
Non-Executive Director

**Gordon Campbell OBC**  
Non-Executive Director

**Sarah Morgan-Silvester**  
Non-Executive Director

**Nicholas Scarles**  
FCA ATTORNEY AT LAW  
Non-Executive Director  
Group Finance Director

**Peter Vernon FRICS**  
Non-Executive Director  
Group Executive Director

**Andrew Bibby**  
Executive Director  
Chief Executive

**Graham Drexel CPA, CA**  
Executive Director  
Chief Financial Officer



**Andrew Bibby**  
Chief Executive  
Grosvenor Americas



Full biographies are  
available online at:  
[grosvenor.com](http://grosvenor.com)

## Chief Executive Statement

In 2016, we benefited from a stable economic environment across most of North America. We remained focused on delivering against our strategy of growing a financially sustainable business that enhances the Grosvenor brand and brings value to our Shareholders and to the stakeholders in the communities in which we are active.

We completed several property disposals, which helped to crystallise gains for us and our partners, and advanced our downturn preparedness by trading into walkable, urban locations. Development projects in all of our primary markets progressed well and we co-invested with like-minded residential developers in Vancouver, San Francisco, Los Angeles and Washington, DC. These successes helped to raise our profile, which in turn brought increased business opportunities.

Our revenue profit for 2016 was C\$50.6m (2015: C\$52.4m). We realised C\$18.0m in performance fees through the disposal of three properties within our refurbishment programme and co-owned with two Canadian pension funds. Trading income was expectedly lower than prior years as we await the completion of development projects in Washington, DC and Vancouver scheduled to occur in 2017 and 2018, respectively. Our total return was 6.4%, reflecting our strong revenue projections and valuation gain in our investment portfolio.



# 7

further major developments are under construction after an average of six years of collaborative planning

While remaining optimistic about our prospects, we are nonetheless mindful of headwinds which could impact our business in 2017. The introduction of a 15% foreign purchaser acquisition tax in August by the Provincial Government of British Columbia caused a mild cooling effect on the regional real estate market. Even so, thanks to the strong appeal of our developments to local purchasers, low interest rates and demand still outstripping supply in our markets, we do not expect the new tax to have a significant effect on our operations or to result in sustained property value declines.

As we near the end of this property cycle, we find ourselves in a strong position and almost fully invested.

### Contributing to city vibrancy

In North America, our approach has been to create and manage a diversified development business focused on urban centres in our primary markets. In 2016, all of our committed construction projects proceeded in line with our expectations.

Pre-sales for Connaught, Grosvenor's mixed-use residential project in North Vancouver, commenced in March 2016. The project has proven especially popular with local residents looking to 'right-size'. At the end of 2016, 79% of the development was sold, with five residences and eight townhomes remaining.

Following the success of the Phase 1 pre-sales campaign for our mixed-use development in West Vancouver (Grosvenor Ambleside, 92% sold at the end of 2016), a series of private showings in November marked the start of the Phase 2 pre-sales campaign. There has been a significant response from local West Vancouver residents and, of the 42 homes available, 27 have sold, delivering C\$107m in sales revenue. We secured agreements with three established retailers: a locally-operated grocer, a vegetarian restaurant and a brand new dining concept from a national, family-owned restaurant operator.

In downtown Vancouver, the City's Heritage Commission and Urban Design Panel approved our proposal for a 39-storey residential tower at 1380 Hornby Street. Rather than leave our development land un-used as the application proceeded, we created a temporary community 'pop-up park' on the site and hosted a series of public information events about the development throughout the summer.

Despite residential sales in the Calgary market remaining slow, largely as a result of the economic effects of lower oil and gas prices, our development programme stayed focused on urban mixed-use in the West End and Beltline neighbourhoods, which are benefiting from a growing trend towards urban living.



**“Grosvenor people are problem solvers who continually focus on design and quality. Collaborative and mindful of project investment parameters, they also execute on time and on budget.”**

**Rebecca Owen**  
Senior Vice President  
& Chief Legal Counsel  
Clark Enterprises, Inc

Construction completed at Smith (a 127-unit residential tower) in December, welcoming many new homeowners to the Beltline. In the city's West End, our 192-unit residential tower, Avenue, topped out in July. In preparation for an improving market in Calgary, we have optioned several lots adjacent to our site at 1405 Fourth Street in the Beltline. These additional properties will effectively double the size of the mixed-use development project we have planned for this site.

In San Francisco, the dedicated and thorough community outreach process led by our local development team over the past two years was instrumental in persuading the City's Planning Commission to grant planning approval for our sites at 240 Pacific Avenue in historic Jackson Square and 875 California Street on Nob Hill. Pre-construction planning activity continues apace for a 44-unit residential building at 875 California Street and construction at 240 Pacific Avenue has now commenced following detailed archaeological excavations undertaken over a 12-week period.



# 30

days for Grosvenor Ambleside Phase 2 to reach 60% sold



# C\$548,000

was spent on public art across our North American development projects

# 93/100

is our average Walk Score® at our development projects across North America

## Grosvenor Americas (continued)

In Washington, DC, favourable economic and market conditions allowed us to commence the residential pre-leasing campaign at FIRST, a 42,000m<sup>2</sup>, 325-apartment mixed-use development under construction that includes the District's first rooftop offering views into the baseball diamond at Nationals Park. Fifty of the homes within the development will be designated and offered as 'Affordable Dwelling Units'. To complement the project, we secured retail agreements with four fast-casual eateries which we expect will contribute to the Capitol Riverfront District's vibrancy.

Construction has also progressed well at Central, a 21,500m<sup>2</sup>, 243-apartment mixed-use community, with 1,500m<sup>2</sup> of ground floor retail space. Central is well located near downtown Silver Spring, MD, an area which is experiencing a resurgence thanks to Montgomery County's recent investment in the Purple Line, a 16.2-mile light rail transit line.

### Active in urban environments

Grosvenor's Investment Programme is focused on the active management and improvement of residential, retail and office properties in vibrant locations nearby transit. In San Francisco, we manage several creative office spaces and retail mixed-use properties around Union Square and close to the City's newest subway line. Adding to this portfolio, we purchased 394 Pacific Avenue, a 4,665m<sup>2</sup> office building near our development site at 240 Pacific Avenue, in July 2016.

In September, we acquired 240 Stockton Street, a 3,750m<sup>2</sup> luxury retail and office building anchored by international fashion house Gucci. The LEED Gold, Category 1 historic building adds to our range of quality high-street properties along Post Street. Earlier in the year, the French luxury fashion brand Dior opened its 930m<sup>2</sup> flagship store in our property at 185 Post Street, following an extensive interior and entry façade fit-out.

Other property purchases in 2016 included Cambridge Apartments 168-units in Lynnwood, WA, adjacent to the light rail transit station which completes in 2021, and 4664 Loughheed Highway in Burnaby, BC, an 18,000m<sup>2</sup> commercial building located near Metro Vancouver's SkyTrain rapid transit network.

Favourable market conditions encouraged us to complete several property disposals in 2016. The sales of Campbell Run in Woodinville, WA, Bridges at Northcreek in Bothell, WA and Trailside Terrace in Belmont, CA crystallised gains for our Canadian pension fund partners and sales of Westgate West in San Jose, CA and Los Gatos Village Square, CA will allow us to redeploy capital into walkable, urban property.



**"The addition of properties to our Union Square portfolio and in Jackson Square has helped advance our investment strategy focused on walkable, vibrant locations."**

**Steve O'Connell**  
Managing Director, Investment  
Grosvenor Americas

We made good progress this year with renovations commencing on several residential properties including Waterstone Apartments in San Jose, CA, Cambridge Apartments in Lynwood, WA, The Row Townhomes in Bellevue, WA, Chelsea at Juanita Village in Seattle, WA, Sawyer Flats in Gaithersburg, MD and Wheelhouse of Fair Oaks in Fairfax, VA. We will continue to invest in property to benefit residential and commercial tenants. Over the next five years, C\$53.7m has been allocated towards upgrading unit interiors, common areas and amenities at seven assets in our portfolio.

A new heating, ventilation and air-conditioning system designed to lower energy consumption was installed at the 1500 K Street building in Washington, DC, a Waddy B. Wood designed, 24,300m<sup>2</sup> Class A office property overlooking McPherson Square Park. Renovations are progressing and include façade, roof deck, fitness centre and lobby improvements which will enhance and expertly blend the building's heritage features with modern technology and creative interior design detail.

### Co-investing in our communities

In 2013, we recognised an opportunity in the market to grow our mezzanine lending business which provided developers with project financing beyond conventional funding structures.



# 5

properties in our Union Square portfolio in San Francisco allow for more strategic asset management

# 50

homes will be offered as 'Affordable Dwelling Units' at our 'FIRST' development in Washington, DC

# C\$16.8m



was spent on asset retrofits, including energy-efficiency improvements, leading to three properties achieving the ENERGY STAR® environmental certification



This led us to raise additional capital through an investment partnership and establish the Structured Development Finance Programme where we offer flexible debt financing to residential and mixed-use developers in San Francisco, Los Angeles, Washington, DC, Seattle and Vancouver.

In 2016, an additional commitment of C\$40m from our existing partners in True North, including Grosvenor, brought the committed capital in the Programme to C\$225m. By year end, C\$200m of this capital had been committed to support the development of 1,438 homes across all our key North American markets, worth approximately C\$1.3bn in revenue.

As part of Grosvenor's long-term commitment to contribute to the growth and prosperity of the cities in which we invest, the Programme is successfully helping to increase the number of condominiums, rental apartments, mixed-use and single-family townhomes in supply-constrained markets around North America.

### Leading change

The appointment of James Patillo to Managing Director, Development and Steve O'Connell to Managing Director, Investment in 2016 brought fresh perspectives and ideas that continue to benefit the business.



**“Our dynamic development team is motivated and well-equipped to deliver on the healthy pipeline we’ve built up in all our key markets.”**

**James Patillo**  
Managing Director,  
Development  
Grosvenor Americas

In May 2016, Graham Drexel assumed the role of Chief Financial Officer and, in October, we announced the appointment of two new board members, Sarah Morgan-Silvester, Chancellor Emeritus of the University of British Columbia and former British Columbia Premier, Gordon Campbell, OBC.

### Supporting sport and big ideas

As part of our efforts to bring innovative ideas to the company, our Grosvenor ‘Speaker Series’ kicked-off with a presentation by the award-winning journalist and author of ‘Happy City’, Charles Montgomery, who joined us in Vancouver to speak about creative design and the role property investors and developers play in contributing to healthy places.

Also in Vancouver, the inaugural HSBC Canada Sevens tournament took place in March, with Grosvenor being the local title sponsor of the tournament. Drawing 60,418 spectators from around the world, the event proved a positive catalyst in contributing an estimated additional spend of C\$17.8m to the local economy, while also helping to raise rugby's profile in Canada. Vancouver once again proved itself a vibrant sporting city, much like it did during the 2010 Winter Olympic and Paralympic Games.

### Looking ahead

2017 promises to be a year of fervent activity on both the political and economic front across North America and while a likely rise in interest rates will prove challenging for some, we believe that the conditions remain for economic growth to endure.

Against this backdrop, our plans are to continue to increase our profile as an established developer, delivering residential projects in all of our primary markets and working alongside like-minded partners. We have plans to extend our presence through our Structured Development Finance Programme.

Firm in the belief that the trend towards urban living is set to continue, we will focus on acquiring high-quality assets in walkable locations.

Finally, we look forward to welcoming hundreds of new homeowners and tenants into Grosvenor properties as several mixed-use development projects and property refurbishments are set to complete in the near term.

**Andrew Bibby**  
Chief Executive  
Grosvenor Americas  
23 March 2017



# 29

hectares of green space are under management in our portfolio, with 34 trees planted at our investment assets in Washington, DC

# 1,438

homes are planned for development in our key markets; C\$225m committed capital in our Structured Development Finance Programme will go towards the development of the new homes

# 60,418

spectators from around the world watched HSBC Canada Sevens; Grosvenor was a title sponsor



## Grosvenor Asia Pacific

# GROSVENOR ASIA PACIFIC

We aim to create, capture and deliver value for our own business and co-investment partners, as well as for the cities in which we are active. Through our development, investment and philanthropic activities, we want to make a lasting contribution to these cities' communities, and to the environment, taking advantage of the property skills and long-term perspective that Grosvenor has developed over many generations.



## Key metrics

### HK\$112.2m

Revenue profit  
(2015: HK\$121.5m)

### HK\$6.8bn

Assets under management  
(2015: HK\$8.1bn)

### 6.3%

Total return  
(2015: 6.6%)

### 5% increase

Like-for-like energy consumption  
(2015: 1% reduction)

### 7% increase

Like-for-like water consumption  
(2015: 5% increase)

“I was delighted to be part of this important dialogue on how we can make our neighbourhoods better places for our communities.”

**Chris Law**

Chief Curator, Very Hong Kong Foundation  
Director, The Oval Partnership



## Here comes the neighbourhood

In October 2016, we hosted the first Grosvenor **Neighbourhood Series** event in Hong Kong's Sheung Wan district, bringing together a strong panel of respected thinkers from a breadth of industries to debate what it is that makes a neighbourhood great.



### A 'Living cities' perspective

To set the context for the event, we also published a white paper, in collaboration with the University of Hong Kong, examining Hong Kong residents' perceptions of their own neighbourhoods.

7

distinct but complementary types of neighbourhood unique to Hong Kong were identified in the study, 'Hong Kong Neighbourhoods: a 'Living cities' Perspective'



“Our neighbourhoods research found that although quality of the built environment was important to people, hardly anyone thought it was a strength of their neighbourhood.”

**Tim Jowett**

Head of Research  
Grosvenor Asia Pacific



# Building on our refocused strategy

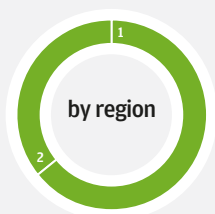
## Performance highlights

- Sold Parkside Plaza shopping mall in Shanghai, having transformed it into a premier family entertainment and leisure destination
- Secured our latest co-investment partnership, the Grosvenor Hong Kong Value Partnership. This completed its first deal in December, our first retail investment in Hong Kong
- Launched sales at The Westminster Nanpeidai, Tokyo, continuing our programme of high-quality value-add residential projects in the city
- Disposed of China Merchants Tower, Beijing, having significantly upgraded its interiors and achieved full occupancy
- Hosted our inaugural Neighbourhood Series event and published an accompanying white paper, 'Hong Kong Neighbourhoods: a 'Living cities' Perspective'
- Enhanced internal processes, governance structures and collaboration with the establishment of several inter-office, cross-departmental work streams and committees

## Grosvenor's share of property assets



1 Office	HK\$3,363.7m	58.0%
2 Residential	HK\$2,435.6m	42.0%



1 Hong Kong	HK\$3,722.4m	64.2%
2 Japan	HK\$2,076.9m	35.8%



1 Investment	HK\$4,562.4m	78.7%
2 Development	HK\$1,263.9m	21.3%

## Board of Directors as at 23 March 2017

**Keith Kerr**  
Chairman  
Non-Executive Director

**Kensuke Hotta**  
Non-Executive Director

**Norman Lyle**  
Non-Executive Director

**Nicholas Scarles**  
FCA ATTORNEY AT LAW  
Non-Executive Director  
Group Finance Director

**Peter Vernon FRICS**  
Non-Executive Director  
Group Executive Director

**Benjamin Cha**  
Executive Director  
Chief Executive

**Ian Mair**  
Executive Director  
Chief Operations Officer and  
Regional Finance Director



**Benjamin Cha**  
Chief Executive  
Grosvenor Asia Pacific

## Chief Executive Statement

Despite some uncertain economic conditions, we remained focused on our markets in Asia through 2016, encouraged by solid supply/demand fundamentals and healthy investor demand, particularly for income-producing assets.

Revenue profit decreased to HK\$112.2m (2015: HK\$121.5m), a reflection of residential sales (which resulted in a spike in 2015) having concluded at The Westminster Roppongi, Tokyo. Our assets under management also decreased, from HK\$8.1bn in 2015 to HK\$6.8bn, following a number of strategic project disposals including the residential asset The Mark, Tokyo, and the commercial investment China Merchants Tower in Beijing. Total return was 6.3% (2015: 6.6%). All of these results were as expected, with a necessary drop in numbers in the short term as we position the business for further reinvestment and much stronger returns over the medium to long term.

Occupancy levels remained high (2016: 93.4%; 2015: 97.3%), with the office investment PCCW Tower in Hong Kong remaining fully let and our Tokyo residential investment portfolio also achieving robust occupancy rates.

Despite the majority of our assets and own offices improving environmental performance in 2016 compared with 2015, the 15% increase in footfall at our largest asset - Parkside Plaza - resulted in higher overall consumption. We are reviewing environmental asset plans for 2017.



# 72%

of Hong Kong people were satisfied or very satisfied with their neighbourhood, according to our research on communities



Full biographies are available online at:  
[grosvenor.com](http://grosvenor.com)

## Contributing to great neighbourhoods

We take pride in understanding our markets and in being engaged with other stakeholders committed to creating enduring and successful cities. With this in mind, we launched our first Neighbourhood Series event and research in October, seeking to deepen our own local knowledge as well as encourage engagement and a constructive discourse among other regional industry stakeholders.

This desire to play our part in the creation of great neighbourhoods was also applied to Parkside Plaza, a retail mall located in the Putuo district of Shanghai. Through pro-active asset management, we enhanced vibrancy and increased footfall, helping to create a popular retail destination for the area. One particular highlight among various innovative initiatives was our ability to attract, in March, a Legoland Discovery Center to the mall, the first in China. In November, our interest in the mall was sold on behalf of the Grosvenor Vega China Retail Fund. Elsewhere in China, we also sold our last remaining asset in Beijing, the office building China Merchants Tower. We will seek to redeploy the investment capital unlocked through these asset disposals back into the Shanghai market.

We continued to bring high-quality design to connected and vibrant neighbourhoods in Tokyo, launching The Westminster Nanpeidai – a 52-unit low-rise residential building located adjacent to the fashionable Daikanyama district – which went to market in March 2016. Sales are progressing well.

In December, we agreed our latest co-investment partnership – the Grosvenor Hong Kong Value Partnership – and signed our first deal under it, a two-storey retail podium located in Kennedy Town, one of the city's most burgeoning neighbourhoods. The deal is our first retail investment in the city and reflects our desire to be involved in exciting urban projects.

## More meaningful philanthropy

Improved cross-business collaboration in 2016 saw the establishment of a number of new working groups, including Grosvenor Asia Pacific's first committee dedicated to charitable giving and community engagement. With a focus around three areas – 'serving those in need', 'serving the community', and 'preservation and sustainability' – we developed a more rigorous approach to our charitable endeavours and volunteer efforts in the region. This ensures that any such initiatives we engage in are for the right groups and the right reasons, directly benefiting the neighbourhoods in which we are currently or potentially active.



**“We hope to continue working with Grosvenor on extensive public art educational programmes that benefit and inspire the local community.”**

**Jilly Ding**  
Head of Research  
K11 Foundation

## Our people

We made a number of key strategic additions to our teams during 2016. In Shanghai, Samuel Wong and Michael Zhu joined as Executive Director, Project Development, and Associate Director, Investment, respectively. In Hong Kong, we welcomed Simon Chow as Investment Director, bringing with him a wealth of investment experience that has already proved fruitful, as well as Tim Jowett as our Head of Research. Meanwhile, in Tokyo, Koshiro Hiroi moved on after 15 years of distinguished service. His successor will lead the team there from June 2017.

## Looking ahead

In 2017, we are ideally positioned with enhanced capabilities to take advantage of our increased investment capacity, going deeper into our market cities. We expect to continue to deploy capital unlocked from asset sales across the region, executing on new investment deals and following in the footsteps of our Kennedy Town retail investment. Our latest residential project in Jardine's Lookout, Hong Kong, will also complete construction, and should prove a standout residential development when it launches in 2018.

**Benjamin Cha**  
Chief Executive  
Grosvenor Asia Pacific  
23 March 2017



# HK\$1.8m

of charitable giving was provided to organisations active in our cities

# 22%

increase in retail sales at Parkside Plaza during the first nine months of 2016, through concerted placemaking efforts, ahead of its sale in November



# 100%

occupancy achieved at PCCW Tower in Hong Kong and Court Annex in Tokyo for the second year in a row

## Grosvenor Europe

# GROSVENOR EUROPE

We seek to create value through investment in urban properties located in six vibrant cities: Stockholm, Paris, Madrid, Milan, Lyon and Liverpool. We attract select third-party capital and work closely with our partners. We use our local knowledge and international expertise with a long-term, value-add outlook to enhance buildings and contribute to the positive transformation of the communities in which we work.



## Key metrics

**£(0.5)m**

Revenue loss  
(2015: N/A)

**£2.9bn**

Assets under management  
(2015: £3.5bn)

**1.4%**

Total return  
(2015: N/A)

**3% reduction**

Like-for-like energy consumption  
(2015: 5% reduction)

**6% reduction**

Like-for-like water consumption  
(2015: 2% reduction)

\*acquired in February 2017



“We partnered with Grosvenor because of the value that its international experience and local knowledge brings. They unlock opportunities in local markets we wouldn’t have direct access to.”

**Mr Kim Wai Soo** (pictured far right)  
Group Managing Director  
Amcorp



### A valuable partnership

In July 2016, we signed a joint venture with Malaysian publicly listed company, **Amcorp Properties Berhad**. The partnership targets mixed-use value-add opportunities in Madrid’s city centre, with a particular focus on residential. The partnership hopes to build a portfolio of six to eight city centre schemes.



### Opportunities in urban neighbourhoods

Grosvenor has a long-standing relationship with the city of Madrid, having been active there since the late 1990s. Madrid is a vibrant city with rapidly improving prospects, offering a strong platform for Grosvenor and Amcorp to explore exciting development and value-add opportunities in central urban neighbourhoods.

**€70m**

joint venture to invest in Madrid



“This is the first European partnership between Grosvenor and Amcorp. Madrid is an exciting city and we are actively pursuing opportunities which will contribute to the growth of vibrant neighbourhoods.”

**Fátima Sáez del Cano**  
Director, Spain  
Grosvenor Europe

# A new focus on direct investment

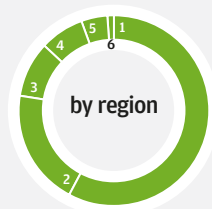
## Performance highlights

- Transitioned from Grosvenor Fund Management to Grosvenor Europe, investing our own capital in our target cities
- Invested €35m into a €70m joint venture for residential development in Madrid
- Achieved five GRESB Green Stars, including a corporate ranking 13 points above the industry benchmark
- 16 sales averaging 14% above valuation price
- 340 leases signed
- Reduction in energy and water consumption across portfolio through active asset management

## Grosvenor's share of property assets



1 Retail	£175.6m	66.8%
2 Office	£47.6m	18.1%
3 Other	£39.7m	15.1%



1 UK	£152.4m	58.0%
2 Sweden	£51.8m	19.7%
3 USA	£24.7m	9.4%
4 France	£19.7m	7.5%
5 Other	£11.6m	4.4%
6 Italy	£2.7m	1.0%



1 Investment	£262.9m	100%
--------------	---------	------

## Board of Directors as at 23 March 2017

**Mark Preston**  
Chairman  
Non-Executive Director  
Group Chief Executive

**Jonathan Lane**  
Non-Executive Director

**Patricia Abril**  
Non-Executive Director

**Nicholas Scarles**  
FCA ATTORNEY AT LAW  
Non-Executive Director  
Group Finance Director

**James Raynor**  
Executive Director  
Chief Executive

**Robert Davis**  
Executive Director  
Chief Finance Officer

**Giles Wintle**  
Executive Director  
Development & Investment

**Matthew Norris**  
Executive Director  
Real Estate Securities



**James Raynor**  
Chief Executive  
Grosvenor Europe

## Chief Executive Statement

In 2016, Grosvenor Fund Management transitioned into Grosvenor Europe. With its own capital to invest, Grosvenor Europe has greater flexibility to take advantage of market opportunities, and that ensuring return on capital and the implementation of 'Living cities' is at the forefront of everything that we do.

The transition resulted in a decision to concentrate on six vibrant cities – Paris, Madrid, Stockholm, Milan, Lyon and Liverpool – cities which will offer significant opportunities as we look to create value over and above market returns. In addition, having already developed exceptional retail skills, we have also taken a decision to consider residential and mixed-use opportunities. We expect to increase our exposure to development and value-add investments in our core urban locations. To support this, we appointed our first two Non-Executive Directors – Patricia Abril and Jonathan Lane – to the Grosvenor Europe Board in 2016.

## Financial performance

Our 2016 financial performance was ahead of expectation. Including restructuring costs, we achieved a £1.6m profit before tax and a total return of 1.4%. Markets across the Continent have been strong, so we made a series of strategic divestments where we saw opportunities to realise significant profit for our investment partners and ourselves, including Heron Parc in Lille for €138m. Total sales exceeded £813m in 2016, representing 28% of the portfolio.



Full biographies are  
available online at:  
[grosvenor.com](http://grosvenor.com)



Green Stars were achieved in the Global Real Estate Sustainability Benchmark (GRESB)

Our investment vehicles outperformed the INREV All Funds Index over the last three years. We remain committed to our existing investment partners and will continue to be disciplined in managing our existing portfolios, crystallising value creation in 2017.

We consolidated our portfolio position in central Lyon during 2016, acquiring two assets on the city's premier shopping street, Rue de la République. We also made our first direct investment in line with our revised strategy, in Madrid in early 2017.

### Creating value through 'Living cities'

We take a holistic view of our assets. Buildings in our portfolio are more than just bricks and mortar and they are not defined by their walls. Rather, they play a more important role in society, interacting with their surroundings.

We are driven to improve our portfolio over the long term. Through active management, we implement projects to improve rents, values and returns for our investors. Yet, our approach does not just consider investment or management of the building. It also focuses on our active pursuit of improvements to sustainability and increasing our direct activity with local communities.

In Stockholm, the first phase of our 47,000m<sup>2</sup> refurbishment programme of Skärholmen Centrum completed, and we supported Mitt127, a programme providing young people with an opportunity to implement change in their communities through participation in sports and other activities.

At Liverpool ONE, we supported 59 community events in 2016 and secured 25 new leases. A considered approach to consistently refreshing Liverpool ONE's offering was crucial to increasing its footfall. Welcoming the centre's 200 millionth visitor in March 2016 was a milestone which strongly validates our approach.

A number of other sustainability goals were also achieved in 2016. We retained our GRESB Green Star rating as a business and secured four other Green Stars for our retail assets. At Burlöv Centrum, two beehives produced 100kg of honey (assisting the pollination of approximately 250m local flowers). In the coming year, we anticipate significant further investment in 'Living cities' initiatives across our portfolio.

### Digital innovation

In 2016, we demonstrated innovation and launched our first investor relations mobile application, providing our partners and our people with instant access to portfolio and asset information, as well as latest news and research.

We also partnered with several global technology companies to enhance our digital offering. At Liverpool ONE, we worked with Apple to road test new mapping technology that will improve indoor wayfinding. At Skärholmen Centrum, we partnered with Spotify-backed Soundtrack Your Brand, creating their first shopping centre soundtrack.



**"We make the most of our diverse team to ensure our success in local markets."**

**Jane Goode**  
HR Director  
Grosvenor Europe

### Supporting diversity

We recognise the important role diversity plays in helping to drive business growth. We are now active in eight offices, spanning six countries in Europe. To ensure we have a diverse, yet specialised, skillset, we continue to invest heavily in our people. More than 75% of them completed extensive training in 2016.

### Looking ahead

As we aim to rebalance our investment portfolio, we acknowledge that each of our markets experience different growth and capital cycles. We will react to the opportunities that arise in each of our cities, making the most of the benefits that a diverse portfolio brings. We will focus on increasing direct investment in development opportunities, and creating value over and above market return by concentrating on strong value-add activity. Driving the long-term potential of our core portfolio will be achieved by continuous investment in, and improvement of assets and their surroundings, for example, re-positioning our retail assets in Sweden alongside localised residential development.

Common trends across our markets, such as growing urbanisation, are likely to create issues across Europe, including restricted housing supply. We aim to continue to search for opportunities to provide solutions to these challenges. There is potential in our cities to secure solid income streams across our existing portfolio, to continue delivering results for investors and ensuring good returns on new commitments.

**James Raynor**  
Chief Executive  
Grosvenor Europe  
23 March 2017

# 154

community events held at our shopping centres



# 50%

of our shopping centre portfolio floor area has a BREEAM environmental certification

# >75%

of our people completed extensive training



## Indirect Investment

# INDIRECT INVESTMENT

Our purpose is to further diversify Grosvenor's international property portfolio to achieve strong risk-adjusted returns. This is achieved by investing in third-party managed opportunities in sectors and geographies that complement the activities of the regional Operating Companies.



## Key metrics

### £31.8m

Revenue profit  
(2015: £42.1m)

### 12.7%

Total return  
(2015: 10.0%)

### £600.6m

Equity invested  
(2015: £573.0m)

“Working with Grosvenor has enabled us to create and realise several investment opportunities. We have developed a very strong and productive relationship with the team.”

**Stephen Day** (pictured centre)  
Vice Chairman and Executive Director  
Propertylink

## Deepening relationships

In 2016, we extended our relationship with Australian real estate company **Propertylink**, creating a third partnership that invests in secondary offices in North Sydney. August 2016 also saw us exit our first investment with Propertylink, the Propertylink Australia Industrial Partnership (PAIP). This coincided with the Australian firm's Initial Public Offering on the Australian Stock Exchange and delivered a significant return (27% per annum IRR).



### Beyond financial value

Our joint ventures have generated significant value for both businesses, giving Grosvenor access to local expertise and Propertylink access to risk capital for its growth.

**27%**  
per annum IRR on PAIP



“Our successful partnership with Propertylink demonstrates the importance of creating and nurturing strong relationships.”

**Andy Yates**  
Investment Director  
Indirect Investment

# A well-established and growing business

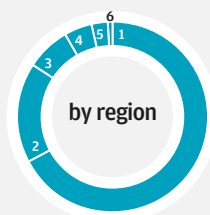
## Performance highlights

- Sonae Sierra's first Eastern European shopping centre, ParkLake, opened in Romania in September 2016
- Expanded the portfolio of third-party managed investments with two new partners
- Completed three new deals with a value of £68m and gained exposure to one new country
- Exited two investments, realising combined returns of over 21% IRR
- Grew the Indirect Investment team to seven people

## Portfolio analysis



1 Retail	£891.2m	84.1%
2 Industrial	£79.0m	7.4%
3 Office	£78.4m	7.4%
4 Other	£11.9m	1.1%



1 Continental Europe	£715.8m	67.5%
2 Brazil	£181.9m	17.2%
3 Australia	£79.8m	7.5%
4 USA	£50.7m	4.8%
5 UK	£30.8m	2.9%
6 Asia	£1.5m	0.1%



1 Investment	£1,031.3m	97.2%
2 Development	£29.2m	2.8%

## Group Investment Committee as at 23 March 2017

**Mark Preston** FRICS  
Group Chief Executive

**Nicholas Scarles**  
FCA ATTORNEY AT LAW  
Group Finance Director

**Graham Parry**  
Group Research Director



**Chris Taite**  
Managing Director  
Indirect Investment

## Managing Director Statement

2016 was another year of solid growth and performance delivery. Revenue profit was £31.8m, and profit before tax increased by 51% to £112.8m. Total return on property assets was 12.7%.

The Indirect Investment portfolio grew in value to £600.6m following the completion of three new investments in the USA, Canada and Australia and an increase in our investment in Sonae Sierra. The three deals had a combined equity commitment of £68m.

We realised significant returns from existing investments. In August, we exited our first investment programme with Australian firm Propertylink and Goldman Sachs, the Propertylink Australian Industrial Partnership. The sale delivered profit of A\$13.6m and an IRR of 27%.

Our first investment with iO Asset Management LLP, the UK industrial partnership that we have backed since 2012, also delivered strong returns with an IRR of 17% over its four-year life.

## Creating value through long-term partnerships

Our approach has always been to invest alongside specialist third-party management teams with specific geographical or sectoral expertise, to drive long-term returns and diversify Grosvenor's investment portfolio. We take advantage of opportunities in markets that are undergoing cyclical change or where structural changes create some form of undersupply or where we believe there is mispricing.

# 14

new investments have been concluded since 2012, including two successful divestments



Full biographies are available online at:  
[grosvenor.com](http://grosvenor.com)

# 41%

growth in equity committed



We are increasingly seeking to identify opportunities which are un-correlated with commercial property cycles.

The largest of our investments is in Sonae Sierra, a company in which we have been a shareholder since 1996. Our investment has delivered an average net return on equity of 8% per annum and continues to provide us with exposure to some of the best shopping centres in Europe, South America, North Africa and Asia.

2016 was a good year for Sonae Sierra, from an operational performance and strategic point of view. Grosvenor's share of revenue profit was €28.2m. At the same time, disposals and revaluation gains of €68.1m contributed to a share of profit before tax of €96.3m compared with €67.8m in 2015. Average occupancy for the overall portfolio reached 96.6%.

During 2016, Sonae Sierra successfully recycled capital at a higher pace than in previous years, releasing capital for development while retaining control of fund and asset management. It also launched two new funds - Iberia Coop with CBRE Global Investment Partners, and ORES Socimi in partnership with Bankinter - and signed a total of 150 new contracts, worth €31.8m for development and property management services. Another highlight was Sonae Sierra's first development in Eastern Europe - ParkLake - which opened in Bucharest, Romania, on 1 September, with 97% of its gross lettable area leased.

Sonae Sierra continued to deliver its sustainability strategy. In 2016, it maintained its position amongst the leaders on the GRESB benchmark and enhanced environmental performance.

This enabled the company to save costs of over €22.9m in 2016 as a result of energy, water and waste efficiency measures implemented over the last 14 years.

### Identifying opportunity through cyclical change

The Indirect Investment team has taken advantage of new opportunities in markets set for cyclical or structural change.

Our new investments in 2016 included one with an existing partner and two with new specialist managers, demonstrating the importance of nurturing our relationships, not only to ensure the success of existing commitments but to provide new opportunities well into the future.

A third partnership with Propertylink, Propertylink Office Partnership III, acquired four secondary office properties in Sydney for A\$94m. The small portfolio, located close to North Ryde train station, will capitalise on a growing shortage of office space in the region, providing much needed refurbished space in a location with strong infrastructure and improving public transport links.

In September, we entered into a three-way partnership with the US real estate investment firm Stockdale Capital Partners and San-Diego-based private parking operator Ace Parking Management. The partnership will acquire, own and manage high-quality parking structures and surface lots across the south-west of the USA, targeting income-producing parking garages



**"We look forward to working with Grosvenor to trial new sustainable and innovative real estate initiatives that have been made possible as a result of their investment."**

Susan McArthur  
Managing Partner  
GreenSoil Investments

in infill, high-traffic submarkets or attached to hotels and office buildings. As the pressure to increase the density of key downtown areas grows, the surface lots offer both planning upside and pricing improvement from diminished supply.

In October, we made our first non-asset backed investment with the GreenSoil Building Innovation Fund, a Toronto-based growth-equity fund which invests in companies that sell products, services and technologies to improve the efficiency, performance and sustainability of the built environment. This unique investment provides Grosvenor with visibility and access to leading technology innovators, helping Grosvenor fulfil its commitment to contribute to the improvement of sustainability within the real estate industry.

### Looking ahead

Our approach has enabled us to develop and grow a reputation for innovative and successful investments.

Our focus is to strengthen our existing relationships, and develop new partnerships that offer us access to alternative skills, sectors and geographies.

Cyclical market conditions will always require careful navigation. However, they also deliver opportunities to complete successful indirect investments. Our purpose is to identify these and maximise their potential to drive strong returns and further diversify Grosvenor's portfolio.

Chris Taite  
Managing Director  
Indirect Investment  
23 March 2017



**1bn m<sup>2</sup>**  
of assets in our Indirect Investment portfolio

**GREENSOIL**  
INVESTMENTS  
**US\$20m**  
was committed to the GreenSoil Building Innovation Fund

**10**  
specialist third-party management teams

## List of offices

**Calgary**

Suncor Tower  
Suite 5050  
150 6th Avenue  
SW Calgary, Alberta  
T2P 3Y7  
Canada  
Tel: +1 403 699 9822

**Hong Kong**

3505 Jardine House  
1 Connaught Place  
Central  
Hong Kong  
Tel: +852 2956 1989

**Liverpool**

Management Suite  
5 Wall Street  
Liverpool  
L1 8JQ  
England  
Tel: +44 (0) 151 232 3210

**London**

70 Grosvenor Street  
London  
W1K 3JP  
England  
Tel: +44 (0) 20 7408 0988

**Luxembourg**

46a, Avenue John F Kennedy  
1855 Luxembourg  
Luxembourg  
Tel: +352 26 00 52 13

**Lyon**

73 rue de la République  
69002 Lyon  
France  
Tel: +33 (0) 4 72 40 44 72

**Madrid**

Paseo de la Castellana 60  
2º  
28046 Madrid  
Spain  
Tel: +34 (0) 91 419 73 10

**Milan**

Corso Garibaldi 86  
20121 Milano  
Italy  
Tel: +39 02 36 69 55 10

**Paris**

5th Floor  
69 Boulevard Haussmann  
75008 Paris  
France  
Tel: +33 (0) 1 44 51 75 00

**San Francisco**

One California Street  
Suite 2500  
San Francisco CA 94111  
USA  
Tel: +1 415 434 0175

**Shanghai**

Unit 602-603 Platinum  
233 Taicang Road  
Shanghai 200020  
China  
Tel: +86 21 2322 3666

**Stockholm**

Smålandsgatan 10, 4tr.  
111 46 Stockholm  
Sweden  
Tel: +46 8 56 64 40 00

**Tokyo**

24th Floor  
ARK Mori Building  
1-12-32 Akasaka  
Minato-Ku  
Tokyo 107-6024  
Japan  
Tel: +81 (0) 3 5575 5300

**Vancouver**

2000 The Grosvenor Building  
1040 West Georgia Street  
Vancouver BC  
V6E 4H1  
Canada  
Tel: +1 604 683 1141

**Washington, DC**

1701 Pennsylvania Avenue, NW  
Suite 450  
Washington DC 20006  
USA  
Tel: +1 202 293 1235



## Glossary

### Area

All figures given are for the gross area.

### Assets under management

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

### Base Erosion and Profit Shifting (BEPS)

Refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. The OECD has introduced recommendations to tackle BEPS.

### Building Research Establishment Environmental Assessment Method (BREEAM)

A method of assessing, rating and certifying the sustainability of buildings. Originated in the UK, but used in over 50 countries.

### CGI

Computer-generated image.

### Co-investment

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

### Condominium

A form of property where a specified part of real estate (usually a multi-family property) is individually owned, while use of and access to common facilities are controlled by an association of owners.

### Currency

Financial information is presented in Sterling, with the exception of the Operating Company-specific sections on pages 32–41, where it is presented in the principal currency of the respective Operating Company.

### Development pipeline

The development programme, including proposed projects that are not yet committed but are likely to proceed.

### Development property

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

### Economic interest

Grosvenor's equity interest in properties (or debt) after deducting the share attributable to minority investors.

### Financial capacity

Wholly-owned unrestricted cash and undrawn committed facilities.

### Gearing

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

### Global Real Estate Sustainability Benchmark (GRESB)

A real estate industry-driven organisation committed to assessing the Environmental, Social, Governance (ESG) performance of real assets globally, including real estate portfolios and infrastructure assets.

### Grosvenor-managed

A property or other investment that is managed by the Group.

### Group

Grosvenor Group Limited and its subsidiary undertakings.

### Holding Company

Grosvenor Group Limited.

### IFRS

International Financial Reporting Standard(s).

### Impairment

A reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

### Indirect investment

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

### Investment property

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

### IPD

Investment Property Databank. A series of indexes and benchmarks covering both asset and fund-level returns.

### Joint venture

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

### Leadership in Energy Environmental Design (LEED)

A rating system devised by the US Green Building Council to evaluate the environmental performance of a building. Can be used worldwide.

### Like-for-like

A portfolio of assets that has been in our management control for two years or more, also known as the 'static' portfolio.

### London estate

Grosvenor's portfolio of properties in the Mayfair and Belgravia areas of London's West End.

### 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.

### Occupancy rate

The average occupancy by floor area for the relevant year.

### Operating Companies

Grosvenor's regional investment and development businesses.

### Organisation for Economic Co-operation and Development (OECD)

Works with governments to understand what drives economic, social and environmental change and promotes policies that will improve the economic and social well-being of people around the world.

### 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.

### 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.

### Shareholders' funds

The balance sheet value of the Shareholders' interest in the Group.

### Structured development finance

Lending to property developers that is subordinated to senior lending in return for a profit share in the completed development.

### Total return

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

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

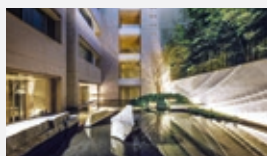
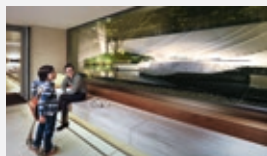
### Value-add

Above-market increase in value as a result of active management (i.e. change of use or refurbishment).

### Westminster Foundation

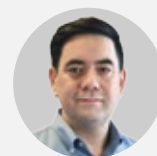
The Westminster Foundation directs the charitable giving of the Grosvenor family and the Grosvenor Estate.

Front and back cover images:



## Bespoke design

The Westminster Nanpeidai's 52 residences have been created for people looking for exceptional design in a cosmopolitan but tranquil Tokyo neighbourhood. The property has been meticulously refashioned from an existing building, and also features the work of two Japanese master craftsmen, stone artist Masatoshi Izumi and celebrated traditional mud plasterer Syuhei Hasado, creating a striking courtyard (pictured on the front and back covers).



"We feel an affinity with the Grosvenor ethos where the value of design goes beyond the purely aesthetic to touch deeper cultural roots with a contemporary freshness."

Julian Ogiwara  
Director  
Eric Parry Studio







GROSVENOR

[www.grosvenor.com](http://www.grosvenor.com)