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GROSVENOR

Annual Financial Statements 2015

In addition to the information contained in these financial statements, you can download our Annual Review 2015 to explore our operational achievements and progress during the year.

In this interactive PDF:

Governance

Accounts

Strategic report

The Directors present their Strategic report for Grosvenor Group Limited (the "Group") for the year ended 31 December 2015.

Principal activities

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

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in Notes 21 and 22 to the financial statements.

Our strategic priorities

The Group has three objectives:

- to deliver attractive long-term returns;
- to develop and co-ordinate an internationally diversified property group; and
- to uphold Grosvenor's reputation for quality, integrity and social responsibility.

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

Business review

Group performance

2015 was yet another good year for the Group. After very strong revaluation gains in 2014, total return, which includes both income and capital returns, was back to its long-run average at 9.0% (2014: 13.1%) while revenue profit was up slightly at £83.3m (2014: £80.1m). Profit before tax was £526.6m (2014: £681.8m) roughly where it was in the last peak year – 2007. Shareholders' funds increased to £4.4bn (2014: £4.0bn). These figures reflect continued strong performance across the Group, once again showing the benefit of our international diversification.

Operating company performance

Indirect Investments contributed particularly well, with £41.2m (2014: £23.4m) in revenue profit and 10.0% (2014: 8.7%) total return. This was due to solid performance by Sonae Sierra, co-investments in Grosvenor Fund Management funds and our 'new' indirect investments in third party opportunities carefully selected and managed by our specialist team.

Grosvenor Americas' revenue profit dipped to £26.9m (2014: £34.2m), arising from a more normal level of trading profit compared to an exceptional 2014. Its total return was 8.4% (2014: 9.7%).

Grosvenor Asia Pacific had another good year, with revenue profit up to £10.3m (2014: £6.5m), reflecting high levels of occupancy and profits on disposal of residential properties, with total return at 6.6% (2014: 9.1%), due to lower market-driven property value growth than in previous years.

Grosvenor Britain & Ireland experienced softening, but still positive, London revaluations. Its revenue profit was £31.4m (2014: £45.9m) and total return was a healthy 10.7% (2014: 17.3%).

Grosvenor Fund Management maintained its improving trend in a market which has been challenging for several years. It reduced its loss to £7.9m, compared with £10.9m the previous year, reflecting new mandates and reduced costs following greater focus upon Europe and increasing product specialisation.

Financial position

The Group's shareholders' funds now stand at £4.4bn (2014: £4.0bn). The growth has been driven by a healthy revenue profit, together with the strong revaluation gains across all of our Operating Companies, particularly, once again, in GBI. Economic gearing was 27% at year-end and resilience (the extent to which market values of our portfolio of property assets can fall before Group financial covenants are breached) was well above our internal minimum at 73%.

Property assets have increased to £6.7bn (2014: £6.0bn) and assets under management have grown to £13.1bn (2014: 11.4bn), both having benefited from positive revaluation movements across all of our operating companies and acquisitions, particularly in Grosvenor Fund Management and Grosvenor Americas.

Financial capacity and liquidity

The Group is well positioned to take advantage of opportunities as they arise. The Group's financial capacity (being the spare cash and undrawn, committed, general use facilities which are immediately available) stood at £0.9bn at 31 December 2015 (2014: £1.1bn). The weighted average life of wholly-owned facilities is 6.8 years (2014: 7.1 years).

Key performance indicators and measures of return

Grosvenor takes a long-term view so is less interested in year-on-year comparisons and is more concerned with the overall trend in performance. Analysis of these trends is presented in our Annual Review, whilst the year-on-year comparatives are shown in the table below.

The Group monitors total return on property assets and growth in revenue profit. Total return is calculated on a proportional basis, including the appropriate share of joint ventures and associates. Revenue profit is shown in Note 4. Total return and revenue profit are defined in the glossary.

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

Key Performance Indicator	Why it is measured	2015	2014	Comment
Shareholders' funds	To report the total value of the Shareholders' investment in the Group.	**£4.4bn**	£4.0bn	Shareholders' funds continued to grow significantly, primarily as a result of the large revaluation increases across our portfolio.
Revenue profit	To identify underlying performance, excluding market movements.	**£83.3m**	£80.1m	Revenue profit continued the upward trend (disregarding the exceptional profit made in 2013) that we have seen since 2010.
Total return (including currency movement)	To show how our property portfolio has performed, including both income and capital returns.	**9.0%**	13.1%	A strong return delivered by the Group with outperformance against target in all Operating Companies.
Profit before tax	To show the return on our assets delivered in absolute terms.	**£526.6m**	£681.8m	Good revenue profits combined with strong revaluations to produce a healthy profit for the year.
Assets under management	To monitor the scale of the portfolio of property assets for which the Group's management teams are responsible for.	**£13.1bn**	£11.4bn	Strong revaluation increases across all Operating Companies, particularly in GBI, together with significant acquisitions in Grosvenor Fund Management.
Property assets	To quantify the Group's financial investment in property assets.	**£6.7bn**	£6.0bn	Property assets have increased largely due to significant revaluation uplifts across all of our Operating Companies.
Development exposure	To indicate the level of committed development activity, expressed as a proportion of total property commitments.	**10.8%**	12.3%	Our current development exposure has fallen, largely as a function of the increasing value of the investment portfolio, together with the transfer of certain completed development properties to investment properties.

Risks and uncertainties

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

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

Market risk

Property markets are cyclical, so the Group's businesses will always be subject to variations in the value of the portfolio. Taking a long-term view, the Group's focus is less on short-term value fluctuations and more on underlying value-generating potential.

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

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

The UK referendum on EU membership

On the 23 June 2016, the UK population will be asked to vote in a national referendum on whether they would like the UK to remain a member of the European Union or to leave the European Union. Both the referendum and its outturn will result in risks and uncertainties, as well as opportunities. The Group is currently undertaking a thorough exercise to understand the potential implications and prepare accordingly.

Risks and uncertainties (continued)

Capital allocation

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

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

Long-term ranges for capital allocated to Operating Companies and Indirect Investments, together with actual allocations at 31 December 2015, were as follows:

	Percentage of Capital Invested		
	Long-term range %	Medium-term target %	At 31 December 2015 %
United Kingdom	40–55	48	62
North America	10–25	23	16
Europe	5-15	10	9
Asia Pacific	10–20	12	11
Others*	0–10	7	2

* Others includes South America, Africa and Australia

	Percentage of Capital Invested	
	Medium-term target %	At 31 December 2015 %
Direct	79	81
Indirect	21	19

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

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

Risks and uncertainties (continued)

The distribution of the Group's property assets and assets under management at 31 December 2015 is shown below:

Group property interests and assets under management

	GROUP				THIRD PARTY INTERESTS				
Year ended 31 December 2015	Investment £m	Development £m	Financial assets £m	Total £m	Investment £m	Development £m	Total £m	Future development commitment £m	**Assets under management £m**
Great Britain & Ireland	3,631	175	–	3,806	1,747	23	1,770	135	**5,711**
Grosvenor Americas	807	146	29	982	976	74	1,050	186	**2,218**
Grosvenor Asia Pacific	548	53	–	601	55	38	93	15	**709**
Indirect Investments:									
Sonae Sierra	733	46	–	779	–	–	–	–	**779**
Third-party managed	134	2	7	143	–	–	–	–	**143**
Managed by Grosvenor Fund Management	320	–	44	364	3,144	–	3,144	–	**3,508**
TOTAL	6,173	422	80	6,675	5,922	135	6,057	336	**13,068**
Commercial	1,911	6	–	1,917	1,347	10	1,357	–	**3,274**
Retail	2,386	57	–	2,443	3,118	10	3,128	1	**5,572**
Residential	1,554	344	29	1,927	1,265	115	1,379	312	**3,619**
Industrial	204	2	7	213	–	–	–	–	**213**
Hotel	112	13	–	125	78	–	78	23	**226**
Other	6	–	44	50	114	–	114	–	**164**
TOTAL	6,173	422	80	6,675	5,922	135	6,057	336	**13,068**

Property risks

Investment properties

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

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

Developments

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

Risks and uncertainties (continued)

Capital raising

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

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

Acquisitions and sales

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

Financial and tax risks

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

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

Health and safety

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

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

There were no Reportable incidents to statutory authorities involving our employees in 2015. Each business made good progress in completing its annual health and safety action plan.

Risks and uncertainties (continued)

Environment

At a Group level, the risks and opportunities of long term global trends to 2030, including climate change and environmental resource scarcity, were analysed carefully during 2015, with follow-up research planned for 2016. Capital allocation considerations include our city-level research findings on long-term social and environmental trends.

Each Operating Company has formally embedded social and environmental sustainability into their five- or ten-year business strategies, and has nominated a senior sponsor with responsibility to the respective Board.

Each Operating Company is responsible for ensuring compliance with environmental legislation and reports annually to Group.

As part of these requirements, we monitor, benchmark and actively improve the energy, water and waste performance of our directly managed buildings. As well as the beneficial environmental impact resulting from these measures, this also helps to reduce the risk of obsolescence of our properties, and lessen the impact of utility price fluctuations and increasing legislation.

Reputation and brand

The professional reputation of the individuals and businesses within the Group is an important intangible asset, as is the Grosvenor brand. The Group seeks to manage these assets by investing appropriately in them, and by identifying potential reputational or brand risks and acting swiftly to mitigate those risks. All staff are briefed on the definition of the Group's brand and are advised on how to align communications and behaviour with it. Detailed brand management guidelines are provided for relevant in-house and consultancy teams.

People

The Group takes considerable care in recruiting, retaining and developing Grosvenor people. A wide range of development opportunities exist for people to undertake tailored learning and a Group-wide graduate programme has been developed, building on the successful UK graduate scheme, and was launched during 2015. Succession planning is overseen by remuneration committees.

Compensation is regularly benchmarked against the market and the Group rewards loyalty, excellence and effort.

Information technology

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

Employees

The Directors recognise the importance of good communications and relations with the Group's employees and places considerable value on informing them on matters affecting them as employees. Each part of the Group maintains employee relations appropriate to its own particular needs and environment. The Group gives full and fair consideration to applications by disabled persons for employment. Disabled employees and those who become disabled are afforded the same training, career development and promotion opportunities as other staff.

Judith Ball
Company Secretary

UK Company registration number 3219943
Registered Office
70 Grosvenor Street
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17 March 2016

Corporate governance

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

Board of Directors

The Board comprises:

- Lesley Knox (Chairman)
- Sir Philip Dilley
- Michael McLintock
- Jeremy Newsum
- Christopher Pratt
- Mark Preston
- Nicholas Scarles
- Domenico Siniscalco
- Jeffrey Weingarten

Structure of the Board

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

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

Board effectiveness

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

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

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

The Board undertakes a regular evaluation of its own performance. The last review was in November 2015.

The Board encourages the appointment of Executive Directors to appropriate external posts as this increases their breadth of knowledge and experience. Earnings from all such appointments are returned to the Group.

The Board held five meetings during the year, with full attendance by each Director at every meeting except in March 2015 when one director was absent.

Corporate governance

Committees of the Board

Audit Committee

The Audit Committee comprises:

– Michael McLintock (Chairman)
– Lesley Knox
– Domenico Siniscalco
– Christopher Pratt (with effect from 1 January 2016)

The Audit Committee is responsible for reviewing a wide range of financial matters, including the Annual Financial Statements and accompanying reports, Group internal and external audit arrangements, accounting policies, internal controls and the actions and procedures involved in the management of risk throughout the Group. The Audit Committee reviews annually the scope of the external auditor's work and fees. It also considers the auditor's independence which is ensured through a variety of procedures including regular rotation of audit partners. Any non-audit fees received by the auditor in excess of 50% of the audit fee are pre-approved by the Audit Committee.

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

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

Nominations Committee

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

Remuneration Committee

The Group Remuneration Committee comprises:

– Jeremy Newsum (Chairman)
– Michael McLintock
– Jeffrey Weingarten
– Sir Philip Dilley (with effect from 1 January 2016)

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

Group Executive Committee

The Group Executive Committee comprises:

– Mark Preston (Chairman)
– Andrew Bibby
– Benjamin Cha
– James Raynor
– Nicholas Scarles
– Peter Vernon

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

Corporate governance

Internal control

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

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

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

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

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

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

The Group Audit Committee's consideration of internal control was reported to the Board in January 2016.

Relations with Shareholders and lenders

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

Directors' report

The Directors present the Group's audited consolidated financial statements for the year ended 31 December 2015.

Directors' report disclosures

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

Directors

The Directors of the Company during the period were: Sir Philip Dilley, Lesley Knox, Michael McLintock, Jeremy Newsum, Christopher Pratt, Domenico Siniscalco, Jeffrey Weingarten, Mark Preston and Nicholas Scarles. All Directors served throughout the year.

Directors' interests in securities

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

	Ordinary shares		Non-voting ordinary shares		'A' Preference shares	
	At 1 January 2015	**At 31 December 2015**	At 1 January 2015	**At 31 December 2015**	At 1 January 2015	**At 31 December 2015**
Non–beneficial						
Lesley M S Knox	1,640,580	**1,674,580**	13,124,639	**13,396,639**	1,640,580	**1,674,580**
Michael McLintock	5,453,726	**5,453,726**	43,629,809	**43,629,809**	5,453,726	**5,453,726**
Jeremy H M Newsum	4,290,433	**4,324,433**	34,323,463	**34,595,463**	4,290,433	**4,324,433**

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

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

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

Directors' indemnity

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

Dividends

Dividends paid during the year amounted to £38,031,827 (2014: £13,018,369).

The directors have proposed a final dividend of £26,292,556 to be paid on 1 April 2016.

Directors' report

Financial services activities

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

Grosvenor Fund Management Inc. a wholly-owned subsidiary, is registered as an investment adviser in the USA with the U.S. Securities and Exchange Commission ("SEC") pursuant to the investment Advisers Act of 1940, for the purposes of providing real estate related investment advice.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, and the principal risks and uncertainties faced by the Group are set out in the Strategic report on pages 2 to 7. In addition, Note 30 to the financial statements includes an explanation of the Group's policies and processes for managing its financial and capital risks, details of its financial instruments and the exposure to interest rates, credit and liquidity risk.

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

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

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

Directors' report

Charitable donations

Each of the Grosvenor Operating Companies contributes a percentage of its equity to charity each year. Grosvenor Britain & Ireland, Grosvenor Asia Pacific and Grosvenor Fund Management channel their giving via the Westminster Foundation which is a grant-making foundation representing the charitable interests of the Duke of Westminster, the Grosvenor family and the Grosvenor Estate, including Grosvenor Group Limited. In 2015, Grosvenor Group Limited's charitable contributions amounted to £2.6m (2014: £3.1m) of which £2.3m (2014: £2.3m) was donated via the Westminster Foundation. Grosvenor Americas organises its charitable giving independently from the Westminster Foundation.

Each of the proprietary Operating Companies has a staff charity committee. These have a dual role: first, to recommend (to the Westminster Foundation Trustees, as applicable) those charities in their local communities that they wish to receive support; and second, to help organise staff fund-raising activities, volunteering and pro-bono support to charities selected by employees. The Westminster Foundation matches the fund-raising efforts of individual members of staff for registered charities of their own choosing up to £1,000 per member of staff in any given year. In 2015, the total figure given by the Westminster Foundation in this way was £33,967. In addition, Grosvenor supports Give As You Earn up to £1,200 for UK based employees and in 2015 this amounted to £41,893.

In 2009, the Westminster Foundation supported a feasibility study into the creation of a Defence and National Rehabilitation Centre ("DNRC"). This has now become a reality and construction is underway at Stanford Hall in Nottinghamshire to create a 21st century, world-class facility. The DNRC is the initiative of the Duke of Westminster and the Westminster Foundation Trustees have taken the decision to make an 'exceptional' grant to the project. In 2015, £10m was paid to the Black Stork Charity, with a further £30m committed to be paid in 2016. (For further information see www.thednrc.org.uk). In 2015, the Group agreed to support the DNRC with a £60m loan facility, with an initial term of five years.

Funding continued during the year for the existing themes of Youth Homelessness and Supporting Communities, and, in the UK, this falls within geographical boundaries related to the activities of the Grosvenor Estate and Grosvenor Britain & Ireland. Charities in receipt of major grants in 2015 included:

- Youth Homelessness: St Mungo's Broadway, Peabody, Cardinal Hume Centre, DePaul UK and CRISIS.
- Supporting Communities: Beanstalk, Age UK Westminster, Clear Village Charitable Trust, Grosvenor Chapel, Octavia Foundation, Foundation Years Trust, UK Community Foundations, Urban Plan, LandAid, Ashden, RedThread, Working with Men and Console.
- In Europe (GFM): Retoy and Friends (Sweden); Habitat & Humanisme, Apprentis d'Auteuil, Les Enfants de la Terre, L'enfant Bleu and Mécénat Chirurgie Cardiaque (France) and Caritas Madrid (Spain).
- In the USA (GFM): The Children's Hospital of Philadelphia.
- In Hong Kong: Cancer Fund and amFAR Hong Kong.

In South Belgravia, a portfolio of approximately 20,000 sq. ft. of office space accommodates over 30 charities in small office units. This portfolio is managed by Grosvenor Britain & Ireland and each charity receives a contribution, typically amounting to 50% of its rent, from the Westminster Foundation and this is funded by the Group; in 2015 this totalled £330,000. These charities tell us that they find the central location very helpful and their presence in the portfolio enables us to develop constructive longer-term relationships with them.

Political donations

No political donations were made during the year (2014: £nil).

Auditor

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

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

a) in so far as the Director is aware, there is no relevant audit information of which the auditor is unaware; and

b) the Director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Judith Ball
Company Secretary

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

17 March 2016

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standards require that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

Responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the Board of Directors on 17 March 2016 and is signed on its behalf by:

Lesley Knox
Chairman

Corporate advisers and bankers

Auditor: Deloitte LLP

Tax advisers: KPMG LLP

Principal valuers: Cushman & Wakefield, CBRE

Solicitors: Boodle Hatfield LLP, Slaughter and May

Lead bankers: The Royal Bank of Scotland Group plc

Actuaries: Lane Clark & Peacock LLP

Independent auditor's report

to the members of Grosvenor Group Limited

We have audited the financial statements of Grosvenor Group Limited (the 'Group') for the year ended 31 December 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated and parent company balance sheets, the consolidated statement of cash flows and the related Notes 1 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Georgina Robb
(Senior Statutory Auditor)

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

17 March 2016

Consolidated income statement

for the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Total revenue	5	**209.3**	254.1
Gross rental income	6	**136.9**	130.3
Property outgoings	7	**(53.6)**	(47.6)
Net rental income		**83.3**	82.7
Other income	8	**30.4**	30.7
Administrative expenses	9	**(103.9)**	(94.7)
Net gains on trading properties	13	**9.1**	15.9
Net losses on other investments	14	**(0.5)**	(0.2)
Net gains on revaluation and sale of investment property	15	**386.3**	540.6
Impairment of goodwill	24	**–**	–
Share of profit from joint ventures and associates	22	**151.3**	138.1
Gain from operations including share of joint ventures and associates		**556.0**	713.1
Financial income	16	**10.9**	6.5
Financial expenses	16	**(41.5)**	(40.8)
Fair value adjustments	16	**1.2**	3.0
Net financing costs	16	**(29.4)**	(31.3)
Profit before tax		**526.6**	681.8
Current tax expense	17	**(32.5)**	(37.4)
Deferred tax expense	17	**(25.2)**	(95.0)
Profit for the year	37	**468.9**	549.4
Attributable to:			
Equity holders of the parent	37	**457.3**	540.1
Non-controlling interests	37	**11.6**	9.3
Profit for the year	37	**468.9**	549.4

Revenue profit is shown in Note 4.

All results are derived from continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Profit for the year	37	**468.9**	549.4
Other comprehensive income which may be reclassified to profit or loss in subsequent periods:			
Revaluation of property, plant and equipment	37	**5.3**	6.2
Fair value adjustments on swaps			
Gains arising during the period – Group	37	**1.1**	3.0
Gains arising during the period – Joint Ventures and associates	37	**0.3**	0.4
Exchange differences on translation of foreign operations	37	**(38.0)**	(1.7)
Tax relating to gains on fair value adjustments and revaluations	37	**(0.4)**	(1.5)
Other comprehensive (expense)/income, net of tax, which may be reclassified to profit or loss in subsequent periods		**(31.7)**	6.4
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
(Losses)/gains arising during the period – Group	37	**(0.2)**	5.2
Actuarial gains/(losses) on defined benefit pension schemes	37	**13.7**	(12.3)
Tax relating to actuarial (gains)/losses	37	**(3.3)**	3.0
Other comprehensive income/(expense), net of tax, not to be reclassified to profit or loss in subsequent periods		**10.2**	(4.1)
Total comprehensive income for the period		**447.4**	551.7
Attributable to:			
Equity holders of the parent		**445.6**	546.1
Non-controlling interests		**1.8**	5.6
		447.4	551.7

The Company's equity increased during the year as a result of dividends received from subsidiaries of £58.8m (2014: £nil) and paid to shareholders of £38.0m (2014: £13.0m).

The final dividend proposed by the directors of £26,292,556 is to be paid on 1 April 2016.

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Attributable to equity holders of the parent									
	Share capital £m	Share premium £m	Translation reserve £m	Other reserve £m	Fair value reserve £m	Revaluation reserve £m	Retained earnings £m	**Total £m**	Non-controlling interest £m	**Total equity £m**
Balance at 1 January 2014	78.5	28.3	259.3	198.5	1.3	20.6	2,868.6	**3,455.1**	85.8	**3,540.9**
Changes in equity for 2014										
Profit for the year	–	–	–	–	–	–	540.1	**540.1**	9.3	**549.4**
Other comprehensive income/(expense)	–	–	2.0	2.7	5.2	5.0	(8.9)	**6.0**	(3.7)	**2.3**
Dividends	–	–	–	–	–	–	(13.0)	**(13.0)**	–	**(13.0)**
Non-controlling shares acquired by subsidiaries	–	–	–	–	–	–	–	**–**	(0.7)	**(0.7)**
Redemption of preference shares	(21.6)	–	–	21.6	–	–	(21.6)	**(21.6)**	–	**(21.6)**
Other movements in joint ventures and associates	–	–	–	–	–	–	–	**–**	(2.4)	**(2.4)**
Balance at 31 December 2014	56.9	28.3	261.3	222.8	6.5	25.6	3,365.2	**3,966.6**	88.3	**4,054.9**
Changes in equity for 2015										
Profit for the year	–	–	–	–	–	–	457.3	**457.3**	11.6	**468.9**
Other comprehensive (expense)/income	–	–	(28.7)	0.9	(0.2)	5.1	11.2	**(11.7)**	(9.8)	**(21.5)**
Dividends	–	–	–	–	–	–	(38.0)	**(38.0)**	–	**(38.0)**
Non-controlling shares acquired by subsidiaries	–	–	–	–	–	–	–	**–**	(2.9)	**(2.9)**
Balance at 31 December 2015	56.9	28.3	232.6	223.7	6.3	30.7	3,795.7	**4,374.2**	87.2	**4,461.4**

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

Balance sheets

as at 31 December 2015

	Notes	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
ASSETS					
Non-current assets					
Investment property	19	**4,349.4**	3,876.7	**–**	–
Other property, plant and equipment	20	**66.0**	61.0	**–**	–
Investments in subsidiaries	21	**–**	–	**1,358.4**	1,358.4
Investments in joint ventures and associates	22	**1,114.0**	992.9	**–**	–
Other financial assets	23	**83.3**	67.0	**–**	–
Intangible assets	24	**–**	–	**–**	–
Trade and other receivables	25	**66.8**	40.0	**–**	–
Deferred tax assets	26	**86.0**	73.3	**–**	–
Total non-current assets		**5,765.5**	5, 110.9	**1,358.4**	1,358.4
Current assets					
Trading properties	27	**157.1**	128.1	**–**	–
Trade and other receivables	25	**84.6**	107.5	**–**	–
Other financial assets	23	**19.4**	13.2	**–**	–
Income tax receivable		**14.1**	1.6	**–**	–
Cash and cash equivalents	28	**237.6**	477.6	**–**	–
Total current assets		**512.8**	728.0	**–**	–
TOTAL ASSETS		**6,278.3**	5,838.9	**1,358.4**	1,358.4
LIABILITIES					
Non-current liabilities					
Interest-bearing loans and borrowings	29	**(731.5)**	(705.8)	**–**	–
Trade and other payables	31	**(71.5)**	(70.3)	**–**	–
Employee benefits	11	**(25.8)**	(35.9)	**–**	–
Deferred tax liabilities	26	**(749.1)**	(703.4)	**–**	–
Provisions	32	**(6.4)**	–	**–**	
Total non-current liabilities		**(1,584.3)**	(1,515.4)		–
Current liabilities					
Interest-bearing loans and borrowings	29	**(4.9)**	(37.6)	**–**	–
Trade and other payables	31	**(181.8)**	(211.5)	**–**	(20.7)
Income tax payable		**(35.0)**	(19.3)	**–**	–
Provisions	32	**(10.9)**	(0.2)	**–**	–
Total current liabilities		**(232.6)**	(268.6)	**–**	(20.7)
TOTAL LIABILITIES		**(1,816.9)**	(1,784.0)	**–**	(20.7)
NET ASSETS		**4,461.4**	4,054.9	**1,358.4**	1,337.7
Equity					
Share capital	36	**56.9**	56.9	**56.9**	56.9
Share premium	37	**28.3**	28.3	**28.3**	28.3
Reserves	37	**493.3**	516.2	**1,147.5**	1,147.5
Retained earnings	37	**3,795.7**	3,365.2	**125.7**	105.0
Shareholders' funds	37	**4,374.2**	3,966.6	**1,358.4**	1,337.7
Non-controlling interests	37	**87.2**	88.3	**–**	–
TOTAL EQUITY	37	**4,461.4**	4,054.9	**1,358.4**	1,337.7

Approved by the Board and authorised for issue on 17 March 2016 and signed on behalf of the Board

Lesley Knox
(Chairman)

Nicholas Scarles
(Group Finance Director)

Company registration number: 3219943

Consolidated statement of cash flows

for the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Operating activities			
Operating profit before changes in working capital and provisions	38(a)	**15.0**	34.4
Decrease in trade and other receivables		**10.6**	1.4
Increase in trading properties		**(29.0)**	(3.2)
(Decrease)/increase in trade and other payables		**(23.5)**	42.6
Increase/(decrease) in employee benefits		**3.8**	(0.7)
Decrease in provisions		**–**	(1.6)
Cash flow from operations		**(23.1)**	72.9
Interest paid		**(49.0)**	(50.5)
Income taxes paid		**(30.9)**	(49.5)
Interest received		**9.8**	5.8
Net cash flow from operations		**(93.2)**	(21.3)
Investing activities			
Proceeds from sale of investing activities		**137.0**	238.1
Acquisition of investment and development properties		**(183.3)**	(158.8)
Development of investment and development properties		**(19.6)**	(66.3)
Acquisition of other plant, property and equipment		**(3.7)**	(3.1)
Proceeds from sale of other plant, property and equipment		**0.7**	–
Acquisition of other financial assets		**(23.1)**	(25.3)
Net cash flow from joint ventures and associates		**27.2**	85.3
Acquisition of joint ventures and associates		**(116.3)**	(59.8)
Proceeds from sale of joint ventures and associates		**77.6**	89.2
Cash flow from investing activities		**(103.5)**	99.3
Financing activities			
Proceeds from additional borrowings		**51.6**	36.3
Repayment of borrowings		**(55.9)**	(117.2)
Non-controlling shares acquired by subsidiaries		**(2.9)**	(0.7)
Redemption of preference shares		**–**	(21.6)
Dividends paid		**(38.0)**	(13.0)
Cash flow from financing activities		**(45.2)**	(116.2)
Net decrease in cash and cash equivalents		**(241.9)**	(38.2)
Cash and cash equivalents at 1 January		**477.6**	516.6
Effect of exchange rate fluctuation on cash held		**1.9**	(0.8)
Cash and cash equivalents at 31 December		**237.6**	477.6

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

Notes to the financial statements

1 Accounting policies

(a) Basis of preparation

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

The financial statements are prepared in sterling. They have been prepared on the going concern basis as described in the going concern section of the Directors' report on page 12. The principal accounting policies adopted are set out below. The Company has elected under section 408 of the Companies Act 2006 not to include its own income statement in these financial statements.

(b) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and its subsidiary undertakings.

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

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

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

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

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

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

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

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

(c) Foreign currency translation

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

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

1 Accounting policies continued

(d) Investment property

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

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

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

When the Group begins to re-develop an existing investment property with a view to sale, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value at the date of transfer and any gain or loss is recognised in the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

(e) Leases

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

Group as lessor

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

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

Group as lessee

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

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

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

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

(f) Other property, plant and equipment

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

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

(g) Other financial assets

Financial assets available-for-sale are stated at fair value which is determined by reference to an active market and any resultant gain or loss is recognised in the fair value reserve. Where the Group has the positive intent and ability to hold a financial asset to maturity, it is stated at amortised cost less impairment losses. Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as loans and receivables. Loans and receivables are included at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Financial assets are assessed for indicators of impairment at each balance sheet date. Mezzanine loan investments comprise a loan principal, which attracts a rate of interest and is accounted for as loans and receivables, and a profit participation element which is treated as an embedded derivative and classified as held for trading.

1 Accounting policies continued

(g) Other financial assets continued

The embedded derivative is held at fair value determined by reference to a prudent estimate of the profit participation that will be ultimately receivable, discounted where material. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the investment have been adversely affected.

(h) Trading properties

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

(i) Trade and other receivables

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

(j) Cash and cash equivalents

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

(k) Derivative financial instruments

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

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

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

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

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

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

(l) Trade and other payables

Trade and other payables are stated at cost.

(m) Borrowings and other financial liabilities

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

(n) Employee benefits

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

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

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

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

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

1 Accounting policies continued

(o) Revenue

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

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

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

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

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

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

(p) Expenses

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

Minimum lease payments on finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

(q) Borrowing costs

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

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

(r) Corporate income taxes

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

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

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

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

Notes to the financial statements

1 Accounting policies continued

(r) Corporate income taxes continued

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

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

(s) Government grants

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

(t) Adoption of standards

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IFRIC 21 Levies

Annual Improvements to IFRSs: 2010-12 Cycle

Annual Improvements to IFRSs: 2011-13 Cycle

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

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

IFRS 16 Leases

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

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

IFRS 11 (Amendments) Accounting for Acquisitions of Interests in Joint Operations

IAS 16 and IAS 38 (Amendments) Clarification of Acceptable Methods of Depreciation and Amortisation

IAS 27 (Amendments) Equity Method in Separate Financial Statements

IFRS 10, IFRS 12 and IAS 28 (Amendments) Investment Entities Applying the Consolidation Exemption

IAS 1 (Amendments) Disclosure Initiative

Annual Improvements to IFRSs: 2012-14 Cycle

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 may impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 may impact the recognition and measurement of leases on the Group's balance sheet. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

1 Accounting policies continued

(u) Significant judgements and key estimates

i) Property valuations

Investment properties are carried at fair value determined by market value in accordance with valuations carried out by independent valuers. Valuations are based on a number of key assumptions including an estimate of future rental income and the appropriate discount rate. For investment properties under development, key judgements also include estimates of future development costs.

Trading properties are carried at the lower of cost and net realisable value. Net realisable value requires judgement in estimating the future net realisable proceeds and costs to complete for each trading property.

ii) Development provisions

Provisions for losses on developments are based on estimates arising from a detailed review of the remaining costs to complete each project and investment value at completion.

iii) Leases

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

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

iv) Performance fees

Recognition of performance fees receivable from funds requires estimates to be made regarding the performance of funds over the duration of the performance period and, where performance is measured against relative benchmarks that have not yet been published, estimates of the expected benchmark returns.

v) Defined benefit pension schemes

The balance sheet assets and liabilities and the expected annual charge in respect of defined benefit pension plans are determined according to estimates carried out by actuaries on the basis of assumptions agreed by the Board. The key assumptions underlying these calculations are set out in Note 11.

vi) Taxation

The Group applies judgement in the application of taxation regulations and makes estimates in calculating current income tax and deferred tax assets and liabilities, including the likely availability of future taxable profits against which deferred tax assets can be utilised.

vii) Managing and investing in Grosvenor Fund Management managed Funds

Determination of the level of power the Group exercises as an agent, rather than as a principal, in respect of the funds it manages is a significant judgement in preparing the Group's consolidated financial statements. The Group typically has a degree of influence over the funds it manages through the agreements it has with investors. Additionally, the Group invests in the funds and therefore must determine whether it is acting primarily as a principal (that is, on its own behalf) or as an agent (that is, on behalf of the other investors) in exercising its power over the funds.

A parent controls another entity when it has power over the investee, exposure to variable returns from it, and is able to use its power to affect the level of returns. As agents exercise power on behalf of principals from whom the power has been delegated, they do not have power themselves and therefore do not have control.

In assessing whether it is agent or principal, the Group considers a number of factors, including the scope of its decision-making over the funds' relevant activities, rights held by investors and others, remuneration that it earns from the funds, and the Group's exposure to variable returns from all sources (including fees and units held) for each fund.

Notes to the financial statements

2 Foreign currencies

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

	Average rate		Year end rate	
	2015 £1	2014 £1	**2015 £1**	2014 £1
US Dollars	**1.52**	1.65	**1.47**	1.56
Canadian Dollars	**1.95**	1.82	**2.04**	1.81
Euros	**1.37**	1.24	**1.36**	1.29
Australian Dollars	**2.03**	1.83	**2.02**	1.91
Hong Kong Dollars	**11.82**	12.79	**11.42**	12.09
Chinese Renminbi	**9.59**	10.15	**9.62**	9.67
Japanese Yen	**184.72**	174.59	**177.09**	186.95
Swedish Krona	**12.85**	11.30	**12.46**	12.21

Notes to the financial statements

3 Segmental analysis

The Group's reportable segments are the three regional Operating Companies, Indirect Investments and Grosvenor Fund Management. These operating segments reflect the components of the Group that are regularly reviewed by the Group Board to allocate resources and assess performance. Not allocated represents the Group Holding Company and consolidation adjustments. The accounting policies of the reportable segments are consistent with the Group accounting policies detailed in Note 1. The balance sheet is presented on a proportional basis as property assets presented in this manner is a key performance metric of the Group.

2015

	Proprietary assets – Direct			Proprietary assets – Indirect					
					Third party managed				
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Managed by Grosvenor Fund Management £m	Sonae Sierra £m	Other* £m	Grosvenor Fund Management £m	Not allocated £m	**Total £m**
Income statement									
Gross rental income	99.3	27.6	10.0	–	–	–	–	–	**136.9**
Property outgoings (excluding major refurbishments)	(27.9)	(5.3)	(2.1)	–	–	–	–	–	**(35.3)**
Net rental income	71.4	22.3	7.9	–	–	–	–	–	**101.6**
Fees and other income/(expenses)	3.9	10.5	1.1	(0.4)	–	0.2	15.1	–	**30.4**
Administrative expenses	(27.1)	(21.0)	(11.8)	(0.4)	–	(3.3)	(23.2)	(17.1)	**(103.9)**
Net gains on trading properties	1.5	7.6	–	–	–	–	–	–	**9.1**
Net financing (costs)/income	(27.2)	(1.7)	(1.4)	0.2	–	1.2	0.1	(1.4)	**(30.2)**
Revenue profit of joint ventures and associates (Note 22)	8.9	9.2	14.5	6.8	27.9	8.9	0.1	–	**76.3**
Group revenue profit/(loss)	31.4	26.9	10.3	6.2	27.9	7.0	(7.9)	(18.5)	**83.3**
Net gains on revaluation and sale of investment properties	345.4	28.1	12.8	–	–	–	–	–	**386.3**
Major refurbishment costs	(18.3)	–	–	–	–	–	–	–	**(18.3)**
Net (losses)/gains on other investments	–	–	(1.0)	(0.1)	–	0.6	–	–	**(0.5)**
Derivative fair value adjustments	–	0.5	0.8	–	–	–	–	(0.5)	**0.8**
Other (losses)/gains of joint ventures and associates (Note 22)	(0.5)	15.1	13.2	25.4	39.9	(0.9)	(0.1)	–	**92.1**
Profit/(loss) before tax	358.0	70.6	36.1	31.5	67.8	6.7	(8.0)	(19.0)	**543.7**
Tax and non-controlling interests in joint ventures and associates	–	–	(1.6)	0.5	(16.0)	–	–	–	**(17.1)**
Profit/(loss) before tax reported in the income statement	358.0	70.6	34.5	32.0	51.8	6.7	(8.0)	(19.0)	**526.6**
Tax (expense)/credit	(22.9)	(23.5)	(9.8)	(3.6)	(0.1)	(2.0)	0.3	3.9	**(57.7)**
Profit/(loss) after tax reported in the income statement	335.1	47.1	24.7	28.4	51.7	4.7	(7.7)	(15.1)	**468.9**

*It is not practical to allocate administrative expenses, net financing costs and other income between investments managed by Grosvenor Fund Management, Sonae Sierra and Other investments, so these net costs have been included within Other investments. Revenue profit for Other investments excluding these costs was £10.5m (2014: £2.4m).

3 Segmental analysis continued

2015

	Proprietary assets – Direct			Proprietary assets – Indirect					
					Third party managed				
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Managed by Grosvenor Fund Management £m	Sonae Sierra £m	Other* £m	Grosvenor Fund Management £m	Not allocated £m	**Total £m**
Balance sheet (proportional basis)									
Investment property	3,630.7	807.2	547.6	317.6	732.9	134.0	2.2	–	**6,172.2**
Investment property under development	66.1	–	–	–	45.7	–	–	–	**111.8**
Trading property	109.4	146.3	53.7	–	–	1.1	–	–	**310.5**
Other financial assets	–	28.8	–	44.4	–	6.7	0.2	–	**80.1**
Total property assets	3,806.2	982.3	601.3	362.0	778.6	141.8	2.4	–	**6,674.6**
Net (debt)/cash	(426.4)	(179.4)	(185.5)	(154.4)	(304.5)	(66.5)	11.5	6.4	**(1,298.8)**
Deferred tax (liability)/asset	(505.6)	(129.1)	(19.8)	(13.7)	(104.8)	–	1.2	7.8	**(764.0)**
Other net (liabilities)/assets	(118.4)	(24.1)	(6.6)	4.6	(6.1)	0.5	(14.7)	14.4	**(150.4)**
Net assets/(liabilities)	2,755.8	649.7	389.4	198.5	363.2	75.8	0.4	28.6	**4,461.4**
Property additions	209.7	54.9	36.5	37.7	23.8	99.3	0.1	–	**462.0**

2014

	Proprietary assets – Direct			Proprietary assets – Indirect					
					Third party managed				
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Managed by Grosvenor Fund Management £m	Sonae Sierra £m	Other* £m	Grosvenor Fund Management £m	Not allocated £m	Total £m
Income statement									
Gross rental income	86.8	31.8	10.6	1.1	–	–	–	–	130.3
Property outgoings (excluding major refurbishments)	(25.8)	(7.1)	(2.0)	(0.7)	–	–	–	–	(35.6)
Net rental income	61.0	24.7	8.6	0.4	–	–	–	–	94.7
Fees and other income	5.3	7.5	1.2	1.4	–	–	15.3	–	30.7
Administrative expenses	(19.0)	(17.0)	(12.2)	(0.5)	–	(3.3)	(26.4)	(16.3)	(94.7)
Net gains on trading properties	0.2	15.7	–	–	–	–	–	–	15.9
Net financing (costs)/income	(25.6)	(3.8)	(1.5)	–	–	–	0.1	(2.7)	(33.5)
Revenue profit of joint ventures and associates (Note 22)	24.0	7.1	10.4	6.2	16.8	2.4	0.1	–	67.0
Group revenue profit/(loss)	45.9	34.2	6.5	7.5	16.8	(0.9)	(10.9)	(19.0)	80.1
Net gains/(losses) on revaluation and sale of investment properties	488.5	25.4	28.3	(1.6)	–	–	–	–	540.6
Major refurbishment costs	(12.0)	–	–	–	–	–	–	–	(12.0)
Net losses on other investments	–	–	–	(0.2)	–	–	–	–	(0.2)
Derivative fair value adjustments	–	(0.2)	0.6	0.7	–	–	–	1.1	2.2
Other (losses)/gains of joint ventures and associates (Note 22)	(0.6)	13.9	10.6	31.4	37.5	–	(1.2)	–	91.6
Profit/(loss) before tax	521.8	73.3	46.0	37.8	54.3	(0.9)	(12.1)	(17.9)	702.3
Tax and non-controlling interests in joint ventures and associates	(1.8)	(0.1)	(1.3)	(2.0)	(15.3)	–	–	–	(20.5)
Profit/(loss) before tax reported in the income statement	520.0	73.2	44.7	35.8	39.0	(0.9)	(12.1)	(17.9)	681.8
Tax (expense)/credit	(109.8)	(21.6)	1.0	(2.3)	–	–	(2.4)	2.7	(132.4)
Profit/(loss) after tax reported in the income statement	410.2	51.6	45.7	33.5	39.0	(0.9)	(14.5)	(15.2)	549.4

Notes to the financial statements

3 Segmental analysis continued

2014

	Proprietary assets – Direct			Proprietary assets – Indirect					
					Third party managed				
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Managed by Grosvenor Fund Management £m	Sonae Sierra £m	Other* £m	Grosvenor Fund Management £m	Not allocated £m	Total £m
Balance sheet (proportional basis)									
Investment property	2,986.6	740.1	501.6	347.9	775.1	34.8	2.2	–	5,388.3
Investment property under development	216.6	12.3	–	–	51.0	–	–	–	279.9
Trading property	117.2	103.6	31.6	–	–	22.1	–	–	274.5
Other financial assets	–	23.6	0.4	30.4	–	3.9	0.2	–	58.5
Total property assets	3,320.4	879.6	533.6	382.2	826.1	56.9	2.4	–	6,001.2
Net (debt)/cash	(158.6)	(167.7)	(156.9)	(157.3)	(323.8)	(27.8)	17.1	(56.0)	(1,031.1)
Deferred tax (liability)/asset	(504.0)	(113.0)	(9.1)	(14.2)	(105.3)	–	2.5	3.8	(739.3)
Other net (liabilities)/assets	(105.9)	(24.6)	(9.7)	14.7	(40.3)	0.2	(25.1)	15.0	(175.9)
Net assets/(liabilities)	2,551.9	574.3	357.9	221.2	356.7	33.2	(3.1)	(37.2)	4,054.9
Property additions	216.1	25.0	1.8	8.9	11.4	36.2	0.1	–	299.5

4 Revenue profit

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

	2015			2014		
	Group £m	**Share of joint ventures and associates (Note 22) £m**	**Total £m**	Group £m	Share of joint ventures and associates (Note 22) £m	Total £m
Gross rental income	**136.9**	**120.1**	**257.0**	130.3	115.2	245.5
Property outgoings (excluding major refurbishments)	**(35.3)**	**(35.0)**	**(70.3)**	(35.6)	(34.6)	(70.2)
Net rental income (before major refurbishments)	**101.6**	**85.1**	**186.7**	94.7	80.6	175.3
Fees and other income	**30.4**	**28.5**	**58.9**	30.7	33.2	63.9
Administrative expenses	**(103.9)**	**(30.3)**	**(134.2)**	(94.7)	(32.6)	(127.3)
Net gains on trading properties	**9.1**	**18.4**	**27.5**	15.9	14.8	30.7
Net financing costs (excluding derivative fair value adjustments)	**(30.2)**	**(25.4)**	**(55.6)**	(33.5)	(29.0)	(62.5)
Revenue profit	**7.0**	**76.3**	**83.3**	13.1	67.0	80.1
Reconciliation of revenue profit to profit before tax:						
Revenue profit	**7.0**	**76.3**	**83.3**	13.1	67.0	80.1
Joint ventures and associates:						
– Revenue profit	**–**	**(76.3)**	**(76.3)**	–	(67.0)	(67.0)
– Equity accounted profit	**–**	**151.3**	**151.3**	–	138.1	138.1
Net gains on revaluation and sale of investment properties	**386.3**	**–**	**386.3**	540.6	–	540.6
Major refurbishment costs	**(18.3)**	**–**	**(18.3)**	(12.0)	–	(12.0)
Net losses on other investments	**(0.5)**	**–**	**(0.5)**	(0.2)	–	(0.2)
Impairment of goodwill	**–**	**–**	**–**	–	–	–
Derivative fair value adjustments	**0.8**	**–**	**0.8**	2.2	–	2.2
Profit before tax	**375.3**	**151.3**	**526.6**	543.7	138.1	681.8

5 Revenue

	2015 £m	2014 £m
Rental income	**136.9**	130.3
Income from trading and development properties	**28.8**	80.6
Service charge income	**13.2**	12.5
Other income	**30.4**	30.7
	209.3	254.1

6 Gross rental income

	2015 £m	2014 £m
Gross lease payments receivable	**129.6**	127.3
Amortisation of lease incentives	**4.1**	0.6
Amortisation of deferred lease premiums	**3.2**	2.4
	136.9	130.3

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

Total contingent rents included in gross rental income amounted to £nil (2014: £nil).

7 Property outgoings

	2015 £m	2014 £m
Service charge income	**13.2**	12.5
Service charge expenses	**(13.3)**	(12.5)
Net service charge expenses	**(0.1)**	–
Major refurbishment costs	**(18.3)**	(12.0)
Other property operating expenses	**(35.2)**	(35.6)
Total net property outgoings	**(53.6)**	(47.6)

Operating expenses associated with unlet properties totalled £0.5m (2014: £0.9m).

8 Other income

	2015 £m	2014 £m
Fund management and asset management fees	**22.5**	22.0
Project management fees	**1.8**	1.9
Other income	**6.1**	6.8
	30.4	30.7

9 Administrative expenses

	2015 £m	2014 £m
Staff costs	**83.3**	75.6
Office costs	**17.9**	17.7
Auditor's remuneration – audit services	**1.3**	1.4
– other services	**0.2**	0.5
Other professional fees	**7.9**	7.4
Allocation of costs to Grosvenor Trusts	**(21.7)**	(21.6)
Other administrative expenses	**15.0**	13.7
	103.9	94.7

All of the Group's Operating Companies were audited by Deloitte LLP and other member firms of Deloitte Touche Tohmatsu Limited. £0.1m (2014: £0.2m) of the total audit fee is estimated to relate to the audit of the Group and £1.2m (2014: £1.2m) to the audit of the Group's subsidiaries. The Company's audit fees (£0.1m) were borne by another Group company (2014: £0.2m). Amounts paid to other accountancy firms in 2015 totalled £1.5m (2014: £1.5m).

10 Employee information

	2015 £m	2014 £m
Staff costs		
Wages and salaries	**69.5**	70.2
Social security contributions	**5.2**	5.6
Other staff costs	**8.9**	3.2
Pension costs		
Contributions to defined contribution plans	**3.3**	3.4
Net cost of defined benefit plans (Note 11)	**9.9**	8.4
	96.8	90.8
Included in:		
Administrative expenses	**83.3**	75.6
Property operating expenses	**7.6**	9.8
Development costs	**5.9**	5.4
	96.8	90.8

The costs of staff directly engaged in investment activities are included in property outgoings and the costs of those directly engaged in development activities are included in development costs.

10 Employee information continued

Employee numbers

	At the end of the year		Average	
	2015 number	2014 number	**2015 number**	2014 number
Britain & Ireland	**282**	252	**282**	248
Americas	**89**	81	**88**	79
Asia Pacific	**56**	55	**56**	55
Fund management	**81**	83	**82**	84
Indirect	**4**	4	**4**	4
Holding Company and shared services	**57**	49	**55**	45
	569	524	**567**	515

The Company employs no staff (2014: none).

11 Retirement benefit schemes

Defined contribution schemes

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

The total cost of defined contribution pension schemes charged to the income statement was £3.3m (2014: £3.4m).

Defined benefit schemes

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

In the UK, the Group operates a defined benefit scheme which has benefits based on service and final salary. The scheme is approved by Her Majesty's Revenue and Customs for tax purposes, and is operated separately from the Group and managed by a set of the Group's and staff appointed Trustees. The Trustees are responsible for payment of the benefits and management of the plan's assets. The scheme is subject to UK regulations, which require the Group and Trustees to agree a funding strategy and contribution schedule for the scheme.

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

The defined benefit schemes are funded. They are administered by member and employer nominated trustees. Independent qualified actuaries complete valuations of the schemes at least every three years and in accordance with their recommendations annual contributions are paid to the schemes so as to secure the benefits set out in the rules.

As with the vast majority of similar arrangements, the Group incurs a high degree of risk relating to the defined benefit schemes. These risks include investment risks and demographic risks, such as the risk of members living longer than expected. The UK scheme holds a large proportion of its assets in equity investments. Strong future equity returns would be expected to reduce the Group's future cash contributions (and vice versa). If the contributions currently agreed are insufficient to pay the benefits due, the Group will need to make further contributions to the scheme.

The UK scheme is a multi-employer scheme because it provides pensions for both the Group and employees of other entities owned by the Shareholders.
The Group accounts for its proportionate share of the defined benefit obligation, scheme assets and cost of this scheme, based on the proportion of the accrued liabilities that relate to the Group's employees. Changes in the Group's proportionate share of the assets and liabilities of this scheme arising during the year are treated as actuarial gains or losses.

11 Retirement benefit schemes continued

Actuarial valuations were last carried out at the following dates:

UK	31 December 2014
USA	31 December 2013
Canada	31 December 2013

All the valuations have been updated to 31 December 2015 using updated assumptions. The results of these valuations together with the key assumptions used are set out below.

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

In Canada, the Group has agreed with the Trustees of the plans to make contributions, in addition to payments in respect of the continuing accrual of benefits, of CAD$0.79 million per annum from 2014 until 2016 to fund the plan deficit, and, in the USA, contributions are determined on an annual basis. The level of contributions will be reviewed following the next triennial valuation due as at 31 December 2016.

In the UK, following the completion of the 31 December 2014 triennial valuation, the Group agreed with the Trustees of the UK scheme that contributions, in addition to payments in respect of the continuing accrual of benefits, were no longer required (2014: £3.8m). The requirement for additional contributions will be reviewed following the next triennial valuation due as at 31 December 2017.

The weighted average duration to payment of the expected benefit cash flows from the schemes in respect of accrued service at the end of the accounting period is approximately 21 years in the UK scheme, 14 years in the US scheme and 14 years in the Canadian scheme.

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

	2015 £m	2014 £m
Current service cost	**8.7**	7.0
Past service cost	**0.4**	0.4
Interest cost	**1.2**	0.9
Administrative expense	**0.1**	0.1
Settlements and curtailments	**(0.5)**	–
	9.9	8.4

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

	2015 £m	2014 £m
Actuarial gain/(loss)	**13.7**	(12.3)
	13.7	(12.3)

Notes to the financial statements

11 Retirement benefit schemes continued

The movement in the net defined benefit obligation is:

	2015 £m	2014 £m
1 January	**(35.9)**	(23.6)
Expense charged to income statement	**(9.9)**	(8.4)
Amount recognised in the statement of comprehensive income	**13.7**	(12.3)
Employer contributions	**5.9**	8.9
Benefit payments	**0.2**	0.2
Exchange movement	**0.2**	(0.7)
31 December	**(25.8)**	(35.9)

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

	2015 £m	2014 £m
Present value of unfunded obligations	**(18.5)**	(18.8)
Present value of funded obligations	**(209.1)**	(216.5)
Present value of total defined benefit obligations	**(227.6)**	(235.3)
Fair value of scheme assets	**201.8**	199.4
Defined benefit pension deficit	**(25.8)**	(35.9)

The net deficit arises in the following regions:

	2015 £m	2014 £m
UK	**(8.7)**	(15.1)
USA	**(11.4)**	(12.2)
Canada	**(5.7)**	(8.6)
	(25.8)	(35.9)

Movements in the present value of defined benefit obligations are:

	2015 £m	2014 £m
At 1 January	**235.3**	209.3
Current service cost	**8.7**	7.0
Past service cost	**0.4**	0.4
Interest cost	**8.6**	9.3
Settlements and curtailments	**(0.5)**	–
Actuarial (gains)/losses due to:		
Experience on benefit obligation	**(7.4)**	(8.3)
Changes in financial assumptions	**(5.8)**	23.7
Changes in demographic assumptions	**(3.4)**	–
Benefits paid	**(6.2)**	(6.8)
Exchange movements	**(2.1)**	0.7
At 31 December	**227.6**	235.3

11 Retirement benefit schemes continued

Analysis of the scheme liabilities:

	2015 £m	2014 £m
UK	**177.3**	180.5
USA	**23.0**	24.0
Canada	**27.3**	30.8
At 31 December	**227.6**	235.3

Movements in fair value of scheme assets were:

	2015 £m	2014 £m
At 1 January	**199.4**	185.7
Interest on plan assets	**7.4**	8.4
Actual return on plan assets less interest on plan assets	**(2.9)**	3.1
Contributions by the employer	**5.9**	8.9
Benefits paid	**(6.1)**	(6.7)
Administrative expense	**–**	–
Exchange movements	**(1.9)**	–
At 31 December	**201.8**	199.4

Analysis of scheme assets:

	2015 £m	2014 £m
Equities	**149.8**	147.5
Corporate bonds	**26.2**	26.9
Multi-asset credit funds	**16.3**	15.1
Other	**9.5**	9.9
Fair value of plan assets	**201.8**	199.4

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

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

Notes to the financial statements

11 Retirement benefit schemes continued

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

2015

	UK	USA	Canada
Discount rate	**3.80%**	**4.10%**	**4.10%**
Expected rate of salary increase	**5.10%**	**n/a**	**3.50%**
Expected rate of future pension increase	**3.30%**	**2.50%**	**2.00%**
Inflation	**3.30%**	**2.50%**	**2.00%**

2014

	Britain & Ireland	USA	Canada
Discount rate	3.70%	3.80%	4.00%
Expected rate of salary increase	4.80%	n/a	3.50%
Expected rate of future pension increase	3.30%	2.50%	2.00%
Inflation	3.30%	2.50%	2.00%

	Male		Female	
	2015	2014	**2015**	2014
Life expectancy of a 65-year-old today				
UK	**24.8**	25.0	**26.5**	26.8
USA	**21.2**	21.6	**23.2**	23.8
Canada	**21.5**	21.4	**24**	23.9
Life expectancy of a 65-year-old in 20 years				
UK	**27.0**	27.7	**28.4**	29.0
USA	**22.8**	23.3	**24.8**	25.4
Canada	**22.6**	22.6	**25.0**	24.9

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

	Total defined benefit obligation £m	Approximate charge in 2016 £m
Based on the assumptions above	227.6	9.2
Approximate impact of:		
Increase in discount rate by 0.25%	(10.6)	(0.5)
Increase in inflation rate by 0.25%	11.0	0.5
Increase in life expectancy by one year at 65	6.6	0.3

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

12 Directors' remuneration details

	2015 £'000	2014 £'000
Aggregate remuneration:		
Emoluments	**1,389**	1,314
Performance-related bonus	**779**	929
Long-term incentive scheme	**2,299**	2,214
	4,467	4,457

The total amounts payable under long-term incentive schemes comprise all amounts to which Directors became unconditionally entitled during the year including aggregate amounts that vested as a consequence of Directors retiring.

The amounts above include for the highest paid Director emoluments of £591,000 (2014: £592,000), a performance-related bonus of £465,000 (2014: £550,000) and long-term incentive plans of £1,354,000 (2014: £1,312,000).

Retirement benefits accrued to two Directors. The highest paid Director accrued benefits under the defined benefit scheme and an unfunded defined benefit scheme. The other Director accrued benefits under an arrangement combining defined benefit and money purchase benefits until April 2012 when he became a deferred member of the defined benefit scheme. The total annual accrued pension under the defined benefit pension schemes was £87,000 (2014: £76,000) and for the highest paid Director was £87,000 (2014: £76,000). Total contributions in respect of money purchase pension benefits were £nil (2014: £nil) and for the highest paid Director were £nil (2014: £nil).

13 Net gains on trading properties

	2015 £m	2014 £m
Development costs	**(5.5)**	(6.5)
Proceeds from sale of trading properties	**28.6**	80.6
Carrying value of trading properties sold	**(15.1)**	(57.2)
Reversal of/(provision for) impairment of trading properties	**1.1**	(1.0)
	9.1	15.9

The carrying value of trading properties sold includes £1.6m of capitalised interest (2014: £15.9m).

14 Net losses on other investments

	2015 £m	2014 £m
Loss on disposal of other fixed assets	**(0.5)**	(0.2)
	(0.5)	(0.2)

15 Net gains on revaluation and sale of investment property

	2015 £m	2014 £m
Valuation gains on investment property	**378.7**	479.6
Valuation losses on investment property	**(0.9)**	(1.1)
Valuation (losses)/gains on redevelopment properties	**(20.4)**	3.2
Net valuation gains on investment property	**357.4**	481.7
Profit on disposal of investment property	**28.9**	58.9
	386.3	540.6

16 Net financing costs

	2015 £m	2014 £m
Interest income	**4.3**	3.8
Other financial income	**6.6**	2.7
Financial income	**10.9**	6.5
Gross interest expense	**(43.3)**	(43.3)
Interest capitalised	**7.1**	7.6
Commitment and other financing costs	**(5.3)**	(5.1)
Financial expenses	**(41.5)**	(40.8)
Fair value adjustments of interest rate swaps and foreign exchange contracts	**0.8**	2.2
Fair value adjustments of embedded derivatives	**0.4**	0.8
Total fair value adjustments	**1.2**	3.0
Net financing costs	**(29.4)**	(31.3)

The average rate of interest capitalised in the year was 6.2% (2014: 6.2%).

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

17 Corporate income tax expense

Recognised in the income statement

	2015 £m	2014 £m
Current tax expense		
UK corporation tax at 20.25% (2014: 21.50%)	**25.7**	22.2
Overseas tax	**14.6**	15.8
Adjustment for prior years	**(7.8)**	(0.6)
	32.5	37.4
Deferred tax expense		
Origination and reversal of temporary differences	**71.2**	107.9
Effect of tax rate change	**(52.4)**	(7.9)
Benefit of tax losses recognised	**(0.8)**	(5.4)
Adjustment for prior years	**7.2**	0.4
	25.2	95.0
Total income tax expenses in the income statement	**57.7**	132.4

Deferred tax recognised in other comprehensive income

	2015 £m	2014 £m
Revaluation of property plant and equipment	**0.2**	1.2
Fair value adjustments on financial instruments treated as cash flow hedges	**0.2**	0.3
Actuarial gains/(losses) on defined benefit pension schemes	**3.3**	(3.0)
Financial expenses	**3.7**	(1.5)
Reconciliation of effective tax rate		
Profit before taxation	**526.6**	681.8
Less: share of profit of joint ventures	**(151.3)**	(138.1)
Add: profit of joint ventures where the tax charge is directly attributable to the Group	**81.2**	79.4
Adjusted Group profit before taxation	**456.5**	623.1
Tax on adjusted Group profit at standard UK corporation tax rate of 20.25% (2014: 21.50%)	**92.4**	133.9
Higher tax rates on overseas earnings	**19.9**	12.4
Adjustment for Indexation	**(3.6)**	(3.2)
Expenses not deductible for tax purposes	**0.7**	0.5
Other items attracting no tax relief or liability	**2.1**	2.3
Utilisation of previously unrecognised tax losses	**(0.8)**	(5.4)
Impact on deferred tax of reduction in tax rate	**(52.4)**	(7.9)
Adjustments in respect of over provision in prior years	**(0.6)**	(0.2)
Total income tax expense in the income statement	**57.7**	132.4
Effective tax rate based on adjusted Group profit	**12.6%**	21.3%
Effective tax rate excluding the rate change impact on deferred tax	**24.1%**	22.5%

17 Corporate income tax expense continued

Factors affecting tax charges

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

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

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

On 1 April 2015, the UK corporation tax rate was reduced from 21% to 20%. A further reduction to 19% from 1 April 2017 and then to 18% from 1 April 2020 was enacted by Finance (No. 2) Act 2015.

A current tax rate of 20.25% (3 months of the year at 21%, 9 months at 20%) has been applied to Group profit for the year ended 31 December 2015.
A deferred tax rate of 18% has been applied to UK opening balances and movements in deferred tax in the year ended 31 December 2015.

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

The 2015 tax charge equates to an effective tax rate of 24.1% (2014: 22.5%) before the impact of the reduction in the future UK corporation tax rate. This is in line with expectations given the mix of the Group's profit profile across countries. The restatement of liabilities has had the impact of reducing the overall effective tax rate by 11.5% (2014: 1.2%) to 12.6% (2014: 21.3%).

The Group's share of joint ventures' and associates' tax charges of £18.3m (2014: £20.5m) are included in the Share of profit from joint ventures and associates shown in the Consolidated income statement.

18 Property assets

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

		2015 £m	2014 £m
Investment property	– Group	**4,283.3**	3,647.8
	– Share of joint ventures and associates	**1,888.9**	1,740.5
Investment properties under development	– Group	**66.1**	228.9
	– Share of joint ventures and associates	**45.7**	51.0
Trading properties	– Group	**157.1**	128.1
	– Share of joint ventures and associates	**153.4**	146.4
Other financial assets*		**80.1**	58.5
Total property assets		**6,674.6**	6,001.2

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

19 Investment property

	Completed property			Under development			
	Freehold £m	Leasehold £m	Total £m	Freehold £m	Leasehold £m	Total £m	**Total £m**
At January 2014	606.0	2,584.1	3,190.1	25.1	133.8	158.9	**3,349.0**
Acquisitions	2.3	108.4	110.7	34.0	–	34.0	**144.7**
Costs capitalised	0.7	9.9	10.6	3.6	60.1	63.7	**74.3**
Disposals	(76.3)	(102.9)	(179.2)	–	–	–	**(179.2)**
Revaluation gains	33.3	394.8	428.1	3.2	50.4	53.6	**481.7**
Transfer from development projects	1.2	80.0	81.2	(1.2)	(80.0)	(81.2)	**–**
Exchange movements	7.8	(1.5)	6.3	(0.1)	–	(0.1)	**6.2**
At 31 December 2014	575.0	3,072.8	3,647.8	64.6	164.3	228.9	**3,876.7**
Acquisitions	8.6	166.7	175.3	25.1	–	25.1	**200.4**
Costs capitalised	3.1	13.0	16.1	9.9	2.7	12.6	**28.7**
Disposals	(44.2)	(63.9)	(108.1)	–	–	–	**(108.1)**
Revaluation gains/(losses)	49.8	328.0	377.8	(20.4)	–	(20.4)	**357.4**
Transfer from development projects	12.2	167.0	179.2	(12.2)	(167.0)	(179.2)	**–**
Exchange movements	(13.3)	8.5	(4.8)	(0.9)	–	(0.9)	**(5.7)**
At 31 December 2015	591.2	3,692.1	4,283.3	66.1	–	66.1	**4,349.4**

Investment properties were valued at 31 December 2015 by independent external valuers on the basis of market value in accordance with generally accepted international valuation standards. Valuations were performed as follows:

			£m
Britain & Ireland	Freehold	CB Richard Ellis, Chartered Surveyors	**109.0**
	Freehold	Cushman & Wakefield, Chartered Surveyors	**66.1**
	Long leasehold	Cushman & Wakefield, Chartered Surveyors	**3,520.8**
Americas	Freehold	Altus Group, Research valuation and advisory	**255.1**
	Freehold	CB Richard Ellis, Chartered Surveyors	**206.7**
Asia Pacific	Freehold	Tanizawa SOGO Appraisal Co Ltd	**20.4**
	Long leasehold	Tanizawa SOGO Appraisal Co Ltd	**75.7**
	Long leasehold	Cushman & Wakefield, Chartered Surveyors	**95.6**
			4,349.4

The historical cost of the Group's investment properties was £1,549.8m (2014: £1,268.6m).

The carrying value of investment properties includes capitalised interest of £9.2m (2014: £11.8m).

At 31 December 2015, investment properties with a carrying amount of £1,655.3m were pledged as security for bank loans (2014: £1,702.8m).

Included in the above are investment properties available for sale of £92.2m (2014: £18.7m).

19 Investment property continued

Fair value measurement

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

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

Valuation reports are based on both information provided by the Group e.g. current rents and lease terms which is derived from the Group's financial and property management systems and is subject to the Group's overall control environment, and assumptions applied by the valuers e.g. ERVs and yields. These assumptions are based on market observation and the valuers' professional judgement. The 2015 fair value represents the highest and best use of the properties.

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

Class of property	Fair value hierarchy	Valuation/FV 2015 £m	Valuation/FV 2014 £m	Valuation technique	Valuation inputs	Average property 2015	Average property 2014
GBI – Office	Level 3	1,315.0	957.6	Investment method and market comparable method	Weighted average ERV psf	£69 psf	£62 psf
					ERV range psf	£10–£125 psf	£9–£119 psf
					Weighted average Eq yld	4.0%	4.2%
					Equivalent yield range	3.3%–6.5%	3.3%–7.2%
GBI – Retail	Level 3	1,091.0	837.6	Investment method and market comparable method	Weighted average ERV psf	£60 psf	£62 psf
					ERV range psf	£14–£245 psf	£14–£245 psf
					Weighted average Eq yld	3.6%	4.2%
					Equivalent yield range	2.8%–5.5%	3.1%–7.0%
GBI – Residential	Level 3	1,172.0	1,137.0	Investment method and market comparable method	Average revaluation capital value psf	£1,519 psf	£1,450 psf
					Capital value range psf	£600–£3,505 psf	£850–£3,500 psf
GBI – Hotel	Level 3	101.0	101.1	Discounted cash flow method and market comparable method	Weighted average ERV psf	£63 psf	£62 psf
					ERV range psf	£36–£65 psf	£26–£65 psf
					Weighted average Eq yld	5.2%	5.2%
					Discount rate range	8.3%-9.5%	8.3%-9.5%
GBI – Investment properties under development	Level 3	69.0	217.1	Residual approach	ERV range psf	£71–£103 psf	£71–£103 psf
					Exit yield	3.9%	3.9%
GA – Office	Level 3	68.9	67.6	Discounted cash flow	Weighted average capitalisation rate	6.9%	6.9%
					Weighted average discount rate	8.1%	8.2%
GA – Retail	Level 3	194.5	190.5	Discounted cash flow	Weighted average capitalisation rate	5.8%	5.8%
					Weighted average discount rate	7.0%	7.0%
GA – Residential	Level 3	107.5	130.0	Discounted cash flow	Weighted average capitalisation rate	5.1%	5.4%
					Weighted average discount rate	6.5%	7.0%

Notes to the financial statements

Class of property	Fair value hierarchy	Valuation/FV 2015 £m	Valuation/FV 2014 £m	Valuation technique	Valuation inputs	Average property 2015	Average property 2014
GA – Industrial*	Level 3	90.9	96.5	Discounted cash flow	Weighted average capitalisation rate	5.3%	5.5%
					Weighted average discount rate	6.3%	6.5%
GASIA – Office	Level 3	95.6	86.4	Investment method and market comparable method	Weighted average passing rents psf	£24 psf	£24 psf
					Weighted average ERV psf	£38 psf	£34 psf
					Weighted average running yield	5.1%	5.5%
					Weighted average reversionary yield	7.9%	7.7%
		n/a	17.3	Directors valuation	n/a	n/a	n/a
GASIA – Residential	Level 3	96.1	86.7	Investment method and market comparable method	Weighted average passing rents psf	£34 psf	£34 psf
					Weighted average ERV psf	£34 psf	£34 psf
					Weighted average running yield	5.2%	5.6%
					Weighted average reversionary yield	5.4%	5.6%
Total		**4,401.5**	**3,923.2**				
The table above includes property classed in Other Property, Plant and Equipment		51.8	46.5				

*Includes property under development of £nil (2014: £12.3m).

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

Fair value hierarchy:

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

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

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

There were no transfers between levels during the year.

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

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

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

Sensitivity to significant changes in unobservable inputs

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

20 Other property, plant and equipment

2015

	Land and buildings £m	Leasehold improvements £m	Computer and IT equipment £m	Fixtures, fittings and motor vehicles £m	**Total £m**
Cost					
At 1 January 2015	46.5	9.4	14.4	11.0	**81.3**
Additions	–	1.0	1.4	1.2	**3.6**
Disposals	–	(1.1)	(0.3)	(1.0)	**(2.4)**
Revaluation gains	5.3	–	–	–	**5.3**
At 31 December 2015	51.8	9.3	15.5	11.2	**87.8**
Depreciation					
At 1 January 2015	–	(6.6)	(7.2)	(6.5)	**(20.3)**
Depreciation charge for the year	–	(0.6)	(1.5)	(1.1)	**(3.2)**
Disposals	–	0.4	0.2	1.1	**1.7**
At 31 December 2015	–	(6.8)	(8.5)	(6.5)	**(21.8)**
Carrying amount					
At 1 January 2015	46.5	2.8	7.2	4.5	**61.0**
At 31 December 2015	51.8	2.5	7.0	4.7	**66.0**

2014

	Land and buildings £m	Leasehold improvements £m	Computer and IT equipment £m	Fixtures, fittings and motor vehicles £m	Total £m
Cost					
At 1 January 2014	40.3	7.6	14.0	11.9	73.8
Additions	–	1.8	0.4	1.3	3.5
Disposals	–	–	–	(2.2)	(2.2)
Revaluation gains	6.2	–	–	–	6.2
At 31 December 2014	46.5	9.4	14.4	11.0	81.3
Depreciation					
At 1 January 2014	(0.1)	(6.2)	(5.7)	(7.1)	(19.1)
Depreciation charge for the year	0.1	(0.4)	(1.5)	(1.2)	(3.0)
Disposals	–	–	–	1.8	1.8
At 31 December 2014	–	(6.6)	(7.2)	(6.5)	(20.3)
Carrying amount					
At 1 January 2014	40.2	1.4	8.3	4.8	54.7
At 31 December 2014	46.5	2.8	7.2	4.5	61.0

The land and buildings above are freehold and were valued at 31 December 2015 by independent valuers Cushman & Wakefield, Chartered Surveyors, on the basis of fair value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Notes to the financial statements

20 Other property, plant and equipment continued

The historical cost of the revalued land and buildings above at 31 December 2015 was £12.5m (2014: £12.5m).

The carrying value of the freehold land and buildings above includes capitalised interest of £nil (2014: £nil).

At 31 December 2015, land and buildings above with a carrying value of £nil were pledged as security for bank loans (2014: £nil).

21 Investments in subsidiaries

Company

	Shares at cost £m
At 1 January 2015 and 31 December 2015	**1,358.4**

At 31 December 2015, the Group had the following subsidiary undertakings, associated undertakings and significant holdings:

110 Park Street Limited
1300 Marine Drive Holdings Ltd (Canada)
1300 Marine Drive LP (Canada)
14th & 5 Holdings LLC (USA) – 50% owned
1-5 GP Management Limited
1500 K Street LLC (USA) – 20% owned
1645 Pacific Homes LLC (USA)
180 Post Street LLC (USA) – 50% owned
185 Post Street LLC (USA) – 50% owned
1900 Duke Street LP (USA) – 25% owned
20 Balderton Street Project 1 Limited – 50% owned
221 Seabright Holdings Ltd (Canada) – 50% owned
251 Post Street LLC (USA) – 50% owned
29-37 Davies Street Limited
306 Rodeo Drive LLC (USA) – 50% owned
701 North Michigan Avenue LLC (USA) – 20% owned
7435 159th Place NE LLC (USA)
875 California II LLC (USA)
875 California LLC (USA)
Admiralty Way Apartments LLC (USA) – 90% owned
Alpha Place Developments LLP – 33.3% owned
Atlantic Freeholds Ltd (USA) – 50% owned
Azabu Tokutei Mokuteki Kaisya (Japan) – 50% owned
Ballpark Hotel LLC (USA)
Ballpark Square LLC (USA) – 99.4% owned
Balsam BT Holdings Ltd (Canada)
Bankside 4 Limited
Barton Oxford LLP – 50% owned
Belgrave House Developments Limited
Belgravia Estate Services Limited
Belgravia Leases Limited
Bright Plaza Limited (Hong Kong)
Cambridge Retail Investment Limited
Chelsea at Juantina Village LP (USA)
Chester Street Development Limited
Church Street Plaza LLC (USA) – 48.9% owned
CMT Property Investment Limited (Hong Kong)
Coton Park Limited
Crawley Commercial Limited
Crawley Residential Limited
Drummond Road Limited
Due West Investments Limited
Eaton Square Properties Limited
Edgemont Village BT Ltd (Canada)
Edgemont Village GP Ltd (Canada)
Esplanade Capital Ventures Ltd (Canada)
Esplanade Commercial Holdings Ltd (Canada)
Esplanade Residential Holdings Ltd (Canada)
FBC Silver Spring LLC (USA)
Fenton Street Apartments LLC (USA)

21 Investments in subsidiaries continued

Fieldglen II Pty Ltd (Australia) – in liquidation
Finestart International Ltd (BVI)
Fountain North Limited (Scotland)
Fournier Securities Limited
Frontier Drive Metro Centre LP (USA) – 50% owned
GC Bankside LLP – 50% owned
GCC Balsam Properties Ltd (Canada)
GCH Investments (1) Limited
GCH Investments (2) Limited
GCH Investments LLP
GCPPIB (GB) Ltd – 50% owned
GDP1 Tokutei Mokuteki Kaisya (Japan) – 38% owned
GDP2 Investment Business Limited Partnership (Japan) – 38% owned
GDP2 Tokutei Mokuteki Kaisya (Japan) – 38% owned
GDP3 Tokutei Mokuteki Kaisya (Japan) – 38% owned
GEB2 Limited
GFAL Limited
GFM (CE) S.A. (Luxembourg)
GFM Equity Advisors Inc. (USA)
GFM Securities LLC (USA)
GFM-NYC Investors Inc. (USA)
Gio Investments Limited
GJI Limited (Cayman)
Global Real Estate Absolute Return (General Partner) Ltd (Cayman)
Global Real Estate Absolute Return Fund Ltd (Cayman) – 81.9% owned
Global Real Estate Absolute Return Master Fund Ltd (Cayman) - 81.9% owned
Golden Eternal Limited (BVI)
GOP2 Tokutei Mokuteki Kaisya (Japan)
GOP3 Tokutei Mokuteki Kaisya (Japan)
GP Warehouse Investment Company (USA) – 50% owned
GP Warehouse Investment Member One LLP (USA)
GP Warehouse Investment Member Two LLP (USA)
CP6WW LLC (USA)
GPT Tokutei Mokuteki Kaisya (Japan) – 48% owned
Grosvenor (Basingstoke) Limited
Grosvenor 5th Avenue Holdings Ltd (Canada)
Grosvenor Alpha Place LLP
Grosvenor Americas Corporation (Canada)
Grosvenor Americas Holdings Limited
Grosvenor Americas Inc (USA)
Grosvenor Americas Joint Ventures LLC (USA)
Grosvenor Americas LLC (USA)
Grosvenor Americas Partners (USA)
Grosvenor Americas Sarl (Luxembourg)
Grosvenor Americas USA Inc (USA)
Grosvenor Americas USA Ltd (USA)
Grosvenor Asia Pacific Limited (Hong Kong)
Grosvenor Asset Management Limited
Grosvenor Atlantic Ltd (USA)
Grosvenor Australia Asia Pacific Limited
Grosvenor Australia Asset Management Pty Ltd (Australia) – in liquidation
Grosvenor Australia Investments Property Ltd (Australia) – in liquidation
Grosvenor Australia Nominees Pty Ltd (Australia) – in liquidation
Grosvenor Australia Properties Pty Ltd (Australia) – in liquidation
Grosvenor Australia Services Pty Ltd (Australia) – in liquidation
Grosvenor Basingstoke Management Limited
Grosvenor Basingstoke Properties Limited
Grosvenor Belgravia Investment Limited
Grosvenor Belgravia Properties
Grosvenor Beltline Holdings II Ltd (Canada)
Grosvenor Beltline Holdings Ltd (Canada)
Grosvenor California Ltd (USA)
Grosvenor Canada Ltd (Canada)
Grosvenor Capco Ltd (USA)
Grosvenor Capital Corporation (Canada)
Grosvenor Commercial Properties
Grosvenor Continental Europe Holdings Limited
Grosvenor Continental Europe Holdings SA (Luxembourg)

21 Investments in subsidiaries continued

Grosvenor Continental Europe SAS (France)
Grosvenor DC Residential LLC (USA)
Grosvenor Development Corporation (Canada)
Grosvenor Developments (GB) Limited
Grosvenor Developments (UK) Limited
Grosvenor Developments Limited
Grosvenor Edgemont Holdings Ltd (Canada)
Grosvenor Estate Belgravia
Grosvenor Estate Holdings
Grosvenor Estate International Developments
Grosvenor Estate International Investments Limited
Grosvenor Estate International Properties
Grosvenor Estate Investment Management Limited
Grosvenor Estate Management Limited
Grosvenor Estates Limited
Grosvenor European Properties Limited
Grosvenor Financial California LLC (USA)
Grosvenor Financial Inc (USA)
Grosvenor First European Property Investments SA (Luxembourg) - 77.5% owned
Grosvenor Freeholds Pty Ltd (Australia) – in liquidation
Grosvenor Fund Management (USA) Inc. (USA)
Grosvenor Fund Management Australia Pty Ltd (Australia) – in liquidation
Grosvenor Fund Management Inc. (USA)
Grosvenor Fund Management Italy SRL (Italy)
Grosvenor Fund Management Japan Ltd (Bermuda)
Grosvenor Fund Management Limited
Grosvenor Fund Management Spain SL (Spain)
Grosvenor Fund Management Sweden AB (Sweden)
Grosvenor Fund Management UK Limited
Grosvenor Garden Leisure Limited
Grosvenor GP Limited LLC (USA)
Grosvenor Group Finance Company
Grosvenor Group Holdings Limited
Grosvenor Group Limited
Grosvenor Group Management Services Ltd (formerly Grosvenor Sixty Nine Ltd)
Grosvenor High Street GP Ltd (Canada)
Grosvenor High Street LP (Canada)
Grosvenor High Street LP Ltd (Canada)
Grosvenor Hong Kong Limited (Hong Kong)
Grosvenor International (American Freeholds) Ltd (USA)
Grosvenor International (Atlantic Freeholds) Ltd (USA)
Grosvenor International (Cupertino) Ltd (USA)
Grosvenor International (Nevada) Ltd (USA)
Grosvenor International (Westcoast Freeholds) Ltd (USA)
Grosvenor International Australia Pty Ltd (Australia) – in liquidation
Grosvenor International Fund Management Limited
Grosvenor International Investments (Canada) Ltd (Canada)
Grosvenor International Investments (USA) Corporation (Canada)
Grosvenor International Investments Corporation (Canada)
Grosvenor International Investments Limited
Grosvenor International SARL (Luxembourg)
Grosvenor Investment Management Limited
Grosvenor Investment Management Limited
Grosvenor Investments Limited
Grosvenor Investments North America Inc (USA)
Grosvenor Investments Portugal SARL(Luxembourg) – 26.41% owned
Grosvenor Investments USA LLC (USA)
Grosvenor Keysign Limited
Grosvenor Limited
Grosvenor Limited (Hong Kong)
Grosvenor Liverpool Limited
Grosvenor London Properties Limited
Grosvenor Lothbury Investment Limited
Grosvenor Management Consulting (Shanghai) Limited (PRC)
Grosvenor Management Jersey Limited (Jersey)
Grosvenor Management Limited
Grosvenor Maple Leaf Ventures II LP (USA) – 20% owned
Grosvenor Maple Leaf Ventures III LP (USA) – 20% owned

21 Investments in subsidiaries continued

Grosvenor Maple Leaf Ventures IV LP (USA) – 20% owned
Grosvenor Maple Leaf Ventures LP (USA) – 20% owned
Grosvenor Maple Leaf Ventures V LP (USA) – 20% owned
Grosvenor Maple Leaf Ventures VI LP (USA) – 20% owned
Grosvenor Maple Leaf Ventures VII LP (USA) – 20% owned
Grosvenor Maple Leaf Ventures VIII LP (USA) – 20% owned
Grosvenor Mayfair Properties Limited
Grosvenor One Residential GP Limited
Grosvenor Overseas Holdings Limited
Grosvenor Pacific Development Ltd (Canada)
Grosvenor Park Partners Limited (Cayman) – 41% owned
Grosvenor Policy Management Limited
Grosvenor Properties (2008) Ltd (Canada)
Grosvenor Property Advisers Limited
Grosvenor Property Asset Management Limited
Grosvenor Property Developments Limited
Grosvenor Property Group Limited
Grosvenor Property Holdings Limited
Grosvenor Property Investment Management Limited
Grosvenor Quarryvale Limited
Grosvenor Realty Investments Limited
Grosvenor Rempel East Clayton Development Ltd (Canada)
Grosvenor Residential GP Limited
Grosvenor Residential GP Limited LLC (USA)
Grosvenor Residential Holdings LLC
Grosvenor Residential Investment Partners LLP
Grosvenor Residential REIT Holdings LLC
Grosvenor Seventy Eight Limited
Grosvenor Seventy Five Limited
Grosvenor Seventy Nine Limited
Grosvenor Seventy Seven Limited
Grosvenor Seventy Six Limited
Grosvenor Sixty Five Limited
Grosvenor Sports Club Limited
Grosvenor Stow Limited – 50% owned
Grosvenor Stow Projects 2 Limited – 50% owned
Grosvenor Stow Projects Limited – 50% owned
Grosvenor Teca
Grosvenor Technopole Investment Limited
Grosvenor UK Finance Plc
Grosvenor UK Properties Limited
Grosvenor Urban Retail LP (USA) – 25% owned
Grosvenor Vega Fund Management Ltd (Cayman) – 75% owned
Grosvenor Vega GP Ltd (Cayman) – 75% owned
Grosvenor Village GP Ltd (Canada)
Grosvenor Village Holdings Ltd (Canada)
Grosvenor Village LP (Canada)
Grosvenor West End Properties
Grosvenor Westminster Holdings Limited
Grosvenor Westminster Properties
GT3 Tokutei Mokuteki Kaisya (Japan) – 50% owned
Halkin Street LLP – 50% owned
Hamilton Marketplace LLC (USA)
Harlequin Services Limited (Hong Kong)
Hassall Street Pty Ltd (Australia) – in liquidation
Headfort Place Garages Limited – 50% owned
High Ace Holdings Limited (BVI)
Hornby BT Holdings Ltd (Canada)
IO Investment LLP – 96.2% owned
IOG2 LLP – 99.2% owned
JRE Investments Ltd (BVI)
Kefren Capital Real Estate S.L (Spain) – 40% owned
KGH BT Holdings Ltd (Canada) – 50% owned
King George GP Ltd (Canada)
Liffey Valley Limited
Liverpool One Management Company Limited
Liverpool Property Investments Limited
Liverpool PSDA Limited

21 Investments in subsidiaries continued

Liverpool Site 11 Hotel Limited
Liverpool Site 12 Limited
London Leasehold Flats Limited
London Leasehold Properties Limited
London Office II (Growth) General Partner Ltd
London Office II (Growth) LP Ltd
Marine Drive BT Holdings Ltd (Canada)
Marine Drive WV Development Ltd (Canada)
Mayfair Leasehold Properties Limited
Modern Resource Ltd (Hong Kong)
Montrose Place Development Limited
Montrose Place LLP
NLG Campden LLP – 33.3% owned
Old Broad Street Properties Limited
One Park West Limited
Pacific BT Holdings Ltd (Canada)
PAIP Investment Partnership (Australia) – 75% owned
Parnolia Limited – 50% owned
POP II Investment Partnership (Australia) – 75% owned
Preston Tithebarn Investment Limited
Quarryvale Two Limited
Retail Centres V (Sweden) General Partner Ltd
Retail Centres V (Sweden) LP Ltd
Rice Lake Square LP (USA) – 25% owned
Richly Leader Ltd (Hong Kong) – 50% owned
Rise BT Holdings Ltd (Canada)
Rosemary GP Ltd (Canada)
Seatonmere Limited (BVI)
Sekmount Properties Limited
Sonae Sierra SGPS SA (Portugal) – 50% owned
Southwark GP 1 Limited
Southwark GP 2 Limited
Southwark GP Nominee 1 Limited
Southwark GP Nominee 2 Limited
Southwark Holding LP
Southwark LP
Southwark Real Estate Investments Limited
Spring Plus Limited (BVI) – 50% owned
St Andrews Project Holdings Ltd (Canada) – 50% owned
St Andrews Project Ventures Ltd (Canada)
St John's Preston Limited
Talbot General Partner Limited
Texton Investments Limited (BVI)
The Grosvenor Residential Investment Funds LP – 29.4% owned
The Grosvenor Residential Unit Trust (Jersey) – 20.6% owned
The Grouss Residential Investment Partnership LLP – 50% owned
Trumpington Meadows Land Company Limited – 50% owned
UNHEM Construction Limited
Unity Asian Development Limited (Hong Kong) – 60% owned
Urban Neighbourhood Holdings Limited
Urban Neighbourhoods Limited
Victoria Properties (London) Limited
Viewell Investments Limited (BVI)
Village BT Holdings Ltd (Canada) – 50% owned
West 15 Project Holdings Ltd (Canada)
West 15 Ventures Ltd (Canada)

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

Notes to the financial statements

22(a) Investments in joint ventures and associates

2015

	Proprietary assets – Direct			Proprietary assets – Indirect				
					Third party managed			
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Managed by Grosvenor Fund Management £m	Sonae Sierra* £m	Other £m	Grosvenor Fund Management £m	**Total £m**
Share of profit from joint ventures and associates								
Gross rental income	0.2	20.1	17.5	20.4	54.4	7.5	–	**120.1**
Property outgoings	(0.4)	(7.1)	(3.3)	(5.3)	(18.0)	(0.9)	–	**(35.0)**
Net rental income	(0.2)	13.0	14.2	15.1	36.4	6.6	–	**85.1**
Fees and other income	–	0.1	–	0.5	27.6	0.1	0.2	**28.5**
Administrative expenses	(0.2)	(0.2)	(0.4)	(2.5)	(25.2)	(1.7)	(0.1)	**(30.3)**
Net gains/(losses) on trading properties	9.6	(0.3)	2.5	–	0.5	6.1	–	**18.4**
Net financing costs	(0.3)	(3.4)	(1.8)	(6.3)	(11.4)	(2.2)	–	**(25.4)**
Revenue profit	8.9	9.2	14.5	6.8	27.9	8.9	0.1	**76.3**
Net gains/(losses) on revaluation and sale of investment properties	0.1	15.1	13.2	25.2	39.9	(0.8)	(0.1)	**92.6**
Net (losses)/gains on other investments	(0.6)	–	–	0.1	–	–	–	**(0.5)**
Profit before tax	8.4	24.3	27.7	32.1	67.8	8.1	–	**168.4**
Current tax	–	(0.1)	(1.1)	(0.2)	(4.8)	–	–	**(6.2)**
Deferred tax	–	0.1	(0.5)	(0.5)	(11.2)	–	–	**(12.1)**
Non-controlling interest	–	–		1.2	–	–	–	**1.2**
	8.4	24.3	26.1	32.6	51.8	8.1	–	**151.3**
Share of assets and liabilities								
Non-current assets								
– investment properties	0.9	345.4	355.9	317.6	732.9	134.0	2.2	**1,888.9**
– investment properties under development	–	–	–	–	45.7	–	–	**45.7**
– other	0.1	–	–	–	7.8	0.7	–	**8.7**
Current assets								
– cash	17.4	2.3	23.5	9.5	26.0	8.7	–	**87.4**
– trading properties	67.4	31.2	53.7	–	–	1.1	–	**153.4**
– other	7.4	1.0	4.5	6.3	37.9	3.2	0.7	**61.0**
Non-current liabilities	(29.2)	(119.4)	(65.7)	(173.4)	(443.2)	(75.8)	(0.7)	**(907.4)**
Current liabilities	(18.5)	(12.6)	(110.6)	(15.9)	(60.7)	(4.9)	(0.5)	**(223.7)**
Net assets	45.5	247.9	261.3	144.1	346.4	67.0	1.7	**1,114.0**
Borrowings included in liabilities	(22.0)	(123.0)	(157.0)	(171.4)	(338.6)	(75.2)	(0.2)	**(887.4)**

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

22(a) Investments in joint ventures and associates continued

2014

	Proprietary assets – Direct			Proprietary assets – Indirect	Third party managed			
	Britain & Ireland £m	Americas £m	Asia Pacific £m	Managed by Grosvenor Fund Management £m	Sonae Sierra* £m	Other £m	Grosvenor Fund Management £m	Total £m
Share of profit from joint ventures and associates								
Gross rental income	0.2	16.5	14.9	20.8	59.8	2.9	0.1	115.2
Property outgoings	(0.2)	(6.0)	(3.3)	(4.8)	(19.5)	(0.8)	–	(34.6)
Net rental income	–	10.5	11.6	16.0	40.3	2.1	0.1	80.6
Fees and other income	1.6	–	–	0.2	31.1	–	0.3	33.2
Administrative expenses	(0.3)	(0.2)	(0.1)	(3.9)	(27.8)	–	(0.3)	(32.6)
Net gains/(losses) on trading properties	23.1	(0.1)	1.0	–	(10.3)	1.1	–	14.8
Net financing costs	(0.4)	(3.1)	(2.1)	(6.1)	(16.5)	(0.8)	–	(29.0)
Revenue profit	24.0	7.1	10.4	6.2	16.8	2.4	0.1	67.0
Net gains/(losses) on revaluation and sale of investment properties	(0.6)	14.3	10.6	36.9	37.5	–	(1.2)	97.4
Net losses on other investments	–	–	–	(5.4)	–	–	–	(5.4)
Derivative fair value adjustments	–	(0.4)	–	–	–	–	–	(0.4)
Profit/(loss) before tax	23.4	21.0	21.0	37.7	54.3	2.4	(1.1)	158.6
Current tax	(1.8)	(0.1)	(0.9)	(1.3)	(5.2)	–	–	(9.3)
Deferred tax	–	–	(0.4)	(0.7)	(10.1)	–	–	(11.2)
	21.6	20.9	19.7	35.7	39.0	–	(1.1)	138.1
Share of assets and liabilities								
Non-current assets								
– investment properties	1.5	267.8	311.1	347.9	775.2	34.8	2.2	1,740.5
– investment properties under development	–	–	–	–	51.0	–	–	51.0
– other	0.3	–	–	0.2	8.0	–	–	8.5
Current assets								
– cash	8.9	2.1	18.4	12.5	37.8	1.8	0.9	82.4
– trading properties	80.4	12.2	31.6	–	–	22.2	–	146.4
– other	10.6	0.7	4.4	7.6	40.9	1.8	0.6	66.5
Non-current liabilities	(25.6)	(82.6)	(142.9)	(190.9)	(483.2)	(19.6)	(0.8)	(945.6)
Current liabilities	(20.1)	(12.5)	(13.0)	(18.0)	(81.1)	(11.6)	(0.5)	(156.8)
Net assets	56.0	187.7	209.6	159.3	348.6	29.4	2.4	992.9
Borrowings included in liabilities	(23.9)	(88.5)	(138.6)	(189.1)	(377.8)	(29.6)	(0.2)	(847.7)

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

Notes to the financial statements

22(b) Investments in joint ventures and associates continued

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

Sonae Sierra

	2015 £m	2014 £m
Net rental income	217.9	188.4
Depreciation and amortisation	(0.8)	(1.2)
Other operating expenses	(107.8)	(133.5)
Financial income	4.7	3.7
Financial expenses	(16.3)	(21.5)
Share of results of associates	116.4	128.2
Losses on investments	(0.3)	(2.5)
Profit before tax	**213.8**	**161.6**
Tax	(24.5)	(11.7)
Profit after tax	**189.3**	**149.9**
Attributable to:		
Equity holders of Sonae Sierra	103.2	77.6
Non-controlling interest	86.1	72.3
Consolidated net profit for the period	**189.3**	**149.9**
The Group's share of profit for the year (Note 22(a))	**51.8**	**39.0**
Non-controlling interest of the Group's profit for the year	**(11.7)**	**(8.8)**

	2015 £m	2014 £m
Non-current assets	974.9	1,516.0
Current assets		
Cash	53.9	55.6
Other current assets	676.7	54.6
Total assets	**1,705.5**	**1,626.2**
Non-current liabilities		
Non-current financial liabilities	131.0	377.5
Other non-current liabilities	25.6	108.3
Current liabilities		
Current financial liabilities	84.0	45.6
Other current liabilities	389.9	80.4
Total liabilities	**630.5**	**611.8**
Net assets	**1,075.0**	**1,014.4**
Shareholders' funds	691.9	696.9
Non-controlling interest	383.1	317.5
Total Equity	**1,075.0**	**1,014.4**
Carrying amount of the Group's interest in Sonae Sierra (Note 22(a))	**346.4**	**348.6**
Non-controlling interest of the Group's interest in Sonae Sierra	**(77.9)**	**(78.4)**

22(c) Investments in joint ventures and associates continued

At 31 December 2015, the Group had the following principal interests in joint ventures and associates which are accounted for on the basis explained in Note 1(b):

	Principal activities	Country of incorporation/registration	Effective interest	Group share of net assets £m
Britain & Ireland				
GC Bankside LLP	Property development	England and Wales	50.0%	16.1
Barkhill Limited	Property development	Republic of Ireland	50.0%	10.3
Alpha Place Developments LLP	Property development	England and Wales	33.0%	1.2
NLG Campden LLP	Property development	England and Wales	16.7%	11.1
Trumpington Meadows Land Company Limited	Property development	England and Wales	50.0%	6.0
Americas				
Joint ventures with BBCAF Inc	Property investment	United States of America	50.0%/25.0%	161.9
Joint ventures with the Getty Family Trust	Property investment	United States of America	50.0%	13.3
Joint ventures with PSP and Alberta Teacher's Retirement Fund	Property investment	United States of America	51.0%	53.4
Joint ventures with Clark Ballpark Residential LLC	Property investment	United States of America	50.0%	10.2
Joint ventures with Manitoba Civil Service Superannuation Board, Bindali Group	Property investment	Canada	30.0%	8.3
Asia Pacific				
Richly Leader Limited**	Property investment	Hong Kong	50.0%	182.0
Imperial Time Limited**	Property development	Hong Kong	20.0%	14.6
Grosvenor Park Partners Limited	Property development	Cayman Islands	40.8%	9.0
Azabu Tower Tokutei Mokuteki Kaisya	Property development	Japan	50.0%	12.7
GPT Tokutei Mokuteki Kaisya	Property development	Japan	67.8%	21.5
GDP1 Tokutei Mokuteki Kaisya	Investment holding	Japan	38.5%	7.6
GDP2 Tokutei Mokuteki Kaisya	Investment holding	Japan	38.5%	3.8
GDP3 Tokutei Mokuteki Kaisya	Investment holding	Japan	38.5%	3.7
Indirect investments				
Grosvenor London Office Fund**	Property investment	England and Wales	12.7%	54.4
Grosvenor Liverpool Fund**	Property investment	England and Wales	10.0%	57.0
GEMOA Inc	Property investment	United States of America	20.0%	16.0
US Healthcare Venture LLC	Property investment	United States of America	5.0%	3.4
Grosvenor Vega – China Retail Fund	Property investment	Cayman Islands	10.2%	7.0
Grosvenor Retail European Properties	Property investment	Luxembourg	14.0%*	1.9
Grosvenor French Retail Investment	Property investment	Luxembourg	11.1%	3.4
Grosvenor European Retail Partnership	Property investment	Luxembourg	5.0%	2.3
iO Investment LLP	Property investment	England and Wales	90.1%	6.3
Sonae Sierra SGPS SA	Property investment and development	Portugal	50.0%*	346.4
Propertylink Australian Investment Partnership	Property investment	Australia	18.8%	25.5
POP II	Property investment	Australia	20.0%	9.3
HS/GP Warehouse Investment Company JV	Property investment	United States of America	50.0%	11.8
iO Investment 2 LLP	Property investment	England and Wales	27.2%	12.8

* Certain investments in joint ventures in Continental Europe are controlled by Grosvenor First European Property Investments SA (GFEPI), which is 77.5% owned by the Group. The effective interest above includes the interests of the non-controlling investors in GFEPI.

** Associate (all other investments are joint ventures).

22(d) Investments in joint ventures and associates continued

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

Post balance sheet event

On 26 February 2016, the Group acquired a further 22.5% share of Grosvenor First European Property Investments SA (GFEPI) at market value, taking its stake in the company to 100%. This brings the Group's effective interest in Sonae Sierra up from 38.75% to 50%.

23 Other financial assets

	2015 £m	2014 £m
Non-current assets		
Equity shares	**17.2**	18.5
Finance lease receivables	**6.4**	6.4
Mezzanine loans	**15.0**	18.0
Other financial assets	**40.2**	22.6
Non-current portion of currency swaps	**4.5**	1.5
	83.3	67.0
Current assets		
Mezzanine loans	**15.7**	7.0
Current portion of currency swaps	**3.7**	6.2
	19.4	13.2

Included in the above are property-related financial assets of £80.1m (2014: £58.5m).

Equity shares relate to ISPT Grosvenor International Property Trust, a property investment vehicle incorporated in Australia in which the Group has a 9.9% effective interest and an investment mandate in global logistics securities.

Notes to the financial statements

23 Other financial assets continued

Principal financial assets at 31 December:

Finance lease receivables

	2015 £m	2014 £m
Finance lease receivable	**6.4**	6.4
	6.4	6.4

Finance lease receivables in respect of rents on leasehold properties are receivable as follows:

	Minimum lease payments £m	Unearned finance income £m	Principal £m
Less than one year	1.0	1.0	–
Between one and five years	3.9	3.9	–
More than five years	52.4	46.0	6.4
	57.3	50.9	6.4

Mezzanine loans

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

24 Intangible assets

2015

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2015	–	1.7	**1.7**
Disposals	–	(1.7)	**(1.7)**
At 31 December 2015	–	–	**–**
Amortisation/impairment			
At 1 January 2015	–	(1.7)	**(1.7)**
Disposals	–	1.7	**1.7**
At 31 December 2015	–	–	**–**
Carrying amount			
At 1 January 2015	–	–	**–**
At 31 December 2015	–	–	**–**

24 Intangible assets continued

2014

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2014	8.9	1.6	**10.5**
Disposals	(8.5)	–	**(8.5)**
Exchange movements	(0.4)	0.1	**(0.3)**
At 31 December 2014	–	1.7	**1.7**
Amortisation/impairment			
At 1 January 2014	(8.9)	(1.6)	**(10.5)**
Disposals	8.5	–	**8.5**
Exchange movements	0.4	(0.1)	**0.3**
At 31 December 2014	–	(1.7)	**(1.7)**
Carrying amount			
At 1 January 2014	–	–	**–**
At 31 December 2014	–	–	**–**

25 Trade and other receivables

	2015 £m	2014 £m
Current receivables		
Trade receivables	**29.9**	34.0
Receivables due from joint ventures	**2.6**	14.9
Other receivables	**43.5**	46.0
Prepayments	**4.7**	10.0
Accrued income	**3.9**	2.6
	84.6	107.5
Non-current receivables		
Receivables due from joint ventures	**66.8**	40.0
	66.8	40.0
	151.4	147.5

Trade receivables are shown net of allowances for bad debts of £1.7m (2014: £2.2m). Included in the above are receivables due after more than one year totalling £0.2m (2014: £0.2m).

26 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

	2015			2014		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Investment property – contingent losses/ (gains)	**38.5**	**(578.1)**	**(539.6)**	24.0	(553.9)	(529.9)
Investment property – deferred losses/ (gains)	**14.6**	**(146.8)**	**(132.2)**	15.8	(133.7)	(117.9)
Other property, plant and equipment	**–**	**(10.9)**	**(10.9)**	0.1	(9.4)	(9.3)
Other financial assets	**0.3**	**(0.5)**	**(0.2)**	–	(0.4)	(0.4)
Interest-bearing loans and borrowings	**2.4**	**(0.8)**	**1.6**	2.5	(0.9)	1.6
Employee benefits	**15.5**	**(3.5)**	**12.0**	19.2	(5.1)	14.1
Provisions	**0.7**	**–**	**0.7**	1.3	–	1.3
Other items	**9.1**	**(8.5)**	**0.6**	4.7	–	4.7
Tax value and loss carry-forwards recognised	**4.9**	**–**	**4.9**	5.7	–	5.7
Tax assets/(liabilities)	**86.0**	**(749.1)**	**(663.1)**	73.3	(703.4)	(630.1)

Temporary differences, including those from unremitted earnings, can arise on the Group's investments in subsidiaries and jointly controlled entities. Deferred tax is not recognised on these as the Group is able to control their reversal and it is probable they will not reverse in the foreseeable future. At 31 December 2015, the total of these temporary differences was £443.3m (2014: £481.1m) and the potential tax effect was £27.2m (2014: £29.1m), accruing principally as a result of potential dividend withholding taxes levied by overseas tax jurisdictions.

Unrecognised deferred tax assets

	2015 £m	2014 £m
Tax losses	**27.4**	39.0

Movement in temporary differences during the year

	Balance at 1 January 2015 £m	Recognised in income £m	Recognised in equity £m	Exchange movement £m	Balance at 31 December 2015 £m
Investment property – contingent gains	(529.9)	(8.6)	(0.2)	(0.9)	**(539.6)**
Investment property – deferred gains	(117.9)	(9.7)	–	(4.6)	**(132.2)**
Other property, plant and equipment	(9.3)	(1.5)	–	(0.1)	**(10.9)**
Other financial assets	(0.4)	0.1	–	0.1	**(0.2)**
Interest-bearing loans and borrowings	1.6	–	(0.2)	0.2	**1.6**
Employee benefits	14.1	1.1	(3.3)	0.1	**12.0**
Provisions	1.3	(0.6)	–	–	**0.7**
Other items	4.7	(4.9)	–	0.8	**0.6**
Tax value and loss carry-forwards recognised	5.7	(1.1)	–	0.3	**4.9**
Tax (liabilities)/assets	(630.1)	(25.2)	(3.7)	(4.1)	**(663.1)**

27 Trading properties

	2015 £m	2014 £m
At 1 January	**128.1**	124.9
Additions	**48.9**	58.3
Capitalised interest	**1.8**	0.6
Disposals	**(15.1)**	(57.2)
Reversal of/(provision for) impairment	**1.1**	(1.0)
Transfer to joint venture properties	**(7.6)**	–
Exchange movements	**(0.1)**	2.5
	157.1	128.1

At 31 December 2015, trading properties with a carrying value of £29.0m were pledged as security for bank loans (2014: £12.5m).

28 Cash and cash equivalents

	2015 £m	2014 £m
Bank balances	**95.7**	118.0
Cash deposits	**141.9**	359.6
Cash and cash equivalents	**237.6**	477.6
Cash and cash equivalents in the statement of cash flows	**237.6**	477.6

The amount of cash and cash equivalents not available for use by the Group totals £39.1m (2014: £34.0m), of which £nil (2014: £nil) has been pledged as collateral.

29 Interest-bearing loans and borrowings

	2015 £m	2014 £m
Non-current liabilities		
Secured bank loans	**188.5**	206.5
Unsecured bank loans	**72.4**	28.7
Secured bond issues	**201.8**	201.8
Unsecured bond issues	**267.5**	267.5
Finance lease liabilities	**1.3**	1.3
	731.5	705.8
Current liabilities		
Current portion of secured bank loans	**4.9**	37.6
	4.9	37.6
	736.4	743.4

The secured bank loans and secured bonds are secured over investment properties with a carrying value of £1,655.3m (2014: £1,702.8m) and trading properties with a carrying value of £29.0m (2014: £12.5m). Included in secured bond issues is £1.8m (2014: £1.8m) of net un-amortised premium.

The interest-bearing loans and borrowings shown above include deferred finance costs of £2.0m (2014: £2.3m).

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2015			2014		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**0.3**	**0.3**	**–**	0.3	0.3	–
Between one and five years	**1.2**	**1.2**	**–**	1.2	1.2	–
More than five years	**73.0**	**71.7**	**1.3**	73.3	72.0	1.3
	74.5	**73.2**	**1.3**	74.8	73.5	1.3

30 Financial instruments

Capital risk management

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

The Group manages its capital to optimise the allocation of equity between the Operating Companies and Indirect investments and to enable them to meet their short, medium and long-term targets. Internal gearing and interest cover limits are set for the Group and each Operating Company. Group gearing at the year end is 11.3% (2014: 6.7%).

Categories of financial instruments and their fair values

2015

	Loans and receivables £m	Held for trading £m	Available-for-sale securities £m	Financial assets at amortised cost £m	**Total carrying amount £m**	**Fair value £m**
Financial assets:						
Equity shares	–	–	17.2	–	**17.2**	**17.2**
Finance lease receivable	6.4	–	–	–	**6.4**	**6.4**
Mezzanine loans (current and non-current)	28.9	1.8	–	–	**30.7**	**30.7**
Other financial assets	–	–	34.1	–	**34.1**	**34.1**
Trade and other receivables	142.8	–	–		**142.8**	**142.8**
Tax receivable	14.1	–	–	–	**14.1**	**14.1**
Cash and cash equivalents	–	–	–	237.6	**237.6**	**237.6**
Total financial assets	192.2	1.8	51.3	237.6	**482.9**	**482.9**

Notes to the financial statements

30 Financial instruments continued

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

	Financial liabilities at amortised cost £m	Total carrying amount £m	Fair value £m
Financial liabilities:			
Fixed rate loans			
Sterling unsecured bond 2019	(52.5)	**(52.5)**	**(63.9)**
Sterling unsecured bond 2022	(60.0)	**(60.0)**	**(61.8)**
Sterling secured bond 2026	(201.7)	**(201.7)**	**(255.6)**
Sterling unsecured bond 2031	(95.1)	**(95.1)**	**(124.1)**
Sterling secured mortgage 2034	(50.0)	**(50.0)**	**(89.4)**
Sterling unsecured bond 2037	(30.0)	**(30.0)**	**(37.0)**
Sterling unsecured bond 2041	(30.0)	**(30.0)**	**(42.3)**
Sterling fixed rate	(3.9)	**(3.9)**	**(3.9)**
US Dollars	(17.6)	**(17.6)**	**(19.4)**
Canadian Dollars	(25.5)	**(25.5)**	**(27.5)**
Japanese Yen	(36.0)	**(36.0)**	**(36.0)**
Total fixed rate loans	(602.3)	**(602.3)**	**(760.9)**
Floating rate loans			
Sterling	(29.3)	**(29.3)**	**(29.3)**
US Dollars	(49.2)	**(49.2)**	**(49.3)**
Canadian Dollars	(14.2)	**(14.2)**	**(14.2)**
Hong Kong Dollars	(37.8)	**(37.8)**	**(37.8)**
Total floating rate loans	(130.5)	**(130.5)**	**(130.6)**
Finance lease liabilities	(1.3)	**(1.3)**	**(1.3)**
Tax payable	(35.0)	**(35.0)**	**(35.0)**
Trade and other payables	(95.5)	**(95.5)**	**(95.5)**
Total financial liabilities	(864.6)	**(864.6)**	**(1,023.3)**

Notes to the financial statements

30 Financial instruments continued

	Held for trading £m	Total carrying amount £m	Fair value £m
Derivatives			
Interest rate swaps			
US Dollars	(3.9)	**(3.9)**	**(3.9)**
Canadian Dollars	(0.4)	**(0.4)**	**(0.4)**
Total interest rate swaps	(4.3)	**(4.3)**	**(4.3)**
Currency swaps			
Euros	8.2	**8.2**	**8.2**
Total currency swaps	8.2	**8.2**	**8.2**
Total derivatives	3.9	**3.9**	**3.9**

Currency swaps are against Sterling unless stated otherwise.

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

30 Financial instruments continued

				2015
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Available-for-sale financial assets				
Equity shares	**16.7**	**–**	**0.5**	**17.2**
Other	**27.4**	**–**	**6.7**	**34.1**
Financial assets held for trading				
Mezzanine loan investments	**–**	**–**	**1.8**	**1.8**
Derivatives	**–**	**8.2**	**–**	**8.2**
Total financial assets	**44.1**	**8.2**	**9.0**	**61.3**
Financial liabilities held for trading				
Derivatives	**–**	**(4.3)**	**–**	**(4.3)**
Total financial liabilities	**–**	**(4.3)**	**–**	**(4.3)**

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

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

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

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

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

2014

	Loans and receivables £m	Held for trading £m	Available-for-sale securities £m	Financial assets at amortised cost £m	Total carrying amount £m	Fair value £m
Financial assets:						
Equity shares	–	–	18.5	–	18.5	18.5
Finance lease receivable	6.4	–	–	–	6.4	6.4
Mezzanine loans (current and non-current)	23.6	1.4	–	–	25.0	25.0
Other financial assets	–	–	22.6	–	22.6	22.6
Trade and other receivables	134.9	–	–	–	134.9	134.9
Tax receivable	1.6	–	–	–	1.6	1.6
Cash and cash equivalents	–	–	–	477.6	477.6	477.6
Total financial assets	166.5	1.4	41.1	477.6	686.6	686.6

30 Financial instruments continued

	Financial liabilities at amortised cost £m	Total carrying amount £m	Fair value £m
Financial liabilities:			
Fixed rate loans			
Sterling unsecured bond 2019	(52.5)	(52.5)	(66.9)
Sterling unsecured bond 2022	(59.8)	(59.8)	(63.0)
Sterling secured bond 2026	(201.8)	(201.8)	(255.7)
Sterling unsecured bond 2031	(94.6)	(94.6)	(126.2)
Sterling secured mortgage 2034	(50.0)	(50.0)	(89.2)
Sterling unsecured bond 2037	(29.8)	(29.8)	(37.4)
Sterling unsecured bond 2041	(29.6)	(29.6)	(42.7)
Sterling fixed rate	(2.3)	(2.3)	(2.3)
US Dollars	(47.4)	(47.4)	(51.8)
Canadian Dollars	(24.9)	(24.9)	(27.1)
Japanese Yen	(34.2)	(34.2)	(34.2)
Total fixed rate loans	(626.9)	(626.9)	(796.5)
Floating rate loans			
Sterling	(29.3)	(29.3)	(29.3)
US Dollars	(27.0)	(27.0)	(27.0)
Canadian Dollars	(11.0)	(11.0)	(11.0)
Hong Kong Dollars	(43.5)	(43.5)	(43.5)
Total floating rate loans	(110.8)	(110.8)	(110.8)
Finance lease liabilities	(1.3)	(1.3)	(1.3)
Tax payable	(19.3)	(19.3)	(19.3)
Trade and other payables	(104.9)	(104.9)	(104.9)
Total financial liabilities	(863.2)	(863.2)	(1,032.8)

30 Financial instruments continued

	Held for trading £m	Total carrying amount £m	Fair value £m
Derivatives			
Interest rate swaps			
US Dollars	(4.2)	(4.2)	(4.2)
Canadian Dollars	(0.2)	(0.2)	(0.2)
Total interest rate swaps	(4.4)	(4.4)	(4.4)
Currency swaps			
Euros	7.7	7.7	7.7
Total currency swaps	7.7	7.7	7.7
Total derivatives	3.3	3.3	3.3

Currency swaps are against Sterling unless stated otherwise.

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

	2014			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Available-for-sale financial assets				
Equity shares	16.6	–	1.9	18.5
Other	22.6	–	–	22.6
Financial assets held for trading				
Mezzanine loan investments	–	–	1.4	1.4
Derivatives	–	7.7	–	7.7
Total financial assets	39.2	7.7	3.3	50.2
Financial liabilities held for trading				
Derivatives	–	(4.4)	–	(4.4)
Total financial liabilities	–	(4.4)	–	(4.4)

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

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

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

30 Financial instruments continued

Financial risk management

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

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

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

Interest rate risk

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

Notes to the financial statements

30 Financial instruments continued

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

2015

	Effective interest rate %	Floating interest rate £m	Fixed interest rate < 1 year £m	Fixed interest rate 1–5 years £m	Fixed interest rate > 5 years £m	Non-interest-bearing £m	**Total £m**
Financial assets:							
Equity shares	–	–	–	–	–	17.2	**17.2**
Finance lease receivable	7.5	–	–	–	6.4	–	**6.4**
Mezzanine loans (current and non-current)	10.0	–	15.7	15.0	–	–	**30.7**
Other financial assets	–	–	–	–	–	34.1	**34.1**
Trade and other receivables (excluding prepayments and accrued income)	–	–	–	–	–	142.8	**142.8**
Tax receivable	–	–	–	–	–	14.1	**14.1**
Cash and cash equivalents	0.4	233.6	–	–	–	4.0	**237.6**
Total financial assets		233.6	15.7	15.0	6.4	212.2	**482.9**
Financial liabilities:							
Fixed rate loans							
Sterling unsecured bond 2019	8.4	–	–	(52.5)	–	–	**(52.5)**
Sterling unsecured bond 2022	3.4	–	–	–	(60.0)	–	**(60.0)**
Sterling secured bond 2026	6.5	–	–	–	(201.7)	–	**(201.7)**
Sterling unsecured bond 2031	5.6	–	–	–	(95.1)	–	**(95.1)**
Sterling secured mortgage 2034	10.4	–	–	–	(50.0)	–	**(50.0)**
Sterling unsecured bond 2037	5.0	–	–	–	(30.0)	–	**(30.0)**
Sterling unsecured bond 2041	6.1	–	–	–	(30.0)	–	**(30.0)**
Sterling fixed rate	–	–	(3.9)	–	–	–	**(3.9)**
US Dollars fixed rate	5.9	–	(0.3)	(0.9)	(16.4)	–	**(17.6)**
Canadian Dollars fixed rate	5.3	–	(0.8)	(17.9)	(6.8)	–	**(25.5)**
Japanese Yen fixed rate	1.2	–	–	(36.0)	–	–	**(36.0)**
Total fixed rate loans		–	(5.0)	(107.3)	(490.0)	–	**(602.3)**
Floating rate loans fixed through interest rate swaps							
US Dollars	2.5	–	–	(5.7)	(37.2)	–	**(42.9)**
Canadian Dollars	3.7	–	(0.1)	(0.4)	(5.0)	–	**(5.5)**
Total floating rate loans fixed through interest rate swaps		–	(0.1)	(6.1)	(42.2)	–	**(48.4)**
Floating rate loans							
Sterling floating rate	0.6	(29.3)	–	–	–	–	**(29.3)**
US Dollars floating rate	2.2	(10.2)	–	–	–	–	**(10.2)**
Canadian Dollars floating rate	3.3	(9.1)	–	–	–	–	**(9.1)**
Hong Kong Dollars floating rate	2.7	(37.8)	–	–	–	–	**(37.8)**
Total floating rate loans		(86.4)	–	–	–	–	**(86.4)**
Currency swaps	–	–	3.7	4.0	0.5	–	**8.2**
Finance lease liabilities	6.0	–	–	–	(1.3)	–	**(1.3)**
Tax payable	–	–	–	–	–	(35.0)	**(35.0)**
Trade and other payables (excluding deferred income and accrued expenses)	–	–	–	–	–	(95.5)	**(95.5)**
Total financial liabilities		(86.4)	(1.4)	(109.4)	(533.0)	(130.5)	**(860.7)**

The total average cost of debt for the year ended 31 December 2015 was 5.4% (2014: 5.3%).

30 Financial instruments continued

2014

	Effective interest rate %	Floating interest rate £m	Fixed interest rate < 1 year £m	Fixed interest rate 1–5 years £m	Fixed interest rate > 5 years £m	Non-interest-bearing £m	Total £m
Financial assets:							
Equity shares	–	–	–	–	–	18.5	18.5
Finance lease receivable	7.5	–	–	0.1	6.3	–	6.4
Mezzanine loans (current and non-current)	10.4	–	7.0	17.8	0.2	–	25.0
Other financial assets	6.5	6.3	–	1.3	–	15.0	22.6
Trade and other receivables (excluding prepayments and accrued income)	1.5	2.1	–	–	–	132.8	134.9
Tax receivable	–	–	–	–	–	1.6	1.6
Cash and cash equivalents	0.4	442.5	14.8	–	–	20.3	477.6
Total financial assets		450.9	21.8	19.2	6.5	188.2	686.6
Financial liabilities:							
Fixed rate loans							
Sterling unsecured bond 2019	8.4	–	–	–	(52.5)	–	(52.5)
Sterling unsecured bond 2022	3.4	–	–	–	(59.8)	–	(59.8)
Sterling secured bond 2026	6.5	–	–	–	(201.8)	–	(201.8)
Sterling unsecured bond 2031	5.6	–	–	–	(94.6)	–	(94.6)
Sterling secured mortgage 2034	10.4	–	–	–	(50.0)	–	(50.0)
Sterling unsecured bond 2037	5.0	–	–	–	(29.8)	–	(29.8)
Sterling unsecured bond 2041	6.1	–	–	–	(29.6)	–	(29.6)
Sterling fixed rate	–	–	–	–	(2.3)	–	(2.3)
US Dollars fixed rate	5.4	–	(30.7)	(0.9)	(15.8)	–	(47.4)
Canadian Dollars fixed rate	6.2	–	(4.7)	(20.2)	–	–	(24.9)
Japanese Yen fixed rate	1.2	–	–	(6.4)	(27.8)	–	(34.2)
Total fixed rate loans		–	(35.4)	(27.5)	(564.0)	–	(626.9)
Floating rate loans fixed through interest rate swaps							
US Dollars	3.7	–	–	(5.3)	(4.1)	–	(9.4)
Canadian Dollars	2.7	–	(0.1)	(0.5)	(5.6)	–	(6.2)
Total floating rate loans fixed through interest rate swaps		–	(0.1)	(5.8)	(9.7)	–	(15.6)
Floating rate loans							
Sterling floating rate	1.6	(29.3)	–	–	–	–	(29.3)
US Dollars floating rate	3.2	(21.8)	–	–	–	–	(21.8)
Canadian Dollars floating rate	3.7	(5.0)	–	–	–	–	(5.0)
Hong Kong Dollars floating rate	2.7	(43.5)	–	–	–	–	(43.5)
Total floating rate loans		(99.5)	–	–	–	–	(99.5)
Currency swaps	–	–	6.2	1.0	0.5	–	7.7
Finance lease liabilities	–	–	–	–	(1.3)	–	(1.3)
Tax payable	–	–	–	–	–	(19.3)	(19.3)
Trade and other payables (excluding deferred income and accrued expenses)	–	–	–	–	–	(104.9)	(104.9)
Total financial liabilities		(99.5)	(29.3)	(32.3)	(574.5)	(124.2)	(859.8)

30 Financial instruments continued

Interest rate sensitivity

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

If interest rates had been 0.5% higher and all other variables were held constant, the impact on the Group's equity would be:

		2015 £m	2014 £m
Increase in results for the year	– interest charge	**1.0**	2.5
	– mark to market of interest rate swaps	**1.3**	1.9
	– tax charge	**(0.5)**	(0.9)
Total increase in profit and equity		**1.8**	3.5

Similarly, if interest rates had been 0.5% lower, then Group profit and equity would have decreased by £1.8m (2014: £3.5m).

As part of the Group's interest rate risk management, interest rate swaps exchanging floating for fixed interest with a notional principal of £11.3m (2014: £11.8m) and a fair value liability of £0.6m (2014: £0.8m) were designated for cash flow hedge accounting at 31 December 2015. These hedges were highly effective during the year.

Foreign currency risk

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

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

Equity price risk

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

Equity price sensitivity

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

If equity prices had been 10% higher/lower other equity reserves would increase/decrease by £1.7m (2014: increase/decrease by £1.9m) as a result of changes in fair value of available-for-sale shares.

Credit risk

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

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

At the year end deposits were invested as follows:

30 Financial instruments continued

Standard & Poor's credit rating of institution

	Total cash and cash equivalents at 31 December	
	2015 £m	2014 £m
AAA	**108.1**	123.4
AA–	**55.4**	78.9
A+	**11.8**	29.4
A	**19.6**	125.4
A–	**–**	118.6
BBB+	**40.9**	–
Other	**1.8**	1.9
	237.6	477.6

Trade receivables consist of amounts due from a large number of tenants, spread across diverse industries and geographical areas. Credit checks are carried out before commencement of tenancies and before entering joint venture partnership agreements and continuing credit evaluation seeks to ensure any receivables are provided for as required. Trade receivables are small relative to turnover and therefore do not present a significant risk to the Group. Trade receivables at the year end totalled £29.9m of which £5.9m was outstanding at 1 March 2016.

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

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

Liquidity risk

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

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

	Drawn facilities		Undrawn facilities	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Expiring in less than one year	**5.2**	38.3	**64.0**	183.9
Expiring from one to two years	**17.2**	23.7	**189.2**	66.5
Expiring from two to five years	**220.2**	164.8	**463.5**	325.9
Expiring after more than five years	**492.4**	515.3	**0.2**	119.1
Total	**735.0**	742.1	**716.9**	695.4

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

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

30 Financial instruments continued

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

2015

	Fixed rate loans £m	Floating rate loans £m	Finance lease liabilities £m	Loans from non-controlling interests £m	Other £m	**Total £m**
Due within one year	40.8	3.4	0.3	–	130.3	**174.8**
From one to two years	44.6	11.4	0.3	–	–	**56.3**
From two to three years	52.4	38.2	0.3	–	–	**90.9**
From three to four years	83.8	39.4	0.3	–	–	**123.5**
From four to five years	60.1	44.9	0.3	–	–	**105.3**
After five years	752.0	5.1	73.0	–	–	**830.1**
	1,033.7	142.4	74.5	–	130.3	**1,380.9**

2014

	Fixed rate loans £m	Floating rate loans £m	Finance lease liabilities £m	Loans from non-controlling interests £m	Other £m	Total £m
Due within one year	73.9	4.6	0.3	–	124.2	203.0
From one to two years	37.7	23.9	0.3	–	–	61.9
From two to three years	42.2	76.5	0.3	–	–	119.0
From three to four years	55.9	6.0	0.3	–	–	62.2
From four to five years	83.2	0.2	0.3	–	–	83.7
After five years	807.2	6.8	73.3	–	–	887.3
	1,100.1	118.0	74.8	–	124.2	1,417.1

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

	2015		2014	
	Payable £m	**Receivable £m**	Payable £m	Receivable £m
Due within one year	**(80.2)**	**79.9**	(138.6)	141.7
From one to two years	**(32.8)**	**33.6**	(22.4)	22.4
From two to three years	**(100.3)**	**105.5**	(20.1)	20.4
From three to four years	**(38.5)**	**40.6**	(59.0)	62.4
From four to five years	**(15.6)**	**16.0**	(26.6)	28.2
After five years	**(0.6)**	**0.6**	(1.6)	1.4
	(268.0)	**276.2**	(268.3)	276.5

31 Trade and other payables

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Current liabilities				
Trade payables	**21.6**	12.1	**–**	–
Payables due to subsidiaries	**–**	–	**–**	20.7
Payables due to joint ventures	**–**	2.0	**–**	–
Other payables	**73.7**	90.6	**–**	–
Accrued expenses	**56.3**	80.1	**–**	–
Deferred income	**30.2**	26.7	**–**	–
	181.8	211.5	**–**	20.7
Non-current liabilities				
Other payables	**0.2**	0.2	**–**	–
Deferred income	**71.3**	70.1	**–**	–
	71.5	70.3	**–**	–
	253.3	281.8	**–**	20.7

Deferred income includes £73.5m in respect of deferred lease premium profits (2014: £71.1m).

32 Provisions

Development loss provision

	2015 £m	2014 £m
Current liabilities		
At 1 January	**0.2**	1.8
Recognised in the year	**10.7**	–
Utilised in the year	**–**	(1.6)
At 31 December	**10.9**	0.2
Non-current liabilities		
At 1 January	**–**	–
Recognised in the year	**6.4**	–
At 31 December	**6.4**	–
	17.3	0.2

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

33 Operating lease commitments

Leases as lessee

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

	2015 £m	2014 £m
Land and buildings	**4.1**	4.0

Non-cancellable operating lease rentals are payable as follows:

	2015 £m	2014 £m
Less than one year	**7.4**	3.1
Between one and five years	**25.3**	10.3
More than five years	**51.6**	3.8
	84.3	17.2

Leases as lessor

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

	2015 £m	2014 £m
Less than one year	**82.4**	82.0
Between one and five years	**241.3**	226.1
More than five years	**1,253.7**	838.5
	1,577.4	1,146.6

34 Capital commitments

	2015 £m	2014 £m
Investment properties contracted but not provided	**27.0**	50.3
Development properties contracted but not provided	**122.5**	43.7
	149.5	94.0

Included in the above is the Group's share of joint venture and associate capital commitments of £47.1m (2014: £17.3m) relating to development properties.

35 Contingent liabilities

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

36 Share capital

	2015 Number of shares	2015 £m	2014 Number of shares	2014 £m
Allocated, called up and fully paid				
Ordinary shares of £1	**5,684,877**	**5.7**	5,684,877	5.7
Non-voting ordinary shares of £1	**45,479,016**	**45.5**	45,479,016	45.5
'A' preference shares of £1	**5,684,877**	**5.7**	5,684,877	5.7
	56,848,770	**56.9**	56,848,770	56.9

Rights of classes of shares

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

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

As at 31 December 2015, there were no 'B' or 'C' preference shares in issue.

Notes to the financial statements

37 Reconciliation of share capital and reserves

(a) Group

	Share capital £m	Share premium £m	Translation reserve £m	Other reserve £m	Fair value reserve £m	Revaluation reserve £m	Retained earnings £m	**Total £m**	Non-controlling interest £m	**Total equity £m**
At 1 January 2014	78.5	28.3	259.3	198.5	1.3	20.6	2,868.6	**3,455.1**	85.8	**3,540.9**
Profit for the year	–	–	–	–	–	–	540.1	**540.1**	9.3	**549.4**
Revaluation movement	–	–	–	–	–	6.2	–	**6.2**	–	**6.2**
Fair value adjustments	–	–	–	3.0	5.2	–	–	**8.2**	0.4	**8.6**
Deferred tax	–	–	–	(0.3)	–	(1.2)	3.0	**1.5**	–	**1.5**
Pension actuarial losses	–	–	–	–	–	–	(12.3)	**(12.3)**	–	**(12.3)**
Dividends	–	–	–	–	–	–	(13.0)	**(13.0)**	–	**(13.0)**
Non-controlling shares acquired by subsidiary	–	–	–	–	–	–	–	**–**	(0.7)	**(0.7)**
Redemption of preference shares	(21.6)	–	–	21.6	–	–	(21.6)	**(21.6)**	–	**(21.6)**
Exchange	–	–	2.0	–	–	–	0.4	**2.4**	(4.1)	**(1.7)**
Other movements in joint ventures	–	–	–	–	–	–	–	**–**	(2.4)	**(2.4)**
Balance at 31 December 2014	56.9	28.3	261.3	222.8	6.5	25.6	3,365.2	**3,966.6**	88.3	**4,054.9**
Profit for the year	–	–	–	–	–	–	457.3	**457.3**	11.6	**468.9**
Revaluation movement	–	–	–	–	–	5.3	–	**5.3**	–	**5.3**
Fair value adjustments	–	–	–	1.1	(0.2)	–	–	**0.9**	0.3	**1.2**
Deferred tax	–	–	–	(0.2)	–	(0.2)	(3.3)	**(3.7)**	–	**(3.7)**
Pension actuarial gains	–	–	–	–	–	–	13.7	**13.7**	–	**13.7**
Dividends	–	–	–	–	–	–	(38.0)	**(38.0)**	–	**(38.0)**
Non-controlling shares acquired by subsidiary	–	–	–	–	–	–	–	**–**	(2.9)	**(2.9)**
Exchange	–	–	(28.7)	–	–	–	0.8	**(27.9)**	(10.1)	**(38.0)**
Balance at 31 December 2015	56.9	28.3	232.6	223.7	6.3	30.7	3,795.7	**4,374.2**	87.2	**4,461.4**

Other reserves comprise net interest rate hedging losses of £2.1m (2014: £3.0m) and capital redemption reserve of £225.8m (2014: £225.8m).

37 Reconciliation of share capital and reserves continued

(b) Company

	Share capital £m	Share premium £m	Merger capital reserve £m	Capital redemption reserve £m	Retained earnings £m	**Total equity £m**
At 1 January 2014	78.5	28.3	921.9	204.0	139.6	**1,372.3**
Dividends paid	–	–	–	–	(13.0)	**(13.0)**
Redemption of preference shares	(21.6)	–	–	21.6	(21.6)	**(21.6)**
At 31 December 2014	56.9	28.3	921.9	225.6	105.0	**1,337.7**
Dividends received from subsidiaries	–	–	–	–	58.8	**58.8**
Dividends paid	–	–	–	–	(38.0)	**(38.0)**
At 31 December 2015	56.9	28.3	921.9	225.6	125.7	**1,358.4**

38 Notes to the consolidated statement of cash flows

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

	2015 £m	2014 £m
Operating activities		
Profit from operations including share of profit from joint ventures	**556.0**	713.1
Adjustments for:		
Depreciation	**3.2**	2.7
Amortisation of capitalised lease incentives	**(4.1)**	(0.6)
Amortisation of deferred lease premiums	**(3.2)**	(2.4)
Recognition of income from operating lease incentives	**0.2**	0.1
Net losses on other investments	**0.5**	0.2
Net gains on revaluation and sale of investment property	**(386.3)**	(540.6)
Share of profit from joint ventures	**(151.3)**	(138.1)
Operating profit before changes in working capital and provisions	**15.0**	34.4

38 Notes to the consolidated statement of cash flows continued

(b) Analysis of net debt

	1 January 2015 £m	Cash flow £m	Other non-cash movements £m	**Exchange £m**	**31 December 2015 £m**
Cash at bank and in hand	118.0	(24.8)	–	**2.5**	**95.7**
Short-term deposits and short-term liquidity investments	359.6	(216.8)	–	**(0.9)**	**141.9**
Cash and cash equivalents	477.6	(241.9)	–	**1.9**	**237.6**
Borrowings due within one year	(37.6)	32.5	0.1	**0.1**	**(4.9)**
Borrowings due after more than one year	(705.8)	(28.2)	0.8	**1.7**	**(731.5)**
Total borrowings	(743.4)	4.3	0.9	**1.8**	**(736.4)**
Net debt	(265.8)	(237.2)	0.9	**3.3**	**(498.8)**

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

39 Related party transactions

The Group is wholly-owned by Trusts and members of the Grosvenor Family headed by the 6th Duke of Westminster. During 2015 the Group entered into the following transactions with the Grosvenor Trusts and members of the Grosvenor Family:

	2015 £m	2014 £m
Rent and service charge income	**0.4**	0.5
Rent and service charge expenses	**(2.0)**	(2.8)
Development management fees	**1.7**	1.5
Management and administration fees	**20.4**	20.2

During 2015 the Group entered into the following transactions with other related parties:

	2015 £m	2014 £m
Development and asset management fees received from joint ventures	**0.4**	0.3
Other fees received from joint ventures	**1.9**	2.3
Other fees paid to joint ventures	**(0.6)**	(0.4)
Insurance premiums payable to a related company	**(7.6)**	(5.8)

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

	2015 £m	2014 £m
Amounts due from joint ventures	**69.4**	17.2
Amounts due to a related company	**(29.2)**	(36.1)

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

Consolidated income statement presented in US Dollars

for the year ended 31 December 2015

	2015 $m	2014 $m
Total revenue	**319.1**	419.0
Gross rental income	**208.6**	214.9
Property outgoings	**(81.7)**	(78.5)
Net rental income	**126.9**	136.4
Other income	**46.5**	50.6
Administrative expenses	**(158.4)**	(156.1)
Net gains on trading properties	**13.9**	26.2
Net losses on other investments	**(0.8)**	(0.3)
Net gains on revaluation and sale of investment property	**589.0**	891.4
Impairment of goodwill	**–**	–
Share of profit from joint ventures and associates	**230.7**	227.7
Gain from operations including share of joint ventures and associates	**847.8**	1,175.9
Financial income	**16.6**	10.7
Financial expenses	**(63.3)**	(67.3)
Fair value adjustments	**1.8**	4.9
Net financing costs	**(44.9)**	(51.7)
Profit before tax	**802.9**	1,124.2
Current tax expense	**(49.6)**	(61.7)
Deferred tax expense	**(38.4)**	(156.6)
Profit for the year	**714.9**	905.9
Attributable to:		
Equity holders of the parent	**697.2**	890.6
Non-controlling interests	**17.7**	15.3
Profit for the year	**714.9**	905.9

Consolidated balance sheet presented in US Dollars

as at 31 December 2015

	Group 2015 $m	Group 2014 $m
ASSETS		
Non-current assets		
Investment property	**6,408.4**	6,044.9
Other property, plant and equipment	**97.2**	95.1
Investments in joint ventures and associates	**1,641.4**	1,548.2
Other financial assets	**122.7**	104.5
Trade and other receivables	**98.4**	62.4
Deferred tax assets	**126.7**	114.3
Total non-current assets	**8,494.8**	7,969.4
Current assets		
Trading properties	**231.5**	199.7
Trade and other receivables	**124.6**	167.7
Other financial assets	**28.6**	20.6
Income tax receivable	**20.8**	2.6
Cash and cash equivalents	**350.1**	744.7
Total current assets	**755.6**	1,135.3
TOTAL ASSETS	**9,250.4**	9,104.7
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	**(1,077.8)**	(1,100.6)
Trade and other payables	**(105.3)**	(109.6)
Employee benefits	**(38.0)**	(56.0)
Deferred tax liabilities	**(1,103.7)**	(1,096.8)
Provisions	**(9.4)**	–
Total non-current liabilities	**(2,334.2)**	(2,363.0)
Current liabilities		
Interest-bearing loans and borrowings	**(7.2)**	(58.6)
Trade and other payables	**(267.9)**	(329.9)
Income tax payable	**(51.6)**	(30.1)
Provisions	**(16.1)**	(0.3)
Total current liabilities	**(342.8)**	(418.9)
TOTAL LIABILITIES	**(2,677.0)**	(2,781.9)
NET ASSETS	**6,573.4**	6,322.8
Equity		
Share capital	**83.8**	88.7
Share premium	**41.7**	44.1
Reserves	**726.8**	804.9
Retained earnings	**5,592.6**	5,247.4
Shareholders' funds	**6,444.9**	6,185.1
Non-controlling interests	**128.5**	137.7
TOTAL EQUITY	**6,573.4**	6,322.8

Consolidated income statement presented in Euros

for the year ended 31 December 2015

	2015 €m	2014 €m
Total revenue	**287.6**	315.4
Gross rental income	**187.9**	161.7
Property outgoings	**(73.6)**	(59.2)
Net rental income	**114.3**	102.5
Other income	**41.9**	38.1
Administrative expenses	**(142.7)**	(117.4)
Net gains on trading properties	**12.5**	19.7
Net losses on other investments	**(0.7)**	(0.2)
Net gains on revaluation and sale of investment property	**530.7**	671.0
Impairment of goodwill	**–**	–
Share of profit from joint ventures and associates	**207.9**	171.4
Gain from operations including share of joint ventures and associates	**763.9**	885.1
Financial income	**15.0**	8.1
Financial expenses	**(57.0)**	(50.6)
Fair value adjustments	**1.6**	3.7
Net financing costs	**(40.4)**	(38.8)
Profit before tax	**723.5**	846.3
Current tax expense	**(44.7)**	(46.5)
Deferred tax expense	**(34.6)**	(117.9)
Profit for the year	**644.2**	681.9
Attributable to:		
Equity holders of the parent	**628.3**	670.4
Non-controlling interests	**15.9**	11.5
Profit for the year	**644.2**	681.9

Consolidated balance sheet presented in Euros

as at 31 December 2015

	Group	
	2015 €m	2014 €m
ASSETS		
Non-current assets		
Investment property	**5,897.8**	4,995.5
Other property, plant and equipment	**89.5**	78.6
Investments in joint ventures and associates	**1,510.6**	1,279.5
Other financial assets	**113.0**	86.3
Trade and other receivables	**90.6**	51.6
Deferred tax assets	**116.6**	94.5
Total non-current assets	**7,818.1**	6,586.0
Current assets		
Trading properties	**213.0**	165.1
Trade and other receivables	**114.7**	138.5
Other financial assets	**26.3**	17.1
Income tax receivable	**19.1**	2.0
Cash and cash equivalents	**322.2**	615.4
Total current assets	**695.3**	938.1
TOTAL ASSETS	**8,513.4**	7,524.1
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	**(991.9)**	(909.5)
Trade and other payables	**(97.0)**	(90.6)
Employee benefits	**(35.0)**	(46.3)
Deferred tax liabilities	**(1,015.8)**	(906.4)
Provisions	**(8.7)**	–
Total non-current liabilities	**(2,148.4)**	(1,952.8)
Current liabilities		
Interest-bearing loans and borrowings	**(6.6)**	(48.5)
Trade and other payables	**(246.5)**	(272.6)
Income tax payable	**(47.5)**	(24.7)
Provisions	**(14.8)**	(0.3)
Total current liabilities	**(315.4)**	(346.1)
TOTAL LIABILITIES	**(2,463.8)**	(2,298.9)
NET ASSETS	**6,049.6**	5,225.2
Equity		
Share capital	**77.2**	73.3
Share premium	**38.4**	36.5
Reserves	**668.9**	665.2
Retained earnings	**5,146.9**	4,336.4
Shareholders' funds	**5,931.4**	5,111.4
Non-controlling interests	**118.2**	113.8
TOTAL EQUITY	**6,049.6**	5,225.2

Ten-year summary

Income statement

	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**
Net rental income	65.2	61.4	68.3	87.4	73.7	86.9	82.8	78.6	82.7	**83.3**
Other income	52.9	45.7	37.0	35.1	54.0	40.7	38.7	33.6	30.7	**30.4**
Administrative expenses	(75.8)	(81.5)	(82.7)	(84.5)	(86.2)	(89.8)	(91.0)	(98.6)	(94.7)	**(103.9)**
Net (losses)/gains on trading properties	(176.6)	(35.4)	(106.6)	(1.4)	(5.7)	(12.5)	(13.7)	87.9	15.9	**9.1**
Net gains/(losses) on other investments	0.3	12.6	(12.0)	(12.8)	(1.5)	(7.1)	0.9	(17.7)	(0.2)	**(0.5)**
Net gains/(losses) on revaluation and sale of investment properties	518.7	413.9	(267.7)	(87.6)	292.4	324.4	329.0	354.7	540.6	**386.3**
Impairment of goodwill	(0.2)	–	–	–	–	(0.7)	–	(4.4)	–	**0.0**
Share of profit/(loss) from joint ventures	145.0	120.0	(209.7)	(134.4)	103.7	25.0	58.5	103.2	138.1	**151.3**
Profit/(loss) before net financing costs and tax	529.5	536.7	(573.4)	(198.2)	430.4	366.9	405.2	537.3	713.1	**556.0**
Net financing costs	(20.8)	(12.7)	(20.5)	(37.6)	(35.6)	(51.9)	(37.4)	(30.4)	(31.3)	**(29.4)**
Profit/(loss) before tax	508.7	524.0	(593.9)	(235.8)	394.8	315.0	367.8	506.9	681.8	**526.6**
Revenue profit	(111.6)	68.3	(59.7)	52.3	50.5	63.6	65.2	153.3	80.1	**83.3**

Balance sheet

	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**
Total property assets including share of joint ventures	4,177.3	5,438.9	5,574.0	4,689.8	5,031.0	5,358.9	5,440.7	5,491.3	6,001.2	**6,674.6**
Investment property	2,350.0	2,921.6	2,785.8	2,279.1	2,525.9	2,812.7	3,054.4	3,349.0	3,876.7	**4,349.4**
Investment in joint ventures	1,050.1	1,156.0	1,093.3	859.6	1,063.3	1,074.8	1,003.9	964.1	992.9	**1,114.0**
Other financial assets	50.0	55.4	46.6	38.7	42.6	36.9	52.9	43.6	67.0	**83.3**
Other non-current assets	113.8	124.6	133.8	133.4	144.4	148.1	120.0	113.0	134.3	**218.8**
	3,563.9	4,257.6	4,059.5	3,310.8	3,776.2	4,072.5	4,231.2	4,469.7	5,070.9	**5,765.5**
Trading properties	48.7	147.1	164.2	142.3	138.7	245.2	294.8	124.9	128.1	**157.1**
Cash and cash equivalents	455.4	323.6	91.5	505.2	269.4	237.5	238.4	516.6	477.6	**237.6**
Other net current assets/(liabilities)	42.7	(28.7)	57.7	(22.3)	54.5	31.3	40.2	(49.2)	(68.7)	**(109.6)**
	546.8	442.0	313.4	625.2	462.6	514.0	573.4	592.3	537.0	**285.1**
Borrowings (including current)	(659.5)	(671.4)	(785.9)	(775.4)	(738.7)	(805.5)	(818.9)	(825.8)	(743.4)	**(736.4)**
Deferred tax	(555.2)	(604.4)	(519.3)	(431.5)	(522.1)	(576.4)	(600.1)	(613.7)	(703.4)	**(749.1)**
Other non-current liabilities	(329.2)	(360.3)	(231.2)	(185.8)	(202.1)	(241.5)	(107.0)	(81.6)	(106.2)	**(103.7)**
	(1,543.9)	(1,636.1)	(1,536.4)	(1,392.7)	(1,462.9)	(1,623.4)	(1,526.0)	(1,521.1)	(1,553.0)	**(1,589.2)**
Net Assets	2,566.8	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**
Share capital and share premium	233.9	229.9	229.9	306.8	193.2	167.3	130.8	106.8	85.2	**85.2**
Reserves	2,184.0	2,658.5	2,420.4	2,080.0	2,456.1	2,688.0	3,061.4	3,348.3	3,881.4	**4,289.0**
Shareholders' funds	2,417.9	2,888.4	2,650.3	2,386.8	2,649.3	2,855.3	3,192.2	3,455.1	3,966.6	**4,374.2**
Non-controlling interest	148.9	175.1	186.2	156.5	126.6	107.8	86.4	85.8	88.3	**87.2**
Total equity	2,566.8	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**

International Financial Reporting Standards were adopted with effect from 1 January 2004.

Glossary

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

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

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

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

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

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

Financial capacity
Wholly-owned unrestricted cash and undrawn committed facilities.

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

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

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

Gross rental income
Total income from rents from the Group's properties.

Grosvenor Estate
The Grosvenor Estate is the term used to represent all the interests of the Grosvenor family headed by the 6th Duke of Westminster. There are three principal elements to these activities: Grosvenor Group, Wheatsheaf Invest and The Family Investment Office.

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

Group
Grosvenor Group Limited and its subsidiary undertakings.

IFRS
International Financial Reporting Standard(s).

Indirect Investments
Proprietary investments managed by Grosvenor Fund Management or third-party managers.

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

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

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

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

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

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

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

Glossary

Operating Companies
The Group's regional investment and development businesses and Grosvenor Fund Management.

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

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

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

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

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

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

Revenue profit
Profit before tax, excluding profits on the sale of investment properties, gains or losses on other non-current investments, revaluation movements, major refurbishment costs and derivative fair value adjustments. See also Note 4 to the financial statements.

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

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

Third party interests
The non-Group share of investments managed by Group.

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

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