Document 4.2

Funding Statement

The West Midlands Rail Freight Interchange Order 201X

Regulation 5 (2) (h)

Four Ashes Limited - July 2018

West Midlands Interchange

Four Ashes Ltd

THE WEST MIDLANDS RAIL FREIGHT INTERCHANGE ORDER 201X

FUNDING STATEMENT

July 2018

Four Ashes Limited

Pursuant to Regulation 5(2)(h) Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009

DOCUMENT 4.2

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Contents

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1. Background

1.1 This Funding Statement has been prepared to accompany the application made by Four Ashes Limited ("the Applicant") to the Secretary of State pursuant to Part 5 of the Planning Act 2008 ("the 2008 Act") for a Development Consent Order ("DCO") for The West Midlands Rail Freight Interchange scheme ("the Proposed Development").

1.2 By operation of sections 14 and 26 of the 2008 Act, the Proposed Development comprises a Nationally Significant Infrastructure Project. Accordingly it needs to be authorised by a DCO, an application for which has been made to the Planning Inspectorate for determination by the Secretary of State for Transport.

1.3 The DCO, if made, will authorise the compulsory acquisition of interests and rights in, on or over land to facilitate delivery of the Proposed Development. In those circumstances Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 requires the application to be accompanied by a statement to indicate how an order that contains the authorisation of compulsory acquisition is proposed to be funded.

1.4 This Statement has been prepared to satisfy the requirement in Regulation 5(2)(h) and should be read alongside the other application documents including the Statement of Reasons (Document 4.1) which sets out the justification for use of compulsory acquisition powers and the compelling case in the public interest for those powers to be granted.

1.5 This statement has also been prepared taking account of the guidance set out in the document titled 'Guidance related to procedures for the compulsory acquisition of land' issued by the then titled Department of Communities and Local Government in September 2013.

1.6 The guidance states, in respect of funding statements, as follows:

"17. Any application for a consent order authorising compulsory acquisition must be accompanied by a statement explaining how it will be funded. This statement should provide as much information as possible about the resource implications of both acquiring the land and implementing the project for which the land is required. It may be that the project is not intended to be independently financially viable, or that the details cannot be finalised until there is certainty about the assembly of the necessary land. In such instances, the applicant should provide an indication of how any potential shortfalls are intended to be met. This should include the degree to which other bodies (public or private sector) have agreed to make financial contributions or to underwrite the scheme, and on what basis such contributions or underwriting is to be made.

18. The timing of the availability of the funding is also likely to be a relevant factor. Regulation 3(2) of the Infrastructure Planning (Miscellaneous Prescribed Provisions) Regulations 2010 allows for five years within which any notice to treat must be served, beginning on the date on which the order granting development consent is made, though the Secretary of State does have the discretion to make a different provision in an order granting development consent. Applicants should be able to demonstrate that adequate funding is likely to be available to enable the compulsory acquisition within the statutory period following the order being made, and that the resource implications of a possible acquisition resulting from a blight notice have been taken account of."

1.7 Accordingly, this statement provides information on how any compulsory acquisition will be funded and the ways in which the Proposed Development itself may be funded.

2. Applicant

2.1 The applicant is Four Ashes Limited (Co. No. 09747871) ("FAL").

2.2 FAL is jointly owned by:

- GFAL Limited (Co. No. 9698083), an indirect, wholly owned, subsidiary of the Grosvenor Group Limited (Co. No. 03219943) ("Grosvenor")

- Kilbride Holdings Limited (Co.No. 07027618) ("Kilbride")

- The principal landowner, Piers Monckton, personally and through his family's investment company

2.3 The scheme development has been funded entirely by FAL's shareholders and the company has no external borrowings.

Grosvenor

2.4 The Grosvenor Group Limited is the property company of the Grosvenor Estate, one of the world's largest privately owned property businesses, whose history goes back to the 17^{th} century under the stewardship of successive Dukes of Westminster. The Grosvenor Group's shareholders are the Trustees of the Grosvenor Estate. They hold the shares in the business for the benefit of current and future members of the Grosvenor family.

2.5 Although Grosvenor, as a private company, is under no legal obligation to publish Annual Reports, it operates under a principle of transparency and accountability and has published an Annual Review and Financial Statements every year since 2000. The 2017 report is appended to this statement. Further detail can be found at www.grosvenor.com.

2.6 Grosvenor develops, manages and invests in property and, as at 31 December 2017, the Group had £12.6bn of assets under management, including £6.8bn of property assets across the world. In 2017 the company had revenue profit of £143.5m and, as at December 2017, the shareholders' funds stood at £4.9bn, having increased every year for the last eight years.

Kilbride

2.7 Kilbride is a privately owned specialist rail developer whose team has a long track record in delivering a variety of rail-led property development projects. These include:

- The Jaguar Land Rover rail terminals at Castle Bromwich and Halewood;
- The BMW Cowley Rail Terminal; and
- The Keypoint Swindon Rail Terminal.

2.8 In addition, the Kilbride team has led planning and site delivery for several large scale projects in excess of 100 acres, including the Marchwood Industrial Estate. This has included securing end users for built units, rail terminals, a gas fired power station and large scale Energy from Waste facilities. Kilbride has secured investors and funders for large scale infrastructure projects over the last 15-20 years totalling over 1,000 acres of development across the UK.

Monckton

2.9 Piers Monckton is the major landowner of the WMI site. He lives locally.

3. Description of the Scheme

3.1 In summary, the Proposed Development comprises:

- An intermodal freight terminal with direct connections to the West Coast Main Line capable of accommodating up to 10 trains per day and trains of up to 775m long, including container storage, Heavy Goods Vehicle parking, rail control building and staff facilities;
- Up to 743,200 square metres (gross internal area) of rail served warehousing and ancillary service buildings;
- New road infrastructure and works to the existing road infrastructure;

- Demolition and alterations to existing structures and earthworks to create development plots and landscape zones;
- Reconfiguring and burying of electricity pylons and cables: and
- Strategic landscaping and open space, including alterations to public right of way and the creation of new ecological enhancement areas and publicly accessible open areas.

3.2 A more detailed description of the Proposed Development can be found in Chapter 4 of the Environmental Statement submitted with the application and Schedule 1 of the draft DCO (Document 3.1).

4. Land Acquisition

4.1 As explained in the Statement of Reasons (Document 4.1) the majority of the land affected by the Proposed Development is owned or controlled by FAL. FAL has sought to progress voluntary agreements to acquire land wherever possible and negotiations with landowners and beneficiaries of third party rights are continuing.

4.2 It is, however, felt prudent to apply for some powers of compulsory acquisition as a fall back in the event of discussions not concluding as envisaged. In addition, in respect of the SI land (plots 11,14,18, 61a and 62 on the Land Plans (Document 2.1)), which is crucial to the delivery of the rail terminal, notwithstanding the expectation of agreement it is proposed to apply for compulsory powers to ensure that there is no unforeseen impediment to delivery.

4.3 The draft Order submitted with the application therefore includes powers for the Applicant to compulsorily :

4.3.1 acquire land;

4.3.2 create new rights over land;

4.3.3 acquire minerals interests;

4.3.4 acquire/interfere/suspend/extinguish existing rights; and

4.3.5 obtain temporary possession/use of land.

4.4 Further details are contained in the Statement of Reasons (Document 4.1).

5. Costs of Compulsory Purchase

5.1 The total estimated cost of acquiring the interests described in paragraphs 4.3.1 to 4.3.4 above have been estimated to be in the region of £22.19m.

5.2 This figure is based on the experience derived thus far in relation to the acquisitions that have so far been agreed (including providing direct comparables) and advice from independent valuation advisors. Given the sensitive nature of the current state of negotiations with some parties it is not proposed to provide a breakdown of the figure. It is confirmed that, in respect of any residential land, it assumes a full open market value for the property concerned along with an additional payment to reflect the compulsory nature of the situation.

5.3 Whilst no blight notices are anticipated the figure includes for any potential compensation relating to the service of blight notices which could arise in respect of any residential premises or agricultural units for which compulsory purchase powers are being sought. The compensation is allowed for in the figure in paragraph 5.1 because it is covered by the acquisition compensation.

5.4 In the event of it being necessary to utilise compulsory purchase powers then the compensation payable will be funded by FAL, as will be the remainder of the land acquisition. The same will apply to any claims for blight that might be submitted. The funding sources are as described in 6.1 below.

5.5 As additional protection for any interests which are to be compulsorily acquired the applicant has included an article in its draft DCO (Article 23) which ensures that no compulsory acquisition can be pursued until appropriate security for the liability to pay compensation in respect of that acquisition has been provided.

5.6 The article states:

Guarantees in respect of payment of compensation

23.—(1) The undertaker must not exercise a power conferred by articles 24 to 28 and 33 to 36 unless a guarantee or alternative form of security in respect of the liabilities of the undertakers to pay compensation under the power being exercised is first in place.

(2) The form of guarantee or security referred to in paragraph (1), and the amount guaranteed or secured, must be approved by the local planning authority; but such approval must not be unreasonably withheld.

(3) The undertaker must provide the local planning authority with such information as the local planning authority may reasonably require relating to the interests in the land affected by the exercise of the powers conferred by articles 24 to 28 and 33 to 36 for the local planning authority to be able to determine the adequacy of the proposed guarantee or security including—

(a) the interests affected; and

(b) the undertaker's assessment, and the basis of the assessment, of the level of compensation.

(4) A guarantee or other security given in accordance with this article that guarantees or secures the undertaker's payment of compensation under this Part shall be enforceable against the guarantor or provider of security by any person to whom such compensation is properly payable.

(5) Nothing in this article requires a guarantee or alternative form of security to be in place for more than 15 years from the date on which the relevant power is exercised.

6. Development Funding

6.1 FAL is committed to delivering a rail-served development which will bring significant sustainable social and economic benefits to South Staffordshire, the Black Country and the wider region.

The shareholders of FAL intend to fund the WMI development through the usual development funding mechanisms utilised in commercial projects of this nature. This may include equity funding, the involvement of other developers or investors, or other business models yet to be determined and always subject to review.

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Appendix 1

Grosvenor 2017 Review

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GROSVENOR

2017 Review

Contents

View our 2017 Financial Statements:
grosvenor.com/2017financialstatements

View our 2017 Non-Financial Data Report:
grosvenor.com/2017nonfinancialdata

The financial information set out on page 27 does not constitute the Group's statutory financial statements for the years ended 31 December 2017 and 2016, but is derived from those accounts. Statutory financial statements for 2017 and 2016 have been delivered to the Registrar of Companies and are available online.

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

Making a positive impact

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Demonstrating our impact
Learn about how we delivered against our three strategic objectives in 2017.
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Group Finance Director's report
Read Nicholas Scarles's report on our financial performance in 2017.
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Strong performance in the Americas
Find out more about positive growth across our North American Development, Investment and Co-Investment businesses.
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Further diversification
Read more about how our Indirect Investment team partners with third-party specialists to access a range of markets and local expertise.
↓

Foreword

As a company with over 340 years of history and experience, we believe that for business activities to be successful, they must be of lasting benefit to society. And for these social benefits to endure, they must be supported by commercial returns delivered by a strong business.

Grosvenor has never considered that the sole measure of business success is the maximisation of shareholder return. Business success for us has always been judged through a wider lens.

During this past year, and in my dual role as Grosvenor Group Chief Executive and Executive Trustee of the Grosvenor Estate, it has been my personal focus to engage our people in better understanding our purpose, to deliver lasting commercial and social benefit.

Against a business environment so heavily influenced by short-termism, I know that this can sound like quite a claim. It is certainly challenging, but it is equally rewarding.

This is not a mission statement that has been newly baked and served up without consultation. It is something that has always been part of our culture and is evidenced in the examples illustrated in this year's Review.

Our 'Living cities' approach has guided and inspired the implementation of our property activities for a number of years. Ultimately, it aims to improve and manage places in a way which is successful commercially and is of benefit to society. We are now beginning a process that will allow us to better assess, measure and demonstrate the impact of our actions.

I hope you will find this summary of our performance and activities in 2017 interesting and that you will continue to follow our progress as we demonstrate our purpose on the ground in the coming years.

[redacted]

Mark Preston
Group Chief Executive

The way we work

A history of creating better places since 1677

Our origins

The Grosvenor family history stretches back over 1,000 years; their association with property beginning over 340 years ago when land to the west of the City of London came into the family following the marriage of Mary Davies to Sir Thomas Grosvenor. Developing what were once swamps, pastures and orchards into London's fashionable Mayfair in the 1720s, elegant Belgravia a hundred years later, and expanding the business internationally from the 1950s onwards, the Grosvenor name has since become associated with world-class real estate.

Common to our activities through the centuries has been a constant focus on high standards and an emphasis on ambition and innovation. Coupled with a far-sighted perspective to help evolve and manage places with an aspiration to leave them better than we found them, we judge success by a yardstick that looks to the next generation.

Today

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

Through a devolved structure model, our Operating Companies are responsible for their own property strategies. Last year, through their combined activities, they accounted for 84% of Grosvenor Group's capital. These direct investment activities facilitate the diversification of the Group's property portfolio by geography, sector, activity, currency and management teams.

Our Indirect Investment business further diversifies the Group's property interests beyond the expertise and strategies of our four regional Operating Companies. Last year, it invested 16% of Grosvenor Group's capital in Africa, Australia, Europe and North and South America.

Grosvenor Britain & Ireland

84%
of the Group's capital directly invested by our Operating Companies in 2017

Grosvenor Europe

Grosvenor Americas

Grosvenor Asia Pacific

Indirect Investment team

16%
of the Group's capital indirectly invested with third parties in 2017

We are part of the Grosvenor Estate

Grosvenor Group is one of three constituent parts of the Grosvenor Estate which encompasses all the activities of the Grosvenor family. Sharing a common purpose and values, each has a distinct focus:

Family Investment Office

Manages the Grosvenor family's rural estates in the UK and Spain, their securities investments, the Westminster Foundation, a fine art collection and a family archive.

Wheatsheaf Group

Directly operates, invests in and helps to develop businesses in the food and agriculture sectors. It aims to contribute enduring solutions to improve efficiency in the production of healthy and nutritious food to meet the food supply needs borne out of the increasing demands of a changing global population.

Grosvenor Group

We develop, manage and invest in property in more than 60 cities around the world.

Our property activities

We are developers, asset managers and investors across a range of property sectors including, but not limited to: residential, retail and office.

- **Investment**
- **Development**
- **Asset management**

29% Residential

42% Retail

24% Office

5% Other

Putting our purpose into practice

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

Achieving strong commercial returns enables our activities to be enduring. Applying our expertise with a far-sighted perspective to improve properties and places provides a positive impact on communities, neighbourhoods and cities.

A community event at Skärholmen Centrum in Southern Stockholm


A community consultation session for a new mixed-use neighbourhood in Bermondsey, London

Our strategic objectives

Grosvenor Group has three strategic objectives.

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

Please see the following pages to learn more about how we delivered against these three objectives in 2017.

1 Earning a reputation for quality, integrity, social leadership and responsibility

2 Developing and co-ordinating an internationally diversified property group

3 Delivering attractive long-term returns

Demonstrating our impact

1

Earning a reputation for quality, integrity, social leadership and responsibility

We aim to operate and encourage working practices that are economically, socially and environmentally sustainable for the benefit of current and future generations and, above all, to leave properties and places better as a result of our activities.

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

Community engagement underpins our bid to create a new mixed-use neighbourhood in Bermondsey

In response to London's housing shortage, and after five years of close community contact and engagement, we have submitted our application to Southwark Council for one of London's largest build to rent developments. We want to create an active, mixed-use neighbourhood that is woven into the fabric of the surrounding area and hosts 1,350 new rental homes, a new school, new offices and shops and better public realm.

Over 500 people have benefited from training and skills development opportunities as a result of our local investment to date. We initiated an enterprise course which has helped 70 Southwark residents turn their business ideas into reality. 55 young people have gained City & Guilds catering qualifications through our support for The Bermondsey Community Kitchen, with 32 progressing into employment.

"Grosvenor has directly supported our community project for the last five years. While the funding is great, the advice, support and training they have helped provide is invaluable."

Shannon Donovan
General Manager,
The Bermondsey
Community Kitchen

Demonstrating our impact (continued)

1

Earning a reputation for quality, integrity, social leadership and responsibility

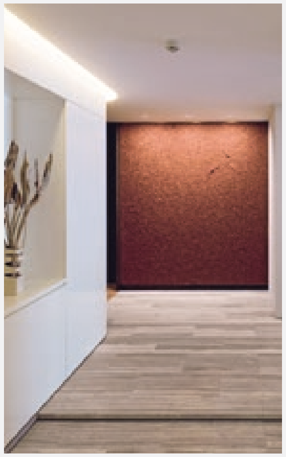
Enabling the Westminster Foundation to support communities in need

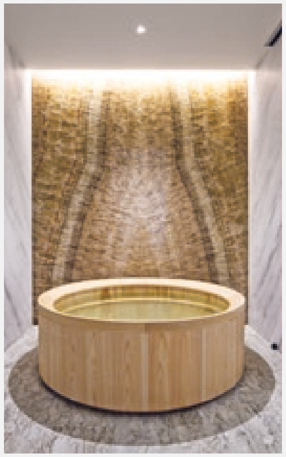
The Westminster Foundation manages the philanthropic activities of the Grosvenor family and the Grosvenor Estate to which Grosvenor Group significantly contributes. The Foundation supports a number of other charities focused on bringing about long-term, sustainable change to communities in need or to vulnerable groups.

Additionally, in 2017, the Foundation supported the Defence and National Rehabilitation Centre (DNRC) in the UK, which is set to become one of the world's best rehabilitation centres for people with a trauma injury (see pages 16-17).

"Grosvenor's uncompromising approach to quality and appreciation for East and West aesthetics means that they have a deep appreciation for Japanese artists like myself."

Syuhei Hasado
Artist





Setting a new standard for residential quality in Tokyo

Originally built in 2004, Opus Arisugawa Terrace and Residence comprises 99 residential units and is situated beside Arisugawa-no-miya Memorial Park in Tokyo, famed for its natural beauty. Our refurbishment of the building included a signature unit that brought together British designers Eric Parry Studio and Japanese craftsmanship to create apartments of superior quality and exceptional attention to detail. Highlights include a 'pine forest' installation wall by master plaster artisan Syuhei Hasado.

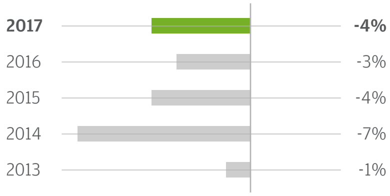
2017 Highlights

1

We respect the environment and efficiently use natural resources

-4%

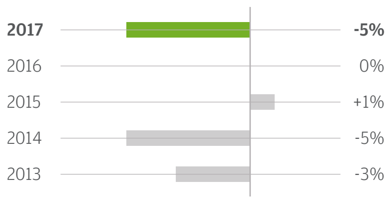
Energy consumption



Our like-for-like energy use has reduced for the eighth consecutive year (since our records began), this time by 4%. This is equivalent to saving the typical amount of energy used by 267 UK homes.

-5%

Water consumption



We also reduced our like-for-like water consumption by 5% in 2017 compared with 2016. The volume saved is equivalent to 12 Olympic swimming pools.

100%

of our properties are within a 15-minute walk of public transport connections promoting walkability and more vibrant places

Green space

2017	**104 hectares**
2016	104 hectares
2015	116 hectares

The number of hectares of green space we look after in our international portfolio remained constant in 2017 and is equivalent to 3,983 tennis courts.

84%

Waste diverted from landfill

We have started collecting construction waste data centrally, alongside our operational waste and have combined results for the first time.

We continue to invest in our people

16

hours of formal training delivered on average per person

This includes digital workshops, sustainability training at Cambridge University and mandatory unconscious bias workshops.

Making a positive impact on communities

Public realm improvements exceeding requirements

2017	**£3.8m**
2016	£0.8m
2015	£3.9m

We improved the quality of public realm, spending a total of £27m over and above planning requirements since 2010.

227

community events supported, including 74 that we organised

These comprised:

- 204 events open to the public, promoting vibrancy and inclusivity;
- 10 events that sought to encourage a deeper sense of community spirit amongst local residents; and
- 13 events arranged to inform and gain feedback from the community on draft development masterplans.

£4.2m

Charitable donations

Total paid to charitable causes by the Westminster Foundation	£2.5m
Amount donated to the Westminster Foundation from Grosvenor Group	£2.4m
Other charitable contributions by Grosvenor Group	£1.7m

For more information visit:
grosvenor.com/2017nonfinancialdata

Demonstrating our impact (continued)

2

Developing and co-ordinating an internationally diversified property group

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

Diversification is further achieved by investing across various currencies, geographies, sectors, activities and management teams. Our exposure is measured in terms of our wholly-owned property assets plus our share of the assets held in partnership vehicles.

"Working with Grosvenor is very appealing. They have high standards, are proud of sustainability, and share the same values and direction of work as we do."

Gonzalo Echarri
Director de Arquitectura
Ortiz.Leon Arquitectos

Bringing our global expertise into residential development in Madrid

2017 marked Grosvenor's entry into residential development in the Spanish capital, Madrid. We have been active in commercial real estate in the city since the late 1990s, and are now expanding our remit.

Using our team's local knowledge, enhanced by residential development expertise from around the world, Grosvenor Europe has acquired six residential assets for development and value-add opportunities in the prime neighbourhoods of Salamanca and Chamberí.

Demonstrating our impact (continued)

2

Developing and co-ordinating an internationally diversified property group

Diversifying further with student housing investment

In 2017, our Indirect Investment business formed a joint venture with Alden Street Capital, a New York-based student accommodation investment and management company. The partnership has already acquired its first asset, Canopy Apartments, in Gainesville, Florida and is actively looking to add to the portfolio.

CGI

"The acquisition of the first development site in Ghana was a significant milestone for the RMB Westport Fund and a notable moment for Grosvenor as we diversify into new geographies."

Tim Budden
Finance Director, Grosvenor Indirect Investment

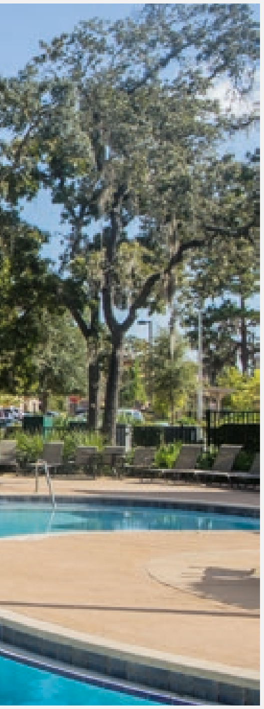
Work begins on our first development site in sub-Saharan Africa

Having made our first investment into sub-Saharan Africa through a commitment to RMB Westport's Real Estate Development Fund II in 2016, the Fund acquired its first site for development in Ghana in 2017 and began work on the Takoradi Shopping Mall.

The Fund is still within its investment period and it is primarily focused on development opportunities, particularly retail and office assets in Ghana and the Ivory Coast.

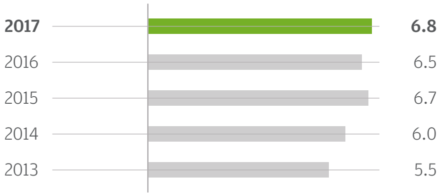
2017 Highlights

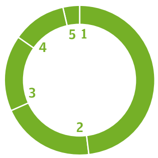
2



+5.2%

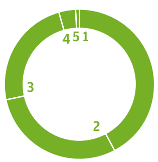
Property assets (£bn)





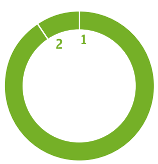
By Operating Company

1	Britain & Ireland	£3,307m	48.3%
2	Americas	£1,372m	20.1%
3	Indirect	£1,125m	16.4%
4	Asia Pacific	£807m	11.8%
5	Europe	£232m	3.4%



By sector

1	Retail	£2,899m	42.4%
2	Residential	£2,006m	29.3%
3	Office	£1,635m	23.9%
4	Other	£260m	3.8%
5	Hotel	£43m	0.6%

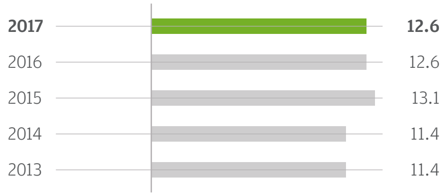


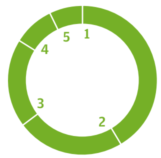
By activity

1	Investment	£6,233m	91.1%
2	Development	£610m	8.9%

+0.0%

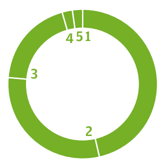
Assets under management (£bn)





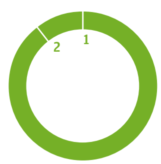
By Operating Company

1	Britain & Ireland	£5,231m	41.4%
2	Americas	£2,947m	23.4%
3	Europe	£2,415m	19.2%
4	Indirect	£1,125m	8.9%
5	Asia Pacific	£893m	7.1%



By sector

1	Residential	£5,867m	46.5%
2	Office	£3,776m	29.9%
3	Retail	£2,447m	19.4%
4	Other	£262m	2.1%
5	Hotel	£259m	2.1%

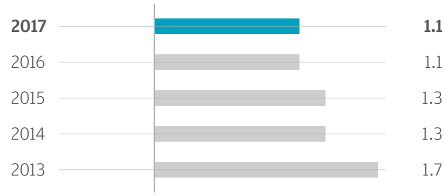


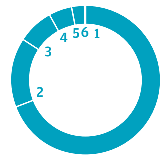
By activity

1	Investment	£11,321m	89.8%
2	Development	£1,290m	10.2%

+6.0%

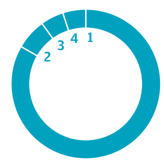
Indirect investment – Property assets (£bn)





By geography

1	Continental Europe	£779m	69.4%
2	Brazil	£169m	15.0%
3	North America	£87m	7.7%
4	Australia	£56m	5.0%
5	United Kingdom	£33m	2.9%
6	Africa	£1m	<0.1%



By sector

1	Retail	£939m	83.5%
2	Industrial	£75m	6.6%
3	Office	£56m	5.0%
4	Other	£55m	4.9%

£6.8bn

Property assets
(2016: £6.5bn)

£12.6bn

Assets under management
(2016: £12.6bn)

94.6%

Occupancy
(2016: 95.0%)

62

cities in which we are active
(2016: 61)

10

currencies in which we operate
(2016: 10)

10

countries from which we operate
(2016: 11)

For more information visit:
grosvenor.com/2017financialstatements

Demonstrating impact (continued)

3

Delivering attractive long-term returns

In order to ensure that the delivery of social benefit endures, our business must deliver strong commercial results. We take a far-sighted perspective to guide a long-term investment approach.

To monitor our ongoing performance, we focus on two key measures: revenue profit and total return. Revenue profit is the measure by which we monitor our underlying performance, as it excludes market movements. We measure total return to show how our property portfolio has performed, including both income and capital returns.

"Liverpool ONE was the catalyst for the development of the city. Grosvenor painted a vision for what this city could be and, 10 years on, they still continue to support what Liverpool wants to be and can be."

Mark Blundell
Head of Branch, John Lewis (Liverpool)

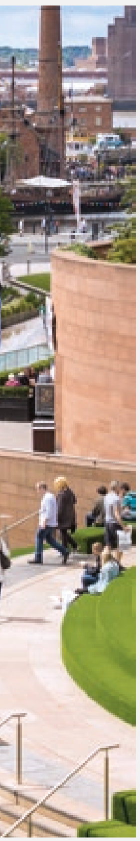
10 years of Liverpool ONE: a catalyst for regeneration and urban transformation

10 years ago, we completed the development of Liverpool ONE, a contemporary open-air retail and leisure destination in the heart of Liverpool, which we continue to part-own and manage. Liverpool ONE is a proven destination of choice for brands, with over 200 stores, including various regional flagships such as Apple, Harvey Nichols Beauty Bazaar, Victoria's Secret and Zara. The investment has outperformed UK averages every year since 2008, with a low vacancy rate and increasing footfall and sales year-on-year. Yet, it is much more than a retail destination.

Grosvenor always recognised that Liverpool ONE wasn't just a property investment, it was also the catalyst for a profound economic and social turnaround in the city. It encouraged further investment and regeneration and continues to have a positive impact on the city's commercial, social and environmental prospects a decade on from launch. Liverpool ONE has not only changed Liverpool, it has also changed Grosvenor. Adopting a long-term outlook in what we do has always been a natural way of being for us as an organisation, but the ambition, scale and complexity of Liverpool ONE really challenged us.

The project was not simply about delivering a commercial return, it was also about leaving a lasting legacy. It represents our 'Living cities' approach in its purest form; what we do is not just about the bricks and mortar, but investing in and supporting the local community for the wider benefit of current and future generations.

We are proud of the role we have played in helping to transform this great city and remain committed to its future. We are excited about the opportunity to contribute to the next phase of the city's evolution.



Contributing to the enduring success of Liverpool

49%

increase in footfall over 10 years

Demonstrating our impact (continued)

3

Delivering attractive long-term returns

"As well as seeing to the project's financial success, the team has worked hard to ensure Grosvenor Ambleside's seamless integration with the local community."

Michael Ward
Senior Vice President, Development,
Grosvenor Americas

A vision becomes reality at Grosvenor Ambleside in West Vancouver

Grosvenor Ambleside in West Vancouver is a residential and village shopping district development that has been created where a gas station once stood, and now marks the gateway to Ambleside Village. 98 residences across two buildings, connected by a 650m^2 open-air galleria, are being constructed in two phases; 93 of them have sold to date.

Following 10 years of patient land assembly to make this visionary project possible, we have worked hard to ensure that its financial success would go hand in hand with an approach that would deliver its seamless integration with the local community.

In order for the development to act as a catalyst for new investment into the Village's retail mix, we have chosen the appropriate combination of local independent retailers to help bring life back to this seaside community.

Ultimately, we aim to make Ambleside Village a place where people of all ages can enjoy their free time.

10
years of patient land assembly and community engagement

A new enterprise hub at Eccleston Yards in Belgravia

On previously underused land on the boundaries of Victoria station and Belgravia, we have developed a new hub for creative enterprise and co-working.

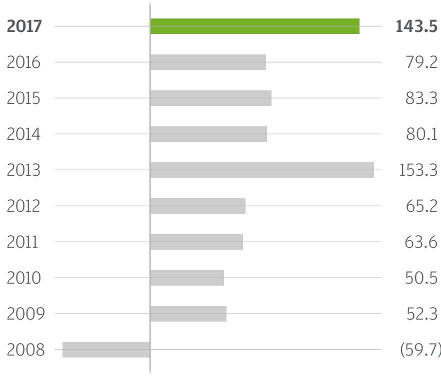
Featuring 19 units dedicated to food, fashion, retail, co-working and wellbeing, Eccleston Yards in Belgravia, London, will be a destination that champions and introduces new and innovative brands. It will host an evolving community of like-minded businesses and a mix of appealing offers to workers and visitors alike, including: Barry's Bootcamp, Tart London, The Jones Family Kitchen, Tailor Made London, SMUK beauty salon, Re:Mind meditation studio and co-working provider, Central Working. To date, 75% of Eccleston Yards is let or under offer.

“This Central Working at Eccleston Yards will provide a new hub for nurturing innovative, growing businesses in an area of London traditionally associated with grand multinational companies. We’re immensely proud to partner with Grosvenor and bring shared working to Belgravia, welcoming some of the UK’s most exciting young companies into one of London’s most historic districts.”

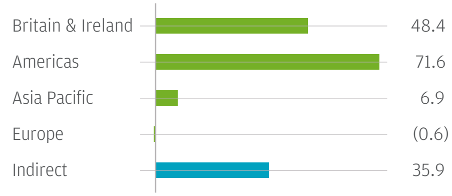
Grant Powell
Managing Director, Central Working

2017 Highlights

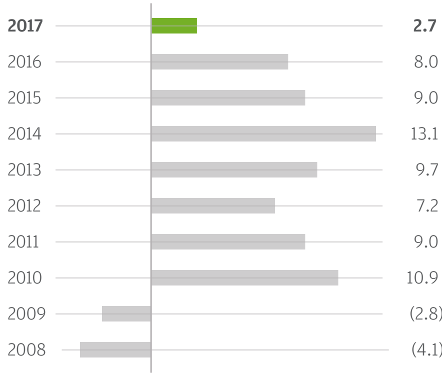
Revenue profit (£m)



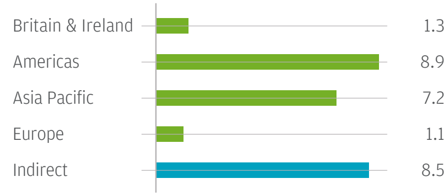
2017 Operating Company revenue profit: (£m)



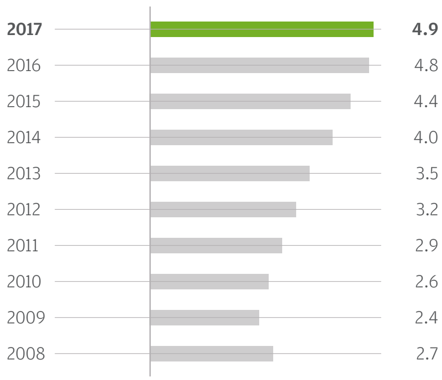
Total return (%)



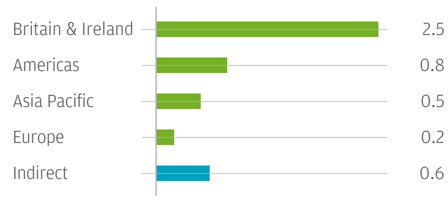
2017 Operating Company total returns: (%)



Shareholders’ funds (£bn)



2017 Operating Company Shareholders’ funds: (£bn)



£143.5m
Revenue profit
(2016: £79.2m)

2.7%
Total return
(2016: 8.0%)

£4.9bn
Shareholders’ funds
(2016: £4.8bn)

£233.1m
Profit before tax
(2016: £136.8m)

23.8%
Economic gearing
(2016: 17.0%)

£1.4bn
Financial capacity
(2016: £1.7bn)

For more information visit:
grosvenor.com/2017financialstatements

Chairman's statement

Lesley Knox
Group Chairman

22 March 2018

> **"At Grosvenor, the ambition to make a positive impact on society through our property activities is at the core of what we do."**

In my last year as Chairman of Grosvenor Group, it feels appropriate to offer a reflection on my eight years in the role.

Of all the things about Grosvenor, it is our culture and the commitment of all our people to live up to their word that stands out.

At Grosvenor, the ambition to make a positive impact on society through our property activities is at the core of what we do. To mention but two examples: Liverpool ONE, which is celebrating its 10th anniversary this year, is widely applauded as a successful catalyst to a UK city centre regeneration programme; and Grosvenor Ambleside, currently under construction, is set to bring new life to a waterfront community in West Vancouver.

Grosvenor's international portfolio is distinctive in our industry. It is notoriously difficult for property companies to succeed away from their home markets. So much in real estate depends on a deep understanding of, and sensitivity to, local economies and cultures.

With its long-term commitment, Grosvenor is able to strike the right balance between local relevance and access to international expertise in Hong Kong, Madrid, San Francisco, Shanghai, Stockholm, Tokyo, Vancouver as well as in London and several other global cities.

These past eight years have seen both change and continuity. Grosvenor's history is, after all, measured in centuries and this Review is about one point in time. While celebrating the present, adopting a far-sighted perspective to look far beyond the short-term is critical. It is what has made this organisation thrive for over three centuries and is what will secure its future.

We support communities in need through the Westminster Foundation

At Grosvenor Group, we fulfil our philanthropic objectives through the Grosvenor Estate's Westminster Foundation, which is primarily funded by the Duke of Westminster. The Foundation supports charities that address social welfare issues including those nominated by local Grosvenor offices.

For example:

The Passage is a charity which offers a wide range of services to homeless and vulnerable people in central London. Many of the people who are sleeping on the streets and visit the centre have been through the trauma of losing their homes, perhaps as a result of a relationship breakdown, illness or changes to welfare rights. The Westminster Foundation has supported The Passage through many initiatives since the early 1990s, and has benefited from Grosvenor people's volunteering and fundraising efforts, including a bi-annual charity fundraising dinner and talent show.

Elsewhere, funding from Grosvenor Europe via the Westminster Foundation has enabled Swedish social enterprise Mitt 127, to make positive changes to young people's lives in Skärholmen, a suburb of Stockholm, through event participation and active placemaking in the community.

Mitt 127 works within schools and with local authorities, co-operations and institutions to, for example, counteract bullying and physical and psychological illness.

Our Stockholm office works closely with Mitt 127, providing them with space to host their summer event and run the 'SKHLM Stars' programme, which gives 20 Mitt 127 ambassadors the chance to work within our Skärholmen Centrum shopping centre during the event.

Contributing to the creation of the Defence and National Rehabilitation Centre (DNRC)

2018 will mark the realisation of the 6th Duke of Westminster's initiative to create a Defence and National Rehabilitation Centre (DNRC) which will become one of the world's best clinical rehabilitation centres for people with a trauma injury. With its 21st century state-of-the-art facilities, it will admit patients from Headley Court in Surrey, England, which has fulfilled this role since opening 70 years ago, and will provide the best possible care for members of the armed forces who are injured on operations or in training.

The Centre, which is nearing completion, will be based on the Stanford Hall Estate near Loughborough. It will have a Defence establishment operated by the Ministry of Defence, but there is also the opportunity to change the way in which clinical rehabilitation from trauma injury is made available to civilians – creating, on the same site, the first ever specialist facility open to the public. Grosvenor Group is proud to have contributed both financially, and in terms of knowledge and expertise, to the successful development of this initiative.

DNRC
REPAIRING OUR SERIOUSLY WOUNDED

Grosvenor Group Limited – Board of Directors

as at 22 March 2018

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

Lesley Knox
Chairman
Non-Executive Director
Trustee, Grosvenor Estate

Sir Philip Dilley
Non-Executive Director

Michael McLintock
Non-Executive Director
Trustee, Grosvenor Estate

Christopher Pratt
Non-Executive Director

Domenico Siniscalco PHD
Non-Executive Director

Mark Preston FRICS
Executive Trustee, Grosvenor Estate
Group Chief Executive

Nicholas Scarles FCA, ATTORNEY AT LAW
Group Finance Director

Peter Vernon FRICS
Group Executive Director

Group Chief Executive's review

Mark Preston
Group Chief Executive

22 March 2018

"We are resolutely committed to international diversification. Our plan is to deepen our activity in those cities in which we have developed a presence, rather than expand to a degree where we have no depth in any market."

When announcing our 2016 returns last year, I predicted that our financial performance in 2017 would be significantly weaker. In fact, it proved more resilient than expected.

The headwinds I anticipated affected mainly our UK market. However, despite Brexit-induced uncertainty and the impact of increased stamp duty on higher-value properties, Grosvenor Britain & Ireland still delivered positive results. In its first full year of operation, Grosvenor Europe recorded a small loss, while both Grosvenor Americas and Grosvenor Asia Pacific yielded strong results. These performances were complemented by the positive returns from the wider sectoral and geographical diversification of our indirect investments.

Combined, the performance of our four Operating Companies and our Indirect Investment business helped us to deliver a total return of 2.7%, ahead of expectations.

Revenue profit, which is the main measure we use to judge our overall financial performance, was £143.5m, again ahead of expectations.

The lack of correlation in the performance of our Operating Companies across the geographies in which we operate yet again demonstrates the value of operating as an internationally diversified property company.

As outlined in the foreword to this Review, 2017 marked the year in which the Grosvenor Estate focused on reframing and strengthening our purpose and values for a new generation.

The focus is not new, but if we are to grow our reputation for quality, integrity, social leadership and responsibility we have to further strengthen our resolve and ensure that all at Grosvenor are engaged and understand it.

In practice, the approach we take is always to challenge ourselves on the extent to which our property activities make a positive social impact. This must not be an afterthought or a retrofit but 'part of the plan' from the very outset. The precise impact we aim to deliver will be determined locally by those best placed to make such judgements.

Looking ahead

Along with other asset classes, property has enjoyed a period of strong asset value growth on the back of very low interest rates and global expansionary monetary policy. This tide is turning and property valuations are likely to turn with it. Our strategy is long-term and accommodates such cyclical movement.

We are resolutely committed to international diversification. While continuing to explore new markets, as we are doing in sub-Saharan Africa in a co-investment partnership, our plan is to deepen our activity and grow our importance in those cities in which we have developed a presence, rather than expand to a degree where we have no depth in any market.

We aim to use our property skills to create value through development in particular, but will also continue to work in partnership with others, whether in joint ventures on development projects or via indirect investments – working alongside a small number of partners with specialist expertise.

Highlights from our Operating Companies

49%

of our property assets are outside the UK

Grosvenor Britain & Ireland

28

Grosvenor Britain & Ireland launched a 20 year vision for how its London estate should evolve and underlined a commitment to this by starting a substantial digital infrastructure upgrade within it. The business also submitted a planning application for one of London's largest build to rent developments. The proposed mixed-use neighbourhood in Bermondsey includes 1,350 new homes for rent, a new 600-place secondary school and over 20,000m² of new office space, retail, food, leisure and community uses.

Grosvenor Americas

34

Grosvenor Americas significantly advanced its residential development programme, completing its newest mixed-use development, F1RST, in Washington, D.C. In West Vancouver, the first phase of the mixed-use Grosvenor Ambleside development is nearly complete and 96% sold. Partners in True North LP increased their financial commitment to the Structured Development Finance programme, and in Washington, D.C., the heritage office asset 1500K underwent a major renovation.

Grosvenor Asia Pacific

40

Grosvenor Asia Pacific completed the refurbishment of Opus Arisugawa Terrace and Residence, a luxury residential scheme in Tokyo, further supporting the business's strategy to expand our residential development activity in the region. The team also acquired Namikikan Ginza, a retail asset located in Ginza, Tokyo's prime shopping district.

Grosvenor Europe

44

In its first full year as an Operating Company, Grosvenor Europe got well underway with its residential strategy in Madrid. This is the first time that Grosvenor has focused on residential development in Spain and the team has made six acquisitions across the city. The first, at Jorge Juan, will be developed into seven apartments.

Indirect Investment

48

Grosvenor Group's Indirect Investment business helped to further diversify our property activities by sector, geography and management team. A deal with New York-based Alden Street Capital now gives us exposure to the student housing sector across the US and the existing partnership with RMB Westport in sub-Saharan Africa acquired its first site in Ghana to create a new shopping centre.

Managing our taxes responsibly

Grosvenor Group is the most significant business asset of the Grosvenor Estate and is regularly mentioned in press articles speculating on the overall size of the Estate, its ownership structure and the amount of tax it pays.

Grosvenor Group, in common with the other business assets of the Grosvenor Estate, is owned by a series of UK resident (i.e. onshore) trusts, the beneficiaries of which are both current and future members of the Grosvenor (Duke of Westminster's) family.

Like many other family-owned enterprises, holding assets via trusts allows us to ensure continuity of the collective ownership, administration and management of the Estate across the generations. We are not driven by short-term considerations and the structure enables us to adopt a far-sighted perspective which we believe to be in the interests of the communities in which we operate, as well as the people we employ and the Grosvenor family.

These UK resident trusts are liable to pay income tax, capital gains tax and inheritance tax. Instead of a payment of 40% inheritance tax upon death of an individual, the majority of the trusts are of a type subject to a 6% charge on their value every 10 years, given that trusts do not themselves 'die' – thus are subject to a similar charge to that which would apply over a notional generation.

Grosvenor family members are all UK residents and, as such, they are liable to UK tax.

Within Grosvenor Group, property income and gains are taxed in accordance with the rules of the country where the property is located. We are careful to ensure that our ownership of overseas assets are through vehicles incorporated in the same country as the asset, consistent with our tax policy.

As part of our commercial activity, we occasionally invest together with overseas partners, in property joint ventures for example. Those investors often require us to establish these ventures in jurisdictions which do not result in an additional layer of tax, so preventing investors from being subject to double taxation. The investment in property, which such ventures make, remains subject to the taxation regime of the jurisdiction in which the property is located, and the Grosvenor Shareholder remains liable to the UK tax regime.

Full details of taxes paid can be found on page 25.

Group Chief Executive's review (continued)

Global economy and market outlook

The global economy is expected to enjoy a strong co-ordinated recovery in 2018, with all regions expected to record solid growth. With the US recovery in full swing, Europe is now benefiting from its most sustained economic upswing for the past decade. Growth prospects in the Asia Pacific region are also positive, boosted by improved global trade flows.

While improved global growth is clearly good news, we are mindful that the current cycle is now at a fairly mature stage. Recent financial market jitters are a reminder that macro risks are likely to become more pronounced through 2018 as central banks continue to adopt tighter policy settings. Long-term interest rates are now rising in many parts of the world, pushing the global cost of capital higher. With leverage still elevated in many sectors, even a relatively modest increase in interest rates could expose underlying fragilities in the global economy.

Closer to home, we continue to monitor the impact of Brexit on the UK market. It is worth noting that, despite Brexit uncertainty, London remained the number one destination in Europe for commercial real estate investment in 2017. Nonetheless, the UK is likely to face continued uncertainty until more is known about the future transition arrangements with the European Union.

In terms of the property market outlook, global real estate markets are likely to face a challenging 2018, as investors adjust to the rising global cost of capital. While we continue to see positive rent growth prospects in a number of our main markets, there is now limited expectation for further yield compression. Indeed, the majority of prime yields in the 25 global cities that we track are now in 'over-valued' territory (with low yields and low spreads).

In this environment, global gateway cities are likely to face more acute relative pricing pressures, while secondary markets enjoy better short-term prospects. A number of global residential markets also look stretched (including London, Stockholm, Sydney, and Vancouver), suggesting future price growth will be sensitive to higher interest rates.

Grosvenor Group Limited – Executive Committee

as at 22 March 2018

The Group Executive Committee assists with the implementation of Group strategy.

Peter Vernon FRICS
Chairman, Executive Committee
Group Executive Director

Mark Preston FRICS
Group Chief Executive

Nicholas Scarles FCA, ATTORNEY AT LAW
Group Finance Director

Andrew Bibby
Chief Executive,
Grosvenor Americas

Benjamin Cha
Chief Executive,
Grosvenor Asia Pacific

Craig McWilliam FRICS
Chief Executive,
Grosvenor Britain & Ireland

James Raynor
Chief Executive,
Grosvenor Europe

We are working to create a more diverse and inclusive business

We are committed to building a workforce that is reflective of the diversity of the cities in which we operate. To achieve this, we need to attract the very best people from as wide a pool of talent as possible and retain them through an inclusive culture. We can strengthen such a culture by being inclusive in our behaviour and by encouraging diversity of thinking, allowing people to express their views freely.

As we strive to become more diverse and inclusive as an organisation, we must take care to retain a sense of perspective and be careful how we exercise judgements. We must ensure that our diligence does not result in intolerance of independent minds and truly free thinking – the very thing on which the success of a long-term organisation such as Grosvenor (not to mention society) relies.

To support our ability to build a genuinely diverse business, during the past year, we put new energy into the development of a new Group policy on Equality, Diversity and Inclusion. Each Operating Company is now developing its own detailed plan to support this policy and foster a more diverse and inclusive environment. One of the areas we initially focused on this past year was gender diversity.

Specifically, we completed a review of our gender pay gap in response to new legislation introduced by the UK Government to publish the difference in the average pay between all employed men and women. Men and women at Grosvenor are paid fairly and equally for doing the same job. We know this because, for several years, we have benchmarked the base pay of all our roles, both externally and internally.

However, our overall pay gap, at April 2017, among our UK-based employees, was 27.6% on a median basis (middle) and 34.4% on a mean basis (average), principally due to the predominance of men in our senior executive positions.

Over time, we intend to address this imbalance in gender pay in the UK and, over the coming months, we will extend our analysis to include the overseas Operating Companies. This will better inform our efforts to improve our gender pay performance on a global basis, and in doing so, help build a more equal, diverse and inclusive place to work.

For more information visit: grosvenor.com/2017genderpay

Group Executive Director's perspective

One of Grosvenor Group's core strengths lies in the diversified nature of our business model. It helps us be better hedged against economic headwinds and better able to identify and capture local opportunities.

What makes our offering distinctive is the knowledge and expertise that our international footprint provides. Whether our property offering focuses on residential, commercial, retail or more often mixed-use, our aim is to complement our deep rooted local expertise and know-how with the ability to tap into international expertise.

Grosvenor's regional Operating Companies leverage one global platform by co-investing in research and technology, sharing knowledge, building global investor relations and making full use of the Grosvenor brand.

In this way, the Group enables its 'Living cities' approach which, for the past 10 years, has guided and inspired our property activities to improve properties and places – delivering a positive impact on communities, neighbourhoods and cities.

To cite but a few examples:

In 2017, Grosvenor Britain & Ireland submitted plans for the creation of an ambitious new mixed-use neighbourhood in Bermondsey for people of mixed incomes, backgrounds and life stages – and the intention to manage it for the long term.

Grosvenor Americas made major strides in realising its residential development programme. Among them, Grosvenor Ambleside in West Vancouver stands out as a catalytic residential and village shopping district development.

Grosvenor Asia Pacific made its first retail acquisition in Ginza, Tokyo's prime shopping district. This major acquisition signals Grosvenor's expansion of its investment and development portfolio in Tokyo, deepening its overall presence in the market, while maintaining its strength in the residential sector.

Grosvenor Europe continued its work to improve and further develop its shopping centre in Skärholmen, Stockholm, while supporting social enterprise Mitt 127.

I hope you will enjoy reading more about these and other examples of our 'Living cities' approach in action in the Operating Company sections of this review.

Peter Vernon
Group Executive Director

22 March 2018

"It's not just a question of mobility, which is what most people immediately tend to think of. It's also about how we make homes, offices and retail spaces more suited to the needs of an elderly population."

Graham Parry
Group Research Director,
Grosvenor Group

Research into ageing populations shows how a looming demographic shift will have significant implications for global cities

Grosvenor's research into the implications of an ageing population highlighted that, in OECD countries, the over-60s will outnumber those under-20 by 2045. This equates to an additional 146 million over-65s by 2045, or an extra 15,000 people reaching retirement age each day for the next 30 years. This demographic shift presents huge challenges to the way our cities function.

The challenge requires a more age-friendly approach to city development and more far-sighted action from the property industry, as well as policy-makers, to ensure that our cities can be fit for future needs.

Through the perspective of four very different global cities in which we are active – Hong Kong, London, Madrid and Vancouver – our study provides a snapshot of how the implications of an ageing population are being addressed, if at all, and highlights a number of potential solutions, which may help bring age-friendly development principles into the mainstream.

For more information visit: **grosvenor.com/silver-cities/index.html**

Group Finance Director's report

Nicholas Scarles
Group Finance Director

22 March 2018

"The results of the past year demonstrate the benefits of diversification and an attitude of long-term thinking."

Our financial performance in 2017 was better than expected

Revenue profit, the main metric by which we measure ourselves, was significantly higher than last year at £143.5m (2016: £79.2m). Total return was 2.7% (2016: 8%) reflecting more stable valuation movements in the UK and Europe and Sterling's appreciation over the past year, which had a negative impact of 1.5% (2016: positive 4.5%). Our property-related activities have only modest impact on short-term valuation movements and none over foreign exchange rates, hence our main focus on revenue profit, which reflects much more the consequences of our activity.

All of our Operating Companies delivered encouraging results:

– Revenue profit more than doubled in **Grosvenor Americas** to £71.6m, a record for the business, (2016: £28m) due to the completion of the F1RST and Central development projects in Washington, D.C. and the sale of development land in Vancouver. Total return was 8.9% (2016: 6.4%).
– **Grosvenor Britain & Ireland's** revenue profit also more than doubled to £48.4m (2016: £23.9m), mainly attributable to the trading profit from the Campden Hill development. Total return was 1.3% (2016: 0.3%), reflecting slightly negative valuation movements but higher revenue profit.
– **Grosvenor Asia Pacific's** revenue profit was lower than the previous year at £6.9m (2016: £10.6m) due to the impact of strategic disposals in 2016 on net rental income, together with fewer residential sales during the year. Total return was 7.2% (2016: 6.3%), arising largely from valuation increases in Hong Kong.
– **Grosvenor Europe** delivered a small revenue loss of £0.6m, broadly the same as last year (2016: £0.5m loss). Although income was slightly up on the previous year, this was offset by the cost of building our specialist capability to deliver new developments in Spain and the growth of the team in Stockholm. Total return was 1.1% (2016: 1.4%).
– **Indirect Investment** revenue profit increased to £35.9m (2016: £31.8m) due largely to improved performance in Sonae Sierra. Total return was 8.5% (2016: 12.7%), with strong performance from the third-party managed portfolio.

Diversification delivers again

These results demonstrate the benefits of diversification and an attitude of long-term thinking.

With valuation movements in any one year driven in large part by the level of overall market returns, the international diversification of our portfolio, as shown on page 26, ensures that our overall returns reflect a degree of averaging between markets. Our policy of not hedging the foreign exchange rate risk inherent in equity investments outside the UK mitigates the impact of currency devaluation (or inflation, whenever we next experience that) upon Grosvenor's true worth, which is independent of the value of any one currency and, at best, can only be measured by reference to a basket of currencies.

Our strategy of investing internationally, which has been in place for over 60 years, is not just about diversification, it is also to improve returns over the long term. One of the most important roles we fulfil at the Group level is applying our macro-economic projections to determine how best to allocate capital across the regions, generating an informed view of the cities which are likely to experience good economic growth over the long term. In those cities, one might expect property investments to outperform and property development to be in greatest demand. Our long-term view of this translates into our desired long-term ranges for our capital allocation and medium-term target allocations towards which our actual capital allocations migrate.

But, even in our capital allocation decisions, we are not solely focused upon the long term. In the near term, our actual capital allocations are both strategic and tactical. A good example is our recent temporary allocation of capital to Grosvenor Americas, to enable it to deliver an enhanced development pipeline, as outlined on page 23.

Future prospects for real estate returns

In the near term, that is perhaps the next five years, we expect to continue to deliver substantial value through the application of our real estate skills to physical opportunities, many of which are already in progress (see our development pipeline on page 26) and for which we have finance in place through cash reserves and existing debt (see our financial capacity chart on page 24).

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

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

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

The Pacific is our latest residential development in Vancouver

Realising the benefits of long-term capital allocation to Grosvenor Americas

The Group allocates capital to the regional Operating Companies, applying a far-sighted perspective to ensure diversification, and to deliver attractive returns and social benefit. But, at the same time, we can allocate capital for short-term tactical purposes.

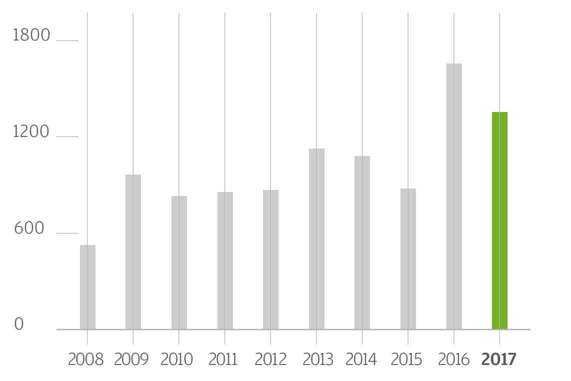
In 2015, we temporarily increased the capital allocation to Grosvenor Americas to enable it to advance its extensive development pipeline without diluting Grosvenor ownership through external financing. The pipeline matured in 2017, delivering very good trading profits for the business and embodying the benefits of the Group structure.

Group Finance Director's report (continued)

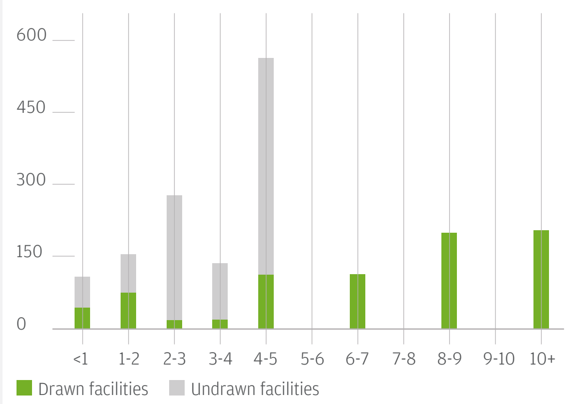
Our financial capacity and liquidity remains strong

We manage our financial capacity and liquidity with the dual aim of: first, ensuring sufficient liquidity during periods of significant global economic stress; and, second, ensuring that we are positioned to take advantage of opportunities at times when others are unable to access finance. This is achieved by maintaining sufficient financial capacity, i.e. available cash and undrawn, committed, general use facilities which are immediately available. At 31 December 2017, financial capacity was high at £1.4bn (see first chart to the right). The second chart shows the spread of maturities of our wholly-owned debt facilities, split between those which are drawn and undrawn. The weighted average life of these facilities is 5.7 years.

Financial capacity and liquidity (£m)

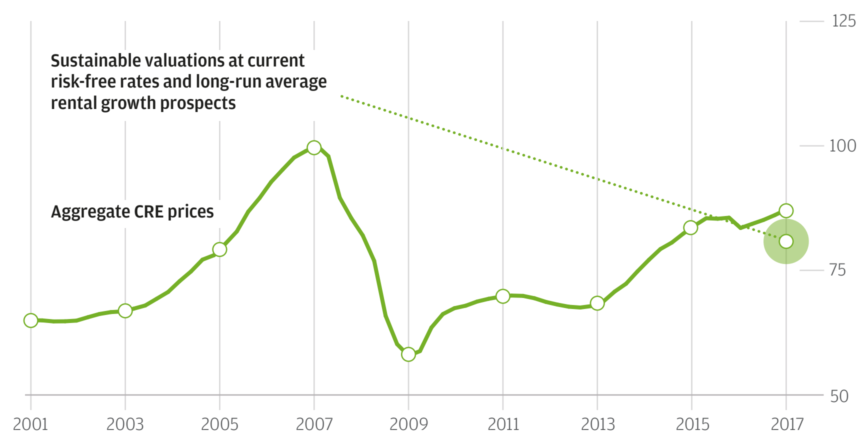


Maturity profile (£m)



Ideas we helped develop are contributing to a more resilient real estate sector

UK commercial real estate prices appear stretched based on ranges of sustainable valuations



Source: Bank of England: Market Finance and Financial Stability: will the stretch cause a strain? – speech by Alex Brazier dated 1 February 2018

The economic and societal cost of the Global Financial Crisis (GFC) was huge, with the aftermath still being felt across society. While not the cause, unwise and ill-timed loans secured on commercial real estate (CRE) were a significant contributor to the cost of the GFC.

Determined to avoid a repeat of unwise CRE lending, in 2014, the (cross-industry) Real Estate Finance Group, published its 'Vision for Real Estate Finance' under my chairmanship. The 'Vision' comprised seven key recommendations to protect financial stability against the next CRE crash.

Two of these recommendations – the creation of a CRE loan database and the use of long-term value metrics for risk assessment – have been publicly supported by the Bank of England. The Bank is now using the concept of sustainable value recommended in the 'Vision' in its Financial Stability reporting.

Following its publication, the Property Industry Alliance Debt Group has taken on the challenge, on behalf of the property industry, of reviewing how best to realise the 'Vision'.

Workstreams have been created to progress three of the recommendations:

– CRE loan database
– Long-term value
– CRE lender qualification

In June 2017, the Long-term Value Working Group reported on its conclusion that estimates of long-term valuations (Adjusted Market Value, Investment Value and Mortgage Lending Value) can provide useful advance signals of overvaluations and a high risk of market falls. Meanwhile, quiet progress is being made by the other two workstreams.

The workstreams will continue to develop their thinking and recommendations with, it is hoped, increasing support from all those involved in CRE.

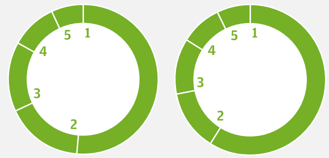
Our tax contribution

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

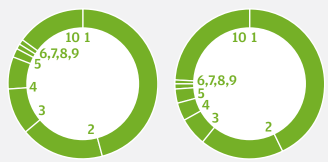
In the spirit of transparency, we analyse and report on tax contribution by type of tax borne and by country (see charts to the right).

In 2017, our economic share of tax payments totalled £100.9m.

Over the last three years, our economic tax contribution totalled £306.8m.



Taxes borne		**2017**		**Three years to 2017**
1 Corporate income tax paid in the year	£52.6m	52%	£181.4m	59%
2 Property transaction taxes paid in the year	£17.0m	17%	£39.5m	13%
3 Annual property taxes	£14.6m	15%	£37.4m	12%
4 Employer taxes and social security costs	£10.1m	10%	£27.2m	9%
5 Irrecoverable VAT (UK only)	£6.6m	6%	£21.3m	7%



Taxes borne by country		**2017**		**Three years to 2017**
1 United Kingdom	£46.3m	46%	£131.6m	43%
2 United States of America	£18.3m	18%	£54.5m	18%
3 Canada	£10.2m	10%	£19.0m	6%
4 Hong Kong	£7.2m	7%	£12.5m	4%
5 Portugal	£5.8m	6%	£16.1m	5%
6 Australia	£3.9m	4%	£9.8m	3%
8 Brazil	£2.0m	2%	£4.9m	2%
9 Spain	£2.0m	2%	£3.8m	1%
7 Japan	£1.9m	2%	£7.7m	3%
10 Ireland	–	0%	£37.3m	12%
11 Other	£3.3m	3%	£9.6m	3%

£306.8m

is the total of our economic tax contribution over the last three years

Our treasury systems are brought together to help raise standards and enable strategic change

In 2016, the Treasury team embarked on a transformation project which included a workstream to make the most appropriate use of systems and to improve the efficiency of the treasury function.

A new Treasury Management System has now been successfully implemented across the Grosvenor Estate, which has provided a stable foundation to raise treasury standards and enable future strategic change.

Substantial benefits have already been realised from the ongoing treasury transformation for the business, including:

- Significantly more robust and improved loan terms.
- More competitive pricing in Estate-wide foreign exchange and other derivative transactions from treasury execution.
- Greater understanding of the nature of the specifics of treasury risks across the Grosvenor Group.
- Significantly improved integrity of treasury information and better understanding of potential implications from treasury transactions across Grosvenor Group.

The initiative is part of our approach to invest in and enhance our business support services to better complement our property activities.

"The aim was to look at how we could use the available technology to manage treasury activity better, to be able to build in flexibility for the future, and to cater for how usage might differ across the different businesses while still ensuring a minimum standard across the organisation."

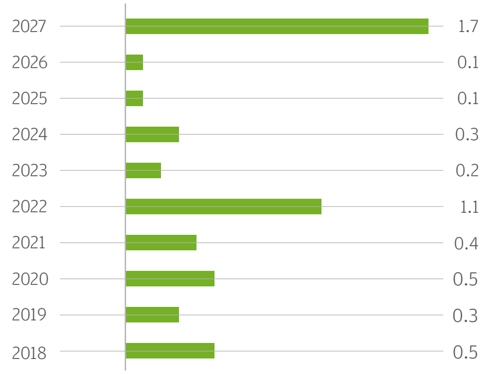
Karen Toh
Treasurer, Grosvenor Group

Group Finance Director's report (continued)

A $5.2bn development pipeline to support future business

Our commitment to delivering returns over the long term is partly demonstrated through our development pipeline. It is the result of many years of planning and pre-construction activity. The chart to the right shows the expected gross development value of the development pipeline projects under our management (£5.2bn) by potential completion dates.

Gross development pipeline value (£bn)



£5.2bn

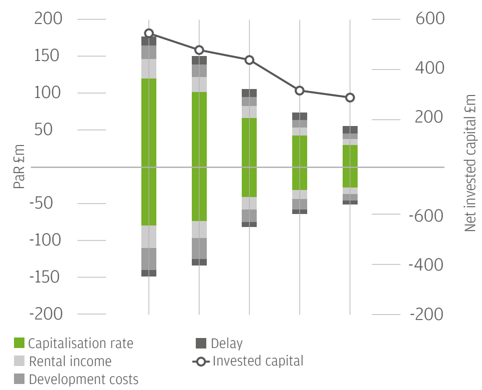
The expected gross development value of the development pipeline projects under our management is £5.2bn

Our development risk is stable

Our development risk profile for committed projects and those expected to be committed within the next six months is similar to last year, with the majority of risk concentrated in the near term. 2018/2019 will see risk and invested capital reduce as a number of projects reach completion.

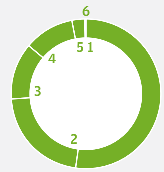
The level of current risk has increased slightly compared with last year's projection, principally due to continued uncertainty in the UK market, as well as the commitment to several new European development projects. It should also be noted that, due to the long timescale of our project in Bermondsey and the phasing of commitments, only part of the total potential development risk is currently included in the chart to the right; further tranches of risk will be included as future commitments are made.

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



Our economic property interests by location

We develop, manage and invest in property in more than 60 cities around the world. This chart shows our economic property interests by location.



		2016	2017
1	United Kingdom	52.4%	**50.6%**
2	North America	21.9%	**21.4%**
3	Continental Europe	12.2%	**12.9%**
4	Australia/Asia Pacific	10.7%	**12.6%**
5	South America	2.9%	**2.5%**
6	Africa	<0.1%	**<0.1%**

United Kingdom	2016	2017
West End, London	46.4%	**46.0%**
Liverpool	1.5%	**1.4%**
Other London	3.0%	**2.2%**
Other UK	1.5%	**1.0%**
Total	52.4%	**50.6%**

North America	2016	2017
Washington, D.C.	6.4%	**5.8%**
Vancouver	3.8%	**4.3%**
San Francisco	3.8%	**3.5%**
Seattle	2.3%	**2.1%**
Calgary	1.5%	**1.1%**
Other USA	2.8%	**3.6%**
Other Canada	1.3%	**1.0%**
Total	21.9%	**21.4%**

Continental Europe	2016	2017
Lisbon	2.5%	**2.6%**
Spain	1.4%	**2.2%**
Porto	1.7%	**1.7%**
Sweden	0.8%	**1.2%**
Italy	1.1%	**1.0%**
Germany	0.9%	**0.9%**
Other Portugal	2.3%	**2.3%**
Other Europe	1.5%	**1.0%**
Total	12.2%	**12.9%**

Australia/Asia Pacific	2016	2017
Hong Kong	6.1%	**6.3%**
Tokyo	3.3%	**5.5%**
Australia	1.3%	**0.8%**
Total	10.7%	**12.6%**

South America	2016	2017
São Paulo	1.9%	**1.6%**
Other Brazil	1.0%	**0.9%**
Total	2.9%	**2.5%**

Our performance over 10 years

Financial statements (£m)

Income statement – proportional*	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Net rental income	208.0	241.1	184.4	195.8	195.6	172.2	175.3	186.7	194.3	**187.2**
Fees and other income and expenses	51.3	53.9	75.7	60.5	58.5	63.0	63.9	58.9	71.8	**76.8**
Net gains/(losses) on trading properties	(131.6)	(12.1)	(3.6)	2.5	4.7	115.2	30.7	27.5	2.4	**74.7**
Administrative expenses	(121.0)	(123.8)	(123.8)	(120.5)	(118.8)	(128.6)	(127.3)	(134.2)	(139.0)	**(147.8)**
Net financing costs	(83.4)	(96.9)	(82.2)	(74.7)	(74.9)	(68.5)	(62.5)	(55.6)	(50.3)	**(47.4)**
Group revenue profit/(loss)	**(76.7)**	**62.2**	**50.5**	**63.6**	**65.2**	**153.3**	**80.1**	**83.3**	**79.2**	**143.5**
Net gains/(losses) on revaluation and sale of investment properties	(514.2)	(307.9)	386.6	329.5	320.1	380.9	638.0	478.9	85.0	**119.0**
Other	(47.2)	(23.6)	(16.4)	(67.4)	(11.9)	(20.9)	(15.8)	(18.5)	(0.2)	**(6.1)**
Tax and non-controlling interests in joint ventures	44.2	33.5	(25.9)	(10.7)	(5.6)	(6.4)	(20.5)	(17.1)	(27.2)	**(23.3)**
Profit/(loss) before tax	**(593.9)**	**(235.8)**	**394.8**	**315.0**	**367.8**	**506.9**	**681.8**	**526.6**	**136.8**	**233.1**

Balance sheet – proportional*	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Total property assets including share of joint ventures	6,172.8	5,221.9	5,031.0	5,358.9	5,440.7	5,491.4	6,001.2	6,674.6	6,509.5	**6,843.2**
Net debt	(2,291.3)	(1,762.3)	(1,567.8)	(1,606.4)	(1,454.0)	(1,140.6)	(1,031.4)	(1,298.8)	(834.0)	**(1,205.1)**
Deferred tax	(687.3)	(559.7)	(382.1)	(593.5)	(491.1)	(665.0)	(739.3)	(764.0)	(716.0)	**(726.7)**
Other assets and liabilities	(357.7)	(356.6)	(305.2)	(195.9)	(217.0)	(144.9)	(175.6)	(150.4)	(182.8)	**(25.1)**
Net assets	2,836.5	2,543.3	2,775.9	2,963.1	3,278.6	3,540.9	4,054.9	4,461.4	4,776.7	**4,866.3**
Minority interests	186.2	156.5	126.6	107.8	86.4	85.8	88.3	87.2	(1.6)	**(2.1)**
Shareholders' funds	**2,650.3**	**2,386.8**	**2,649.3**	**2,855.3**	**3,192.2**	**3,455.1**	**3,966.6**	**4,374.2**	**4,778.3**	**4,888.4**

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

Grosvenor Britain & Ireland

Craig McWilliam
Chief Executive, Grosvenor Britain & Ireland

22 March 2018

Global economic growth accelerated in 2017, and conditions appear to be set fair for 2018, but the UK's economic performance remains disappointing. The uncertainty of protracted Brexit negotiations, and the narrowing range of options from those negotiations, will continue to erode business sentiment in London and the UK this year, threatening both the real estate and other industries vital to our economic prospects.

In that context, we maintained a strong focus on our strategy, which is to tackle two principal challenges. First, we want to help drive the success of the West End, London's economic and cultural powerhouse. The West End faces enormous pressures as a result of London's growth and fierce international competition. We cannot take for granted its ability to host new jobs and better places.

In response, we drove the early delivery of our 20 year vision to transform our London estate and tackle the pressures facing the capital. With London's rapid growth, we want Mayfair and Belgravia to be more active, more open and more integrated – a more popular place, working harder for our city. We think it is vital the estate evolves to meet the needs of our changing society.

During the year, the vision drove leasing, investment and development decisions, and shaped our streetscape and operational management plans. We grew financial capacity from sales of £156.7m to accelerate our transformation of the London estate in the coming years. We see enormous scope across the estate to host more jobs and enterprise space, alongside better amenities for residents and visitors; to offer an even more compelling retail experience alongside more convenience retail; and to see a greater mix of commercial uses alongside more active street-life, particularly in the daytime, backed by better public realm and reductions in traffic. We think the estate could host an even greater mix of uses.

High occupancy rates across sectors of 96.2%, demand for high-quality retail space in central London, the signing of 54 new retail and office tenants and net rental income of £50.4m give us strong platforms from which to deliver the vision in the short, medium and long term.

"City growth is putting pressure on our communities, infrastructure and quality of life. Our neighbourhood-scale assets allow us to respond with new and evolving places."

Our second strategic priority is to help tackle the housing shortage, which in London is acute and eroding our city's ability to attract and retain talent. In all its complicated manifestations, that shortage calls for bold political leadership and, in some cases, policy change to overturn. It is also widely acknowledged we need to double supply as a starting point.

In response, we submitted a planning application for a new neighbourhood in Bermondsey, inner London, hosting 1,350 rental and discounted rental homes – accessible to many on low and middle incomes. We want to create and manage one of London's great new neighbourhoods – mixed, fully-integrated and physically connected with its district.

Elsewhere in the country, we grew our partnerships with local authorities and land owners to create new districts with a total pipeline of 8,000 homes. Our roles as landlord, master developer, builder, asset manager and public sector partner give us the chance to shape, influence and deliver good placemaking policy that creates jobs and growth.

£48.4m
Revenue profit
(2016: £23.9m)

£5.2bn
Assets under management
(2016: £5.1bn)

1.3%
Total return
(2016: 0.3%)

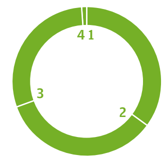
-4%
Like-for-like energy consumption
(2016: -4%)

-6%
Like-for-like water consumption
(2016: -7%)

1,457
Total number of assets
(2016: 1,462)

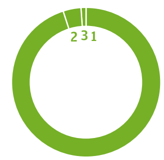
England		Ireland	
London	1,452	Dublin	1
Cambridge	3		
Oxford	1		

Grosvenor's share of property assets



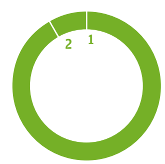
By sector

1	Residential	£1,156.3m	35.0%
2	Office	£1,141.6m	34.5%
3	Retail	£977.3m	29.5%
4	Hotel	£32.2m	1.0%



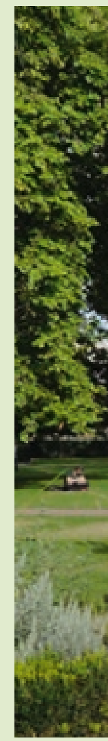
By region

1	London West End	£3,143.9m	95.0%
2	Other London	£130.8m	4.0%
3	Outside London	£32.7m	1.0%



By activity

1	Investment	£3,035.6m	91.8%
2	Development	£271.8m	8.2%



A call for ideas to shape the future of Grosvenor Square

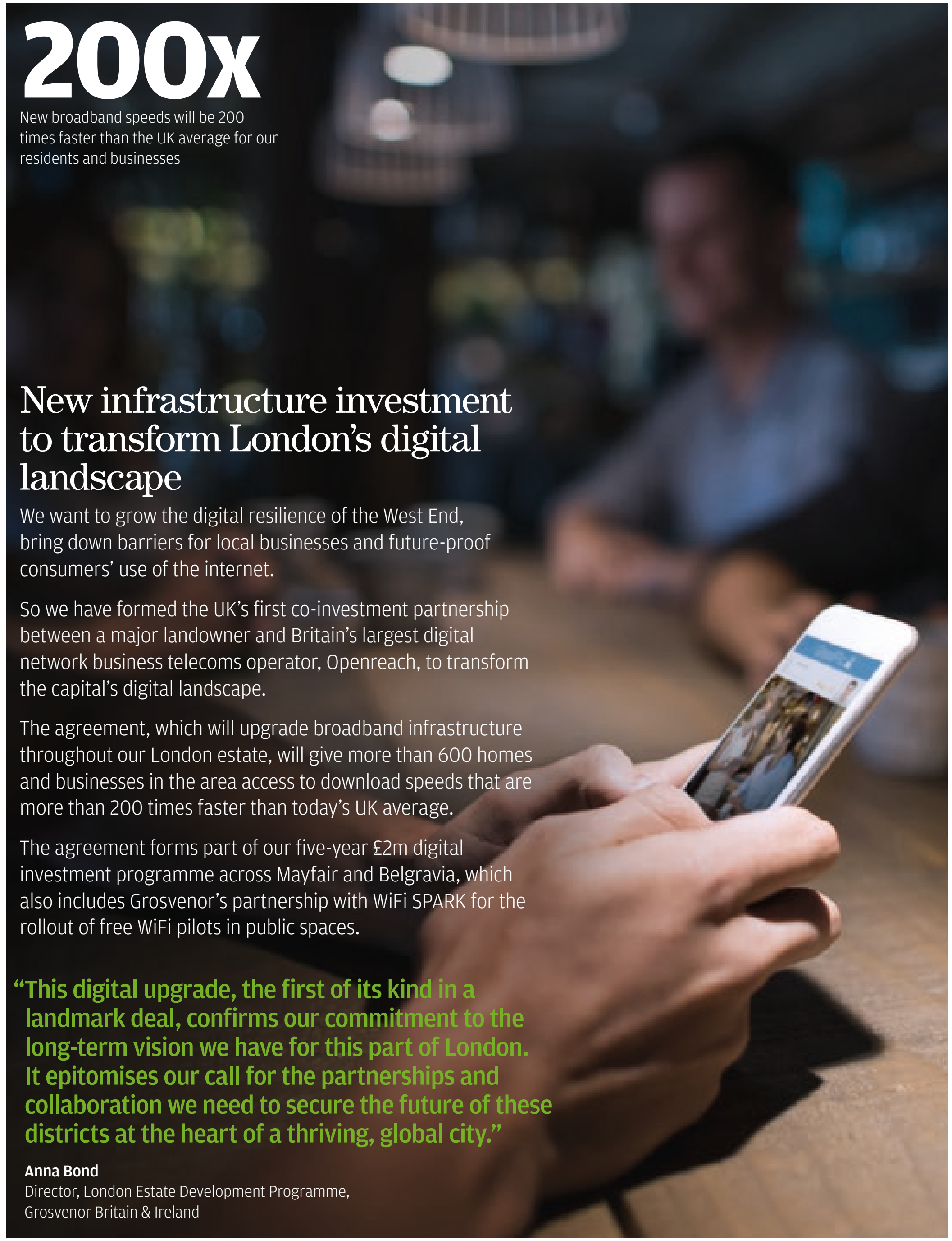
We opened a call for ideas to make Grosvenor Square, London's second largest garden square, the city's leading public space for the 21st century.

As part of our public campaign, 'Shaping the Square', we polled 1,000 Londoners, interviewed locals and talked to visitors, to gather their ideas on how this public space could be used. The campaign reinforces our commitment to maintain Grosvenor Square as a free public space. It also plays a significant part in our 20 year vision to transform our London estate, helping to tackle the pressures facing the capital with better streets, greener spaces and more enterprising places that appeal to all.

The public call for ideas will inform a professional design competition in 2018.

1,000

Londoners polled to help reinvent London's second largest square



200x

New broadband speeds will be 200 times faster than the UK average for our residents and businesses

New infrastructure investment to transform London's digital landscape

We want to grow the digital resilience of the West End, bring down barriers for local businesses and future-proof consumers' use of the internet.

So we have formed the UK's first co-investment partnership between a major landowner and Britain's largest digital network business telecoms operator, Openreach, to transform the capital's digital landscape.

The agreement, which will upgrade broadband infrastructure throughout our London estate, will give more than 600 homes and businesses in the area access to download speeds that are more than 200 times faster than today's UK average.

The agreement forms part of our five-year £2m digital investment programme across Mayfair and Belgravia, which also includes Grosvenor's partnership with WiFi SPARK for the rollout of free WiFi pilots in public spaces.

"This digital upgrade, the first of its kind in a landmark deal, confirms our commitment to the long-term vision we have for this part of London. It epitomises our call for the partnerships and collaboration we need to secure the future of these districts at the heart of a thriving, global city."

Anna Bond
Director, London Estate Development Programme, Grosvenor Britain & Ireland

Grosvenor Britain & Ireland (continued)

Furthering our commitment to diversity and inclusion

We will need to be as diverse a group of people as the cities in which we live and work in, whether by gender, ethnicity, sexual orientation, social background or thought.

Our renewed, three-year rolling Diversity & Inclusion programme focused this year on raising awareness. It was informed by a National Equality Standard audit and by the results of a survey completed this year by our people, which had an 85% response rate.

Amongst other things, we reviewed our policies on 'balancing work and life' and will embed new ones this year, including a more progressive approach to flexible working.

We changed our shared parental leave policy to offer equal time off to men and women in the form of 26 weeks full pay – a significant improvement over the statutory requirement.

We ran 'unconscious bias' training for all managers and opened it to all of our people; and we held wellbeing briefings as well as seminars on 'imposter syndrome'.

And we established an internal group to sense-check and challenge all our efforts here, and bring new ideas from the business.

PIMLICO ROAD DESIGN DISTRICT

Pimlico Road becomes a Design District at London Design Festival

Pimlico Road is home to internationally renowned designers and craftspeople who specialise in interiors, antiques and textiles.

In autumn 2017, the creative and commercial destination was put firmly on the map through its inclusion as one of the London Design Festival's 'Design Districts' for the first time. London Design Festival celebrates and promotes London as the design capital of the world and Pimlico Road's inclusion drew attention to the inspiring retailers on the street.

All ticket revenue from festival events on the street were donated to The Passage, a homeless charity we support that works in south Westminster.

Enabling the creation of new homes across the UK

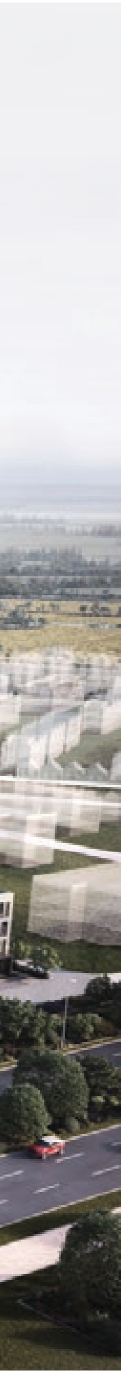
Our Strategic Land business has a track record of successful partnerships across the south east. In 2017, we were appointed as Master Developer for the North Uttlesford Garden Community, a proposed new neighbourhood on the north eastern edge of Essex, to unlock up to 5,000 new homes with supporting infrastructure and amenities.

We will work closely with the District Council, Great Chesterford Parish Council, local stakeholders and the community to develop 'first principles' for this successful development.

In Oxfordshire, we were appointed by a consortium of landowners to develop proposals for a Garden Village north of Eynsham that hosts over 2,000 homes, services, jobs and amenities.

And we have a joint venture with Oxford City Council to deliver 900 new homes with infrastructure and amenities in the new neighbourhood of Barton Park (pictured below), where 40% of homes will be for social rent. We appointed our second housebuilder, Redrow, to deliver the next tranche of homes.

900
new homes being delivered in Barton Park, Oxford



Cultural partnerships put Mount Street on the map

In 2017, Mount Street became the official partner for British Vogue's Secret Address Book. The publication showcased Mount Street's retailers and British Vogue hosted an evening of style on the street, further cementing its reputation as a global fashion destination.

In October 2017, Grosvenor partnered with Frieze International Art Fair for the first time, to create 'Fashioning Frieze on Mount Street'. The partnership supported the destination's positioning as a location 'Where fashion and art collide' and included a VIP launch breakfast alongside bespoke experiences curated by Frieze.

Grosvenor Britain & Ireland (continued)

"Our 20 year vision is for an estate at the forefront of retailing trends, fully integrated with streets hosting places to visit, dine, drink, shop and relax."

Joanna Lea
Retail Director, Grosvenor Britain & Ireland

A new retail strategy to drive our vision for the London estate

Our retail portfolio fundamentally defines much of the identity of our London estate, accounting for almost a third of its total value. But the retail industry has seen rapid change in recent years, so we are delivering a new retail strategy to create better integrated retail districts. We will drive proactive, consumer-led management of the retail mix, with branding and place activation to enhance the retail experience.

We will grow our offer with new developments and occupiers to make the estate more active, more interesting and more popular. We will seek stronger anchor stores, more leisure and amenity uses, and more 'third space' for community and culture. We will be more innovative in creating retail platforms and partnering to unlock new and emerging retail concepts. And we will bring new flexibility to our leasing structures, to allow us to better respond to changing trends and growing demand.

Growing a retail destination with Belgravia in Bloom

The annual floral festival, Belgravia in Bloom, took place in May to coincide with the Royal Horticultural Society's Chelsea Flower Show. To celebrate the event, 55 of our business tenants in Belgravia decorated their shop-fronts, windows and doors with floral displays inspired by children's books.

A number of stores hosted special afternoon teas and held children's book readings, with local schools St Peter's and Knightsbridge Kindergarten joining in the celebrations with a floral colouring competition.

The event culminated in the Belgravia in Bloom Awards, judged by four official Royal Horticultural Society judges at the Lanesborough Hotel. A people's choice award was decided via a social media vote and the winner was the Peggy Porschen Parlour on Elizabeth Street.

"Belgravia in Bloom truly captures the spirit of the area, showcasing its strong sense of community and providing the most wonderful spectacle for visitors."

Peggy Porschen
Creative Director, Peggy Porschen Limited

We are tackling traffic and pollution in London's West End to create better streets

The capital's roads are increasingly congested and polluted. We are committed to doing what we can to reverse this trend on our London estate for the benefit of all who work, live or visit here.

We are working with a single waste and recycling operator to consolidate waste collections from more than 500 buildings, mostly shops and restaurants, across the London estate. The programme is two years old and is already delivering an average recycling rate of 70%, as well as diverting all waste from landfill.

In 2017, we added construction waste to the collection to improve recycling and reuse rates in our small development projects.

And to cut traffic for deliveries, we ran an ambitious delivery consolidation pilot for all personal and business deliveries to Grosvenor's head office in the West End.

In this proof-of-concept pilot, deliveries were consolidated at facilities in south London and then carried once a day in one environmentally-friendly electric vehicle. We cut total vehicle movements by 40% in just six weeks and personal delivery vehicles from 15 a day to just one.

500+

We have enabled 500+ properties to join our consolidated waste collection programme since 2016, achieving an average recycling rate of 70%

Board of Directors as at 22 March 2018

Graham Pimlott CBE
Chairman
Non-Executive Director

Stephen Lovegrove
Non-Executive Director

Heather Rabbatts DBE
Non-Executive Director

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

Peter Vernon FRICS
Non-Executive Director
Group Executive Director

Craig McWilliam FRICS
Executive Director
Chief Executive

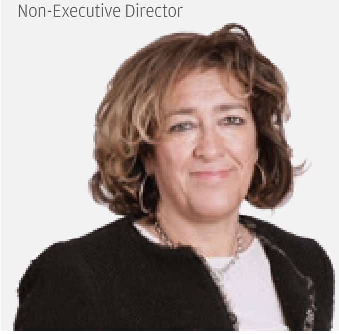
Roger Blundell FCA
Executive Director
Finance Director

Will Bax
Executive Director
London Estate Investment & Development

Simon Harding-Roots
Executive Director
Major Projects

"With its submission of plans for new homes in Bermondsey, and its commitment to the West End, the UK business is raising its profile and strengthening its contribution to London's success."

Heather Rabbatts DBE
Non-Executive Director



Grosvenor Americas

Andrew Bibby
Chief Executive, Grosvenor Americas

22 March 2018

Our North American markets performed well in 2017, with strong economic growth. Challenges are on the horizon however, including housing affordability, rising interest rates and high land costs. But our strategy of investing in vibrant, urban locations where there is value to add, helps address some of these challenges. For instance, our residential development programme and our Co-Investment business continue to add new housing stock into undersupplied markets, while retail and office asset management activities have secured strong, long-term tenants. Working with like-minded partners, we will continue our disciplined approach to asset selection, focusing on high-quality places, walkability, and delivering community benefit.

"Our North American markets performed well in 2017, with strong economic growth."

Revenue profit in 2017 was C$120.7m with positive growth coming from our Development, Investment and Co-Investment businesses. This performance was mainly due to the capitalisation of two development projects – F1RST, in Washington, D.C. and Central, in Silver Spring, MD – and the sale of the Oak Street lands in Vancouver, BC. F1RST, located in the resurgent Capitol Riverfront District, proved particularly appealing to millennials, with over 80% of homes leased. We continued to focus on trading suburban assets for value-add urban properties located in walkable places. Several strategic assets were re-positioned in Washington, D.C. and Seattle, resulting in strong leasing activity. We also saw rent growth in Vancouver's industrial market, complementing efforts to maximise leasehold interests in several of our properties at Annacis Business Park. Occupancy rates in our portfolio increased from 88.2% at year end 2016 to 92.7% at year end 2017.

Looking ahead

In 2018, we will welcome new residents to the first phase of Grosvenor Ambleside in West Vancouver and to Connaught in North Vancouver. We will also begin construction on phase two of Grosvenor Ambleside and on The Pacific, our first residential tower in downtown Vancouver.

In San Francisco, we will add two new projects to our development pipeline and commence construction at 875 California Street, our residential project at the crest of Nob Hill. We will also begin condominium sales at 288 Pacific, a project that is part of the re-discovery of the city's historic Jackson Square neighbourhood on the edge of the Financial District.

In Calgary, we will present city planners with our development proposal for 1520 Fourth Street, which contemplates two residential towers, along with accompanying improvements in office, retail and public realm. This continues our strategy of investing in downtown Calgary's Beltline neighbourhood where we have built 250 new homes in recent years.

The Structured Development Finance programme is positioned for further growth in the next cycle, having raised an additional C$20m in commitments from each of our partners. We will continue investing in projects that address affordability issues by providing capital to early-stage developers. In cities where we have offices, support will continue for local cultural and community groups, as well as university intern programmes. We will also advance our brand profile by promoting and contributing to thought leadership events and industry conferences.

C$120.7m
Revenue profit
(2016: C$50.6m)

C$5.0bn
Assets under management
(2016: C$4.6bn)

8.9%
Total return
(2016: 6.4%)

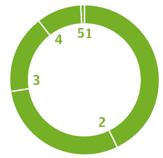
-6%
Like-for-like energy consumption
(2016: -4%)

-4%
Like-for-like water consumption
(2016: +4%)

49
Total number of assets
(2016: 51)

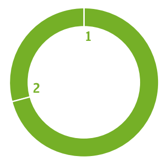
Canada		USA	
Vancouver	8	Washington, D.C.	17
Calgary	7	San Francisco	7
Victoria	1	San Jose	3
		Seattle	3
		Chicago	2
		Los Angeles	1

Grosvenor's share of property assets



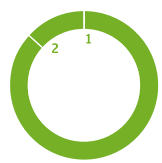
By sector

1	Residential	C$998.4m	42.9%
2	Retail	C$693.9m	29.8%
3	Office	C$390.5m	16.8%
4	Industrial	C$224.5m	9.7%
5	Hotel	C$18.3m	0.8%



By region

1	USA	C$1,652.5m	71.1%
2	Canada	C$673.1m	28.9%



By activity

1	Investment	C$2,024.4m	87.0%
2	Development	C$301.2m	13.0%

Preserving Vancouver's history alongside digital technology at The Pacific

The development site for The Pacific, our latest residential development in Vancouver, is unique. It is also the site of Leslie House, one of the oldest surviving buildings in the city and one of the last remaining examples of the Queen Anne style of architecture. Grosvenor is working closely with Heritage BC and the City to restore and protect the 125-year-old building. The property will be renovated and relocated from the western to the eastern edge of the site, giving the building more prominence as both the front façade and the flanking elevation will be visible.

While honouring and maintaining Vancouver's heritage at The Pacific, we are also embracing the latest in digital technology.

For the first time in the city, prospective buyers have had the ability to 'visit' homes using virtual reality technology. We assembled digital and creative design, computer-generated graphics, virtual reality technology, speciality hardware and drone view studies to give purchasers a more realistic look at their potential new homes.

Next door, we will construct, then dedicate a separate building to the City of Vancouver for arts and culture for the next 40 years. It will be built to Passive House standard, which reduces the requirement for space heating and cooling.

"Grosvenor brought together the best in digital design to create a new user experience at The Pacific. This is a first for Vancouver."

Tracie McTavish
Executive Director, Rennie Marketing Systems

Members of The Pacific sales team demonstrate the Virtual Reality programme

The Pacific will respect Vancouver's heritage by preserving a 125-year-old house on the site

Grosvenor Americas (continued)

> **"By convening non-profits, advocacy groups, the private sector and city officials, Grosvenor is helping advance the agenda on the big issues shaping our cities today and in the future."**
>
> **Paul Saffo**
> Chair, Future Studies, Singularity University

Driving the debate around the future of San Francisco

What we build and invest in has an impact on the liveability and future of a community for generations to come. This was the theme of the 'Grosvenor Conversation' event that took place in September in San Francisco, with an audience comprising experts from all parts of the property sector.

The event hosted panelists Paul Saffo, a Stanford University professor, and San Francisco Bay Area Planning and Urban Research Association (SPUR) president Gabe Metcalf, who discussed whether the cities of the future will make income disparities worse, or if they are instead poised to become bastions of socio-economic equality complete with more density and better connectivity.

Among the discussion topics, the idea that an intricately connected, yet diverse, regional cluster of multiple counties could co-operate and work closely together to create a greater economic unit was a notable theme. The debate held that the San Francisco Bay Area needs to harness the power of a mega-region and make a concerted shift towards merging with Silicon Valley, San Francisco and the East Bay Area.

By asking questions and exploring possibilities, we were able to bring together key stakeholders to discuss these critical issues concerning the area's future development.

Making a positive impact on the communities in which we operate

Each of our four North American offices play an active part in supporting the communities in the cities in which we operate.

In Vancouver, our Director of Marketing & Communications, Patti Glass, raised C$15,350 in support of the city's homeless youth by participating in a 'sleep out' organised by charity Covenant House BC.

Our Calgary and Vancouver offices also participated in Habitat for Humanity's 'Corporate Build' days, helping create homes for disadvantaged families. Our Washington, D.C. office volunteered at the Capital Area Food Bank, the District's largest organisation working to solve hunger.

In our San Francisco office, a number of staff forewent razors for a month in the name of 'Movember', raising US$7,600 toward cancer research and mental health awareness.

“Grosvenor’s restored building at 1500K Street is the optimal location for our new East Coast flagship – and a perfect entry to Washington, D.C. It’s a prominent and historical building that attracts a discerning clientele.”

Valdemar Halbye
Head of US Retail, Joe & The Juice

25%
1500K is performing in the top 25% of energy-efficient commercial buildings in North America

Reviving an architectural icon in Washington, D.C.

1500K has been a distinguished presence on the prominent retail, office and museum corridor in Washington, D.C. for almost a century.

We have extensively refurbished the building by renovating the office and common areas, restoring heritage details and integrating new technologies. These initiatives combined helped attract a new leading retail tenant.

Joe & the Juice, a Danish organic coffee and juice bar, will open its flagship store in the District in 2018.

As part of the redevelopment, we are piloting ‘Honest Buildings’, a paperless record system built specifically for the real estate industry that enables us to more effectively track capital projects in a secure and sustainable way (see page 51).

We committed nearly C$12m towards the building’s HVAC and electrical systems. By replacing the existing HVAC system with a highly efficient one, we increased tenant comfort, raised ceiling heights, reduced negative environmental impact and will decrease electricity consumption by 30% over the previous system’s three-year average. 1500K is Energy Star certified and is expected to achieve LEED Gold status in 2018.

This asset accounted for 12% of the energy we procured for our portfolio in 2017. Therefore, the improvements to the building’s systems contributed to a 6% reduction in energy consumption this year, confirming our long held belief that reinvesting in our properties is beneficial to the environment and to the community.

Grosvenor Americas (continued)

Strengthening the community by connecting residents and creating new homes

In 2017, we welcomed 275 residents to their new homes at F1RST, Grosvenor's mixed-use apartment community overlooking Nationals Park baseball stadium in the Capitol Riverfront District of Washington, D.C.

To help encourage a strong resident community, we organised a series of creative activities and events that were held throughout the year and introduced residents to each other and to local retailers. We invited residents to a 'Paint Jam', where they helped create a custom mural designed by local artist JD Deardourff. We also partnered with UpTop Acres to design and maintain a herb and vegetable garden located on F1RST's rooftop.

180m²

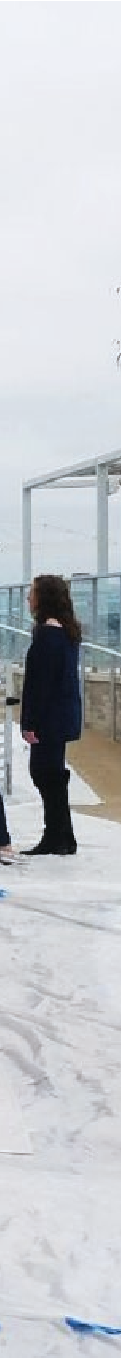
Neighbours worked together to help create a 180m² custom mural on the F1RST rooftop

275

We welcomed 275 residents to their new homes

"In October, there was a two-day event that gathered residents – a 'Paint Jam' – which allowed us to be involved in painting a mural for our rooftop and to meet the local artist who designed it. While the apartment facility and the staff are great, the social events are what put F1RST ahead of other apartment communities."

Nichole V.
Resident, F1RST



2,156

Our Structured Development Finance Programme has financed the development of 2,156 new homes since 2013

"Building relationships is important to traditional lenders, but Grosvenor brings it to another level."

Flavia Boffo Punzo
Principal, Boffo Properties

Our expanded financing programme helps to supply more homes in North America

In 2013, we launched a new Structured Development Finance Programme which provides flexible debt financing to residential developers. In just four years, we have quadrupled our lending activities and expanded the programme's reach across our key North American markets.

The programme operates with capital from an investment partnership between Grosvenor, Kingswood Capital and Nicola Crosby Wealth Management – True North LP. In 2017, Manitoba Civil Services Superannuation Board joined the partnership, increasing the total commitment to C$400m. This reflects the programme's strong performance and the trust that our partners have in our Co-Investment team to identify and execute deals that generate solid returns.

Through this programme, we are helping like-minded developers grow and increase the supply of townhouse, single family, multi-family and rental homes in key markets around North America. Since 2013, the programme has financed the development of 2,156 homes.

C$400m

With a total commitment of C$400m, our programme is currently invested in 19 projects across five cities

Board of Directors as at 22 March 2018

John T Roberts
Chairman
Non-Executive Director

Gordon Campbell OBC
Non-Executive Director

Sarah Morgan-Silvester OBC
Non-Executive Director

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

Peter Vernon FRICS
Non-Executive Director
Group Executive Director

Andrew Bibby
Executive Director
Chief Executive

Graham Drexel CPA, CA
Executive Director
Chief Financial Officer

"I enjoy being part of the Board at a time when there is an exciting programme of investment and development opportunities coming to fruition."

Sarah Morgan-Silvester OBC
Non-Executive Director

Grosvenor Asia Pacific

Benjamin Cha
Chief Executive, Grosvenor Asia Pacific

22 March 2018

2017 performance

We achieved a revenue profit of HK$69.8m and a total return of 7.2% in 2017. We were pleased with the results despite slightly slower than expected strata sales in Tokyo and delayed strata sales in Hong Kong. Income in the portfolio remained healthy. The better than expected total return was a result of strong market conditions in the Hong Kong office sector which were reflected in the strong revaluation gain in PCCW Tower.

Strong macro backdrop

Strong improvements in global demand and trade were positive for Asia's economies in 2017 given the high impact of export activity on the region. China's GDP is now more than double its pre-global financial crisis level and its scale in the region and impact on regional trade flows means strong Chinese growth has very positive multiplier effects. Hong Kong was expected to exhibit below-trend growth in 2017 due to the potential impact of US tightening but significantly surprised on the upside, while Japan is currently enjoying the longest period of uninterrupted growth since comparable data became available in 1994, in part due to Chinese import demand.

Strong property markets

Given the underlying economic improvement, property markets in our three focus cities continued to strengthen. Generally healthy supply and demand fundamentals combined with accommodative monetary policy pushed capitalisation rates to, or beneath, historic lows. Competition for high-quality assets in central business district locations remained intense in Hong Kong and Shanghai. In Hong Kong, office values across the city rose by 15-25%, depending on the sub-market. The city's residential prices have risen for a record 21 consecutive months as policy restrictions and limited levels of new supply pushed strong buyer demand into the primary markets. In Shanghai, the effective implementation of capital control restrictions increased domestic investor appetite for office buildings, with transaction capitalisation rates now close to 3.5%.

"Our better than expected total return was a result of strong market conditions in the Hong Kong office sector which were reflected in the strong revaluation gain in PCCW Tower."

Continued execution of strategy and business development

We continue to work diligently against the strategy endorsed by the Board in 2015. During the year, we continued to explore strategic joint ventures with existing and new partners across a range of opportunities. Similarly, we continued to solicit interest in our projects from existing and new co-investment partners.

Continued Board development

During the year, we welcomed Yoshikazu Kato and John Harrison to our Board as Independent Non-Executive Directors and bid farewell to Kensuke Hotta who completed his term.

Looking ahead

We expect the environment of rich pricing and abundant liquidity to continue into 2018, but it is also clear that we are in the mature part of the cycle with asset valuations that are expensive and elevated by historical standards. As such, we are prepared for some degree of volatility in our markets in the coming period and have planned some rebalancing in the portfolio in 2018 alongside selective acquisitions.

HK$69.8m
Revenue profit
(2016: HK$112.2m)

HK$9.4bn
Assets under management
(2016: HK$6.8bn)

7.2%
Total return
(2016: 6.3%)

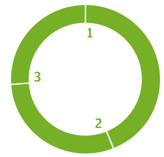
+0%
Like-for-like energy consumption
(2016: +5%)

-1%
Like-for-like water consumption
(2016: +7%)

9
Total number of assets
(2016: 10)

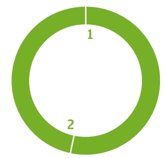
China		Japan	
Hong Kong	3	Tokyo	6

Grosvenor's share of property assets



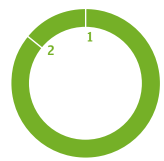
By sector

1	Office	HK$3,745.0m	43.9%
2	Residential	HK$2,566.7m	30.1%
3	Retail	HK$2,220.5m	26.0%



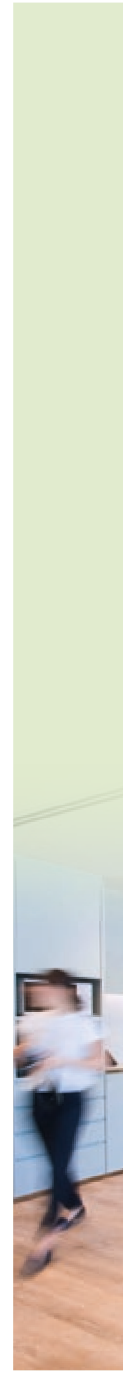
By region

1	Hong Kong	HK$4,556.6m	53.4%
2	Japan	HK$3,975.6m	46.6%



By activity

1	Investment	HK$7,330.5m	85.9%
2	Development	HK$1,201.7m	14.1%



Our new offices in Hong Kong and Shanghai achieve WELL and LEED certification

WELL and LEED are two of the world's leading performance-based systems for measuring, certifying, and monitoring features that impact environmental and human health and wellness in the built environment. When it came to relocating both our Hong Kong and Shanghai teams, we set ourselves the ambitious target to achieve both certifications for our new offices.

Rewarding eight months of careful planning, design and execution, both offices attained WELL Gold Level Certification and are pre-certified LEED.

The offices feature a raft of innovative health features, including a state-of-the-art air quality monitoring and HVAC system. To complement these achievements, we have also launched a variety of wellbeing initiatives.

Appointment of Daniel Cox to lead our Japanese activities

In March 2017, Daniel Cox was appointed as our Managing Director and Chief Representative in Japan. He is responsible for all aspects of the Japan business and is a member of both the Grosvenor Asia Pacific Executive Committee and the Investment Committee.

Daniel has lived and worked in Japan for over 20 years. His experience includes founding and leading Tokyo-based venture incubation company Better World K.K. for seven years and 11 years with Citigroup Japan, where he oversaw the landmark acquisition and redevelopment of the Niseko Higashiyama Prince Hotel into the Hilton Niseko Village.

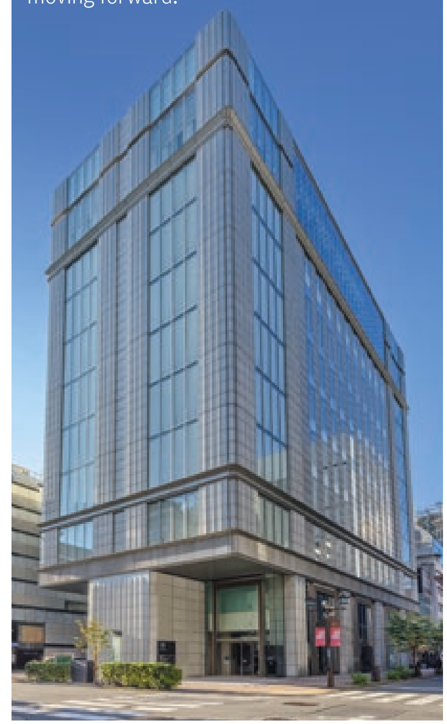
Under Daniel's leadership, we were accepted into the Japan Business Federation, or the Keidanren as it is better known, a nationwide organisation of major companies and regional economic organisations that draws upon the vitality of corporations, individuals and local communities to support the development of the Japanese economy and deliver real improvement in quality of life in Japan.

"Grosvenor has a track record of exceptional projects in Tokyo and their addition to Keidanren will only serve to enhance the organisation. We look forward to partnering with Grosvenor in the future."

Takashi Utagawa
General Manager, Business Development, Mitsubishi Estate Co., Ltd.

Expanding into retail in Tokyo

Given the conditions of rich pricing and abundant liquidity in each of our markets, our approach to acquisitions during the year was to focus on opportunities where there was a clear value creation story. In addition, we have been targeting sectors where we have confidence in the medium- to long-term secular trends underpinning sector specific demand. Our acquisition of Namikikan Ginza in 2017, a high-quality vertical retail asset requiring lease-up and repositioning, was a case in point and met both of these criteria. Improved domestic conditions and consumer confidence, combined with significant increases in tourism arrivals, make the Ginza district highly attractive and this particular asset ideal to take advantage of these trends moving forward.



Grosvenor Asia Pacific (continued)

Focusing our charitable activity on property and community engagement in Hong Kong, Shanghai and Tokyo

Our Charitable Giving and Community Engagement Committee co-ordinates and drives all charitable activity across our Asia offices, with the aim of bringing about long-term change to help underprivileged communities.

Projects we have supported include Habitat for Humanity's home renovation programme in Shanghai and the Family House home rental scheme to help families with hospitalised children in Japan. We have also made donations to a variety of charities such as Light Be, a flagship programme that links landlords, underutilised properties and families in need through an affordable housing rental scheme to empower disadvantaged families in Hong Kong.

The year also saw the completion of the 'Viva Blue House' revitalisation project, a pioneering housing scheme in Hong Kong's historic Wanchai district which aims to support the retention of both residents and buildings in the area by taking a 'people-led' heritage conservation approach. Consisting of three Hong Kong-style shophouses constructed in the 1920s, 30s and 50s, Blue House is a Grade I listed building that has been transformed into a unique cultural landmark. Our sponsorship funded the renovations of eight units and the relocation of former residents back into their refurbished apartments. In November, the Blue House was awarded UNESCO's highest heritage conservation award, in appreciation of its truly inclusive approach to urban conservation.

"Grosvenor's support of the Viva Blue House project has helped to improve the quality of life and living conditions of our residents."

Josephine Lee
Deputy Chief Executive Officer, St. James' Settlement

"Many residents have visited our shop since the event and some have become repeat customers. We feel it was a mutually beneficial event for us and for the residents."

Satoshi Katsumata
Managing Director, Nooks Foods

Building relationships with the local community at Grosvenor Place Kamizono-cho

In March 2017, we hosted a 'Sakura Marche' event in celebration of the traditional cherry blossom festival at our residential asset Grosvenor Place Kamizono-cho (GPK), Tokyo. The Sakura Marche acted as a showcase for small local enterprises and provided an opportunity to highlight Grosvenor's social and environmental commitments to our tenants in an informal environment. The event successfully fostered a better appreciation for local businesses from the surrounding Shibuya area.

A diverse range of local businesses participated in the event, including a bakery, a florist, organic food suppliers, a vegetable farm and artisanal beer makers. Vendors were selected based on their proximity to GPK and tenants were able to directly support local independent businesses through an interactive and engaging market concept. The event garnered praise from the vendors and the GPK residents who attended with their friends and family.

Investing in research to inform our approach to neighbourhoods

In October 2017, we launched the second edition of our research into neighbourhoods, this time focusing on Kennedy Town, Hong Kong. Titled 'Kennedy Town: A neighbourhood in transition', the report examined sentiment in a rapidly changing community. It explored ways that property companies can balance commercial interests with the spirit and desires of a community, and thereby ensure developments make a genuinely positive contribution to neighbourhoods. These reflect our ambitions in Hong Kong and across Asia Pacific.

600

We listened to over 600 voices of local residents in our study to understand the rapidly changing Kennedy Town community

In our study, we listened to the voices of over 600 local residents, who were overwhelmingly positive in their identification with, and experience of, their neighbourhood, but emphasised consistent concerns around its future development.

Our research showed residents see Kennedy Town as a vibrant neighbourhood, combining new and traditional, local and international elements. Of those surveyed, 91% were satisfied with their neighbourhood. This is almost 20% higher than the average level of neighbourhood satisfaction in Hong Kong as measured in our 2016 study. 80% of respondents surveyed believe that Kennedy Town has improved over recent years and believe the neighbourhood has a unique character in the context of increased homogeneity in Hong Kong.

However, there was a desire for the pace and type of new developments to be sympathetic to the existing built character of the neighbourhood, with an aspiration for more places in which the community can interact in an informal setting, especially along the waterfront.

The research was launched at an event that featured a panel of experts, including world-renowned architect Sir Terry Farrell. The panel concluded that in Kennedy Town there is tension between informal urbanism, where neighbourhood businesses and social patterns determine development, and formal urbanism, where government imposes top-down patterns of development on a community. There is also a need for more quality public space, as is the case generally across Hong Kong.

"Grosvenor's examination of urban placemaking in Hong Kong was truly innovative and brought together so many stakeholders that are passionate about the history of this city and how their understanding will creatively mould and shape its future."

Sir Terry Farrell CBE
Principal and Architect Planner, Farrells

Board of Directors as at 22 March 2018

Keith Kerr
Chairman
Non-Executive Director

John Harrison
Non-Executive Director

Yoshikazu Kato
Non-Executive Director

Norman Lyle
Non-Executive Director

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

Peter Vernon FRICS
Non-Executive Director
Group Executive Director

Benjamin Cha
Executive Director
Chief Executive

Ian Mair
Executive Director
Chief Operating Officer and
Regional Finance Director

"I was pleased to see the Grosvenor Asia team continue to build its capabilities with the recent off-market acquisition of a quality Tokyo retail property, Namikikan Ginza. It will be repositioned to take advantage of increased tourism arrivals to Japan."

Norman Lyle
Non-Executive Director

Grosvenor Europe

James Raynor
Chief Executive, Grosvenor Europe

22 March 2018

Responding to market challenges

Housing is an issue that faces all of the cities in which we operate; a problem that arises, in part, due to their attractiveness as vibrant places that people want to live, work and spend time in.

In 2017, we increased our capabilities in the residential sector and began to grow our development skills, and the size of our local teams, to create opportunities to address some of these challenges in the neighbourhoods in which we are active. For example, since February 2017, we acquired six residential development sites in Madrid, where we aim to establish the Grosvenor brand as a considerate and innovative residential developer.

We also see the opportunity to densify our retail portfolio in Sweden, not only by expanding and upgrading the retail offer, but potentially by providing more than 1,000 residential apartments over the next 10 years.

In Stockholm, as elsewhere, we are aware that our properties serve their local communities. As such, we invest a great deal of time and capital to ensure we fully understand community needs so that our initiatives assist with local growth. In southern Stockholm, for example, we are proud to be able to continue to support Mitt 127, an excellent local foundation that helps improve the wellbeing of young people who live near our shopping centre, Skärholmen Centrum.

At a corporate level, I am delighted that Jonathan Lane became our first independent Chairman and that Olivier Piani joined the Board as a Non-Executive Director at the beginning of 2018. Their knowledge and experience will be invaluable in helping Grosvenor Europe continue to move forward.

Our performance

This year, we took advantage of market cycles to complete over £0.5bn of sales and, in doing so, realised values on behalf of our investors and ourselves of 11% above year end 2016 values. These sales reduced our net rental income and recurring fee income, which was offset by the delivery of performance fees from two of our vehicles.

Total income for the year was £24.7m, up from 2016 (£22.9m) and profit before tax was £2.4m, (2016: £1.6m), as we benefited from the realised profits of our French investments, while valuation movements on our other vehicles were broadly neutral. Following significant divestments in 2016 and 2017, our total return was 1.1% (2016: 1.4%) and assets under management were £2.4bn (2016: £2.9bn).

Looking ahead

While we do not expect any potentially negative economic news in our cities in 2018, most of our markets are quite well through their cycles and asset prices are high. We are therefore adopting a selective stance when it comes to expansion. Nonetheless, we remain confident that our local capabilities will allow us to unlock opportunities in each of our key cities; opportunities where we can improve assets, bolster our existing portfolio and build a store of future value.

> "We increased our residential development capability to help address the housing challenges that our European cities are facing."

£(0.6)m
Revenue profit
(2016: £(0.5)m)

£2.4bn
Assets under management
(2016: £2.9bn)

1.1%
Total return
(2016: 1.4%)

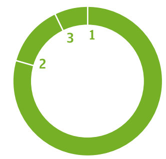
-2%
Like-for-like energy consumption
(2016: -3%)

-5%
Like-for-like water consumption
(2016: -6%)

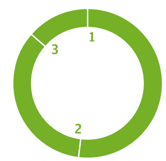
13
Total number of assets
(2016: 36)

Number of assets by country	
Sweden	6
Spain	4
UK	3

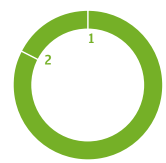
Grosvenor's share of property assets



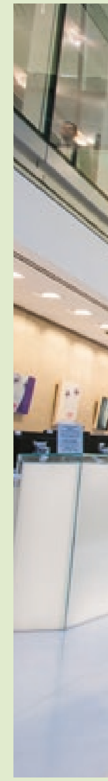
By sector			
1	Retail	£183.9m	79.4%
2	Residential	£31.0m	13.4%
3	Office	£16.6m	7.2%



By region			
1	UK	£120.3m	52.0%
2	Sweden	£80.2m	34.6%
3	Spain	£31.0m	13.4%



By activity			
1	Investment	£217.8m	94.1%
2	Development	£13.7m	5.9%



Realising the value of our investments to deliver strong returns

In 2017, we made a series of strategic divestments where we identified opportunities to realise significant returns for our investment partners and ourselves. The sale of London's Fleet Place House (£96.5m) in March and 10 Grosvenor Street (£152m) in October on behalf of the Grosvenor London Office Fund underpinned our active value-add management strategy.

The excellent timing of a series of retail disposals in France and Milan during the second half of the year resulted in the outstanding performance of the Urban Retail II and Urban Retail V investment vehicles. While a number of our funds reached maturity in 2017, we continue to look for new opportunities to invest our own capital independently, and alongside our trusted investment partners.

20

We welcomed 20 new retailers to Skärholmen Centrum in 2017

Greater direct investment promotes successful growth of Skärholmen Centrum

Our largest Swedish asset, Skärholmen Centrum in southern Stockholm, reached two milestones in 2017. First, we increased our ownership stake in the joint venture which owns the centre. We did so as we saw the opportunity to implement various projects that would add long-term value to the asset and the surrounding community. The ability to work with our investment partners to directly influence the future of this close-knit regional centre, enabled us to develop a far-sighted vision for Skärholmen.

The second milestone was the completion of the first phase of a 47,000m^2 refurbishment programme, the cornerstone of our overall transformation plan. The project enhances the centre's food and beverage offering, adding a larger range of restaurants mixed with commerce, cultural and local services. Not only will it create a more vibrant centre, it will ensure Skärholmen Centrum is positioned as the region's premier destination for food, fashion and dining – a place where people want to spend their time.

Grosvenor Europe (continued)

Enhanced performance achieved by nurturing cross-cultural diversity

We are active in many countries across Europe, so we recognise the importance that cross-cultural diversity plays in enhancing our business performance. In 2017, we invested heavily in our people. We also introduced various methods of communication to explain the benefits that inclusion brings to the business and to colleagues, in order to build goodwill and encourage positive behaviour. This included the implementation of formal strengths-based learning, which enabled colleagues to recognise and value how individuals contribute differently to business success.

"Training can help break down unintentional biases and help our people to value the differences our varied backgrounds bring. Continuing to build an inclusive culture ensures Grosvenor Europe is a great place to work and attracts new talent to support our business growth."

Patricia Abril
Non-Executive Director, Grosvenor Europe

"Understanding cross cultural awareness and diversity, through strength-based learning, contributes to a higher level of inclusion, empathy, collaboration and shared positive outcomes."

Simon Evans
Director, Construction, Development and Investment Management, Grosvenor Europe

CGI

"We are driven by a desire to make things better, so we are transforming an unused and unattractive building into one that not only reflects both the modern vibrancy and heritage of the district, but one that meets the demands of a growing city."

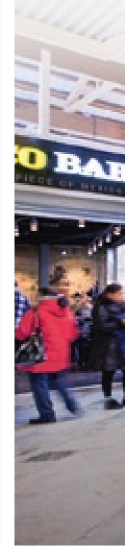
Fátima Sáez del Cano
Managing Director, Spain, Grosvenor Europe

6
new residential developments coming to the Madrid housing market over the next 10 years

Investing in Madrid to deliver new homes and added value to communities

We are driven by a desire to improve our properties and places. In 2017, we embarked on a number of projects to transform underutilised assets into properties which contribute to the growth and vibrancy of the places in which we are active.

For example, in Madrid, we acquired a dated 1970s office building in the sought after Chamberí district of Madrid. The vacant 2,000m² building does not currently reflect the spirit or architectural design of the locality, nor does it align with the need for additional family housing in this neighbourhood. We are working with esteemed architectural practice Estudio Lamela to create a residential scheme of 12 apartments of between two and four bedrooms, with amenities such as a gym and rooftop terraces. The principal design driver of the project is the need to provide a high-quality and attractive façade to improve the current streetscape and add to the vibrancy of the area.



Recognition for our responsible and sustainable investment

We understand the importance of promoting sustainable design, management and innovation across our portfolio.

We publish our performance against sustainability measures, demonstrating a public commitment to transparency and accountability. For example, in 2017, we participated in the annual Global Real Estate Sustainability Benchmark (GRESB) for the sixth year, and were awarded the top rating, a Green Star, for five of our investment vehicles.

In addition, we are signatories to the global UN Principles for Responsible Investment, which is recognised by our international investment partners who hold the same high standards for sustainability to be integrated into real estate strategies.

Our commitment to sustainability feeds through to implementation at an asset level, with a constant emphasis placed on improving performance. We continue to reduce our water and energy consumption year-on-year, this time by -2% and -5%, respectively. This year in Stockholm, two of our shopping centres became BREEAM certified, while in Madrid, we began working towards BREEAM certification on our residential developments.

58%
improvement in our overall GRESB score since 2012

"Grosvenor has stretched out a hand to the young and really taken care of the driving forces found here."

Aseffa Hailu
Founder, Mitt 127

Expanding our charitable activity across Europe

In 2017, we supported nine charities across Stockholm, Madrid, Paris, Lyon and Milan and contributed a significant amount through the Liverpool ONE Foundation.

In Stockholm, we continued to support Mitt 127, a local charity which helps develop social skills and leadership experience for the youth of Skärholmen. We also worked with charity Väsby Tjejjour, where our financial assistance supports drop in 'chat sessions' for girls from Upplands Väsby municipality who need someone to talk to outside their family environment.

In France, we have supported Habitat et Humanisme since 2004. The charity is one of the largest providers of social housing in France, and supports sustainable development through creative and innovative design.

In 2017, our donation supported two social housing projects in the 18th and 20th arrondissements of Paris. Our established relationship has also led us to develop a framework which could enable us to contribute to social development projects proposed by the municipality of Paris.

In Madrid, we funded the refurbishment of two residential properties by Caritas, an organisation that provides accommodation to host families experiencing economic difficulties in the city.

Board of Directors as at 22 March 2018

Jonathan Lane
Chairman
Non-Executive Director

Patricia Abril
Non-Executive Director

Olivier Piani
Non-Executive Director

Mark Preston FRICS
Non-Executive Director
Group Chief Executive

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

James Raynor
Executive Director
Chief Executive

Robert Davis
Executive Director
Chief Financial Officer

Sara Lucas
Executive Director
Portfolio

"I am excited by the opportunity to work with such an outstanding team across some of the most dynamic markets in Europe."

Jonathan Lane
Chairman, Grosvenor Europe Board
Non-Executive Director

Indirect Investment

Chris Taite
Managing Director, Indirect Investment

22 March 2018

Exploring new trends to generate value

In the Indirect Investment business, we have investments in 14 countries across five continents, which gives us access to a broad range of markets and considerable local expertise. We partner with 10 specialist third-party businesses, who deliver our active investment programmes on our behalf.

With the exception perhaps of sub-Saharan Africa and South America – where the market dynamics and opportunities are more complex – the other regions that we have exposure to have similar capital market dynamics in play. In these regions, which include the US, the UK and Australia, the opportunity for market yield compression is largely gone, with considerable amounts of capital chasing deals, and growing evidence that investors are willing to accept greater risk. While there is still some potential for rental value growth, we have to be increasingly selective to find opportunities where future value is not already substantially priced-in at acquisition. 2017 has been a year when we have reviewed more deals than ever, but have struggled to find many good opportunities.

Driving strong returns

Recurring revenue continues to be a strong driver of Indirect Investment's annual return, with the combined portfolio delivering a 12.9% increase in revenue profit in 2017. Rental growth in Sonae Sierra's shopping centres was a particular driver behind this, as was the growth in Sonae Sierra's services business. In addition to income, there have been some notable capital events. Three third-party managed investments were exited in 2017, all delivering returns significantly ahead of their business plans, and healthy revaluations further contributed to a strong overall return for the year.

Consistent with the market context, 2017 was a year for some substantial profit taking, consolidation and reflection, positioning Grosvenor well as it looks to capitalise on opportunities in 2018 and beyond.

Looking ahead

Going forward, our focus is to build on our more recent deals, where we can capitalise on growth trends that are less dependent on the economic cycle, such as student housing, the long-term mixed-use densification of US cities and real estate technology investments. In particular, we are looking at the expansion of our US student accommodation partnership with Alden Street Capital, and there will be opportunities to invest with Greensoil's Building Innovation Fund. This Fund invests in fast growing companies that seek to find technological solutions to some of the environmental and practical inefficiencies of the real estate industry, consistent with Grosvenor's 'Living cities' approach.

> "In 2018, we plan to continue our programmes of investments with our existing partners and hope to embark on some exciting new opportunities across a number of sectors."

The logistics sector continues to be an area of focus and investment as it addresses the growing needs of consumers' increasing reliance on online shopping. We are also in due diligence on a number of new deals with existing partners.

In 2018, we will be actively looking at new opportunities with new and existing partners across a number of sectors and countries including medical office buildings, serviced office accommodation and longer-term densification around new public transport infrastructure projects.

£35.9m
Revenue profit
(2016: £31.8m)

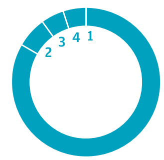
£628.1m
Equity invested
(2016: £600.6m)

8.5%
Total return
(2016: 12.7%)

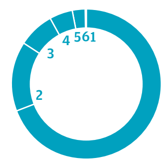
12
Total number of investments
(2016: 15)

Number of investments per region	
North America	5
Continental Europe	2
UK	2
Africa	1
Australia	1
Brazil	1

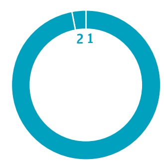
Portfolio analysis



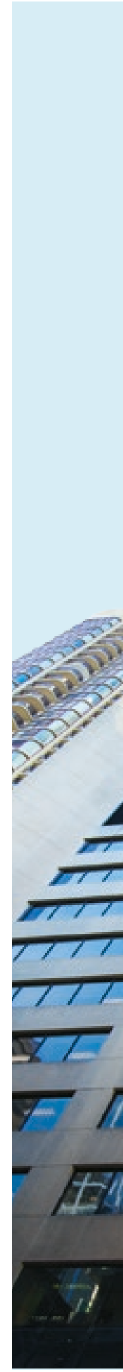
By sector			
1	Retail	£939.1m	83.5%
2	Industrial	£74.5m	6.6%
3	Office	£56.1m	5.0%
4	Other	£55.3m	4.9%



By region			
1	Continental Europe	£779.4m	69.3%
2	Brazil	£168.9m	15.0%
3	USA	£87.2m	7.8%
4	Australia	£56.1m	5.0%
5	UK	£32.9m	2.9%
6	Africa	£0.5m	<0.1%



By activity			
1	Investment	£1,091.4m	97.0%
2	Development	£33.6m	3.0%



Exceptional result from sale of 320 Pitt Street in Sydney

Grosvenor has been active in Australia, either directly or indirectly, for 50 years. In 2015, we formed a three-way joint venture with Propertylink and Goldman Sachs to acquire 320 Pitt Street, a 30,000m², 32 floor office building in central Sydney.

In July 2017, Propertylink completed the sale of 320 Pitt Street for A$275m, representing an IRR of 30% per annum for Grosvenor over a two-year period. This was an exceptional result and demonstrates Grosvenor's ability to move quickly with partners that are aligned with our strategy and approach.

We maintain exposure to the Sydney office sector through another partnership with Propertylink, POP III, which holds four assets in the evolving North Ryde neighbourhood.

30%

IRR enables further diversification

Successful exit from High Street Retail Fund IV enables investment in new opportunities

In June 2017, we successfully exited our investment in High Street Realty's Fund IV, a US industrial and logistics fund focused on the country's east coast. The investment delivered a 15% IRR per annum over a five-year period, demonstrating both the strength of the sector and the expertise of our partners in delivering value.

We continue to capitalise on this expertise and retain exposure to the industrial and logistics sector in the US through two additional High Street Realty managed ventures.

A new sector for Grosvenor

The Indirect Investment business is constantly evaluating opportunities in new sectors to broaden the portfolio and deliver the Group's diversification objective. In 2017, Grosvenor entered the student accommodation sector for the first time, with a joint venture with Alden Street Capital.

The New York-based student accommodation investment and management company targets value-add student accommodation opportunities across the US and has already acquired its first asset in Florida. There is an active pipeline of investments, specifically in Texas and Louisiana.

"We've been active investors in the US student housing sector for some time, but working with Grosvenor has enabled us to execute our ambitious investment strategy and to grow our company and investment portfolio."

Greg Olbays
Principal, Alden Street Capital

Indirect Investment (continued)

Sonae Sierra continues to strengthen its position in the retail real estate industry and create value through sustainability

In 2017, Sonae Sierra continued to build on its corporate strategy. A capital recycling programme has enabled it to pursue further acquisitions, with an active development pipeline, demonstrating a sustainable growth strategy. Sonae Sierra also continues to expand its professional service provision activity.

Sustainability is at the heart of Sonae Sierra's activities. Creating shared value for partners, investors and society by using the most sustainable approach to business is a key factor in the company's ongoing success.
In 2017, Sonae Sierra continued to implement its sustainability strategy by managing operational risks and increasing efficiencies, protecting long-term asset value, delivering a higher-quality service and experience to clients, tenants and shopping centre visitors, and attracting and retaining committed and talented people within the company.

Some of its key achievements include:

£24.5m

Avoided costs of £24.5m in 2017 as a result of energy, water and waste efficiency measures implemented within the owned portfolio

-2%

Reduced electricity consumption by 2% (-47% since 2002)

-38%

A 38% reduction in greenhouse gas emissions within the owned portfolio and corporate offices (-79% since 2005)

64%

Recycling rate increased to 64%, which represents an increase of +239% since 2002

"Approaching business in a sustainable way is not a way to do business, it is the only way."

Elsa Monteiro
Head of Sustainability and Corporate Communication, Sonae Sierra

CGI

"Honest Buildings has created a powerful capital management platform which has attracted attention and investment from the world's largest real estate owners. It's exciting that, through using the platform, Grosvenor's business in the Americas is now adding value to the Indirect Investment team's investments, creating a virtuous circle."

Susan J. McArthur
Managing Partner, Greensoil

Supporting the development of energy-efficient buildings

Our investment in Greensoil's Building Innovation Fund provides capital to early stage companies in the real estate technology space which, in turn, creates real estate value through improved efficiency, performance and sustainability for the real estate sector. The Fund has invested in seven companies that meet these criteria.

One of these companies, Honest Buildings, provides a project management and procurement platform that helps ensure capital and construction projects are delivered on time and on budget. The platform enables real estate owners to evaluate and plan their capital budgets across their portfolio, enhancing transparency, reducing project costs and leading to better decision-making.

Our investment is directly benefiting teams at Grosvenor. Grosvenor Americas is using the Honest Buildings platform at 1500K (see page 37), a substantial refurbishment project in the heart of Washington, D.C.

Group Investment Committee
as at 22 March 2018

Mark Preston FRICS
Group Chief Executive

Nicholas Scarles FCA, ATTORNEY AT LAW
Group Finance Director

Graham Parry
Group Research Director

"Indirect Investment's combination of a research and deal-led approach continues to demonstrate a successful formula. As the market cycle changes, the team's growing focus on less cyclical investment themes is positioning it well for the future."

Graham Parry
Group Research Director, Grosvenor Group

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Glossary

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

Building Research Establishment Environmental Assessment Method (BREEAM)
A method of assessing, rating and certifying the sustainability of buildings. Originated in the UK, but used in over 50 countries.

Capitalisation rate
The rate of return on a real estate investment property based on the income that the property is expected to generate. It is calculated by dividing the net operating income by the property asset value.

CGI
Computer-generated image.

City & Guilds
The City & Guilds of London Institute (City & Guilds) is a UK examining and accreditation body for vocational, managerial and engineering training, spanning from entry level to the equivalent of a postgraduate degree.

Co-Investment
Where Grosvenor invests equity in joint ventures or fund vehicles alongside third parties.

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

Currency
Financial information is presented in Sterling, with the exception of the Operating Company-specific sections on pages 34-43, where it is presented in the principal currency of the respective Operating Company.

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

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

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

Energy Star
A voluntary programme that helps businesses and individuals save money and protect the environment through superior enery efficiency.

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

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

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

Group
Grosvenor Group Limited and its subsidiary undertakings.

Holding Company
Grosvenor Group Limited.

HVAC
Heating, Ventilation and Air Conditioning.

IFRS
International Financial Reporting Standard(s).

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

Internal Rate of Return (IRR)
The discount rate at which the net present value of outflows and the net present of inflows equal zero.

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 controls jointly with the other investors.

Leadership in Energy Environmental Design (LEED)
A rating system devised by the US Green Building Council to evaluate the environmental performance of a building. Can be used worldwide.

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

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

Occupancy rate
The average occupancy by floor area for the relevant year.

Operating Companies
Grosvenor's regional investment and development businesses.

Organisation for Economic Co-operation and Development (OECD)
Works with governments to understand what drives economic, social and environmental change and promotes policies that will improve the economic and social wellbeing of people around the world.

Passive House
Passive House (alternatively referred to as Passivhaus) is a rigorous, voluntary standard for energy efficiency in a building.

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

Proportional
The total of the Group's wholly-owned and its share of jointly-owned property assets or net debt as accounted for on an IFRS basis.

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

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

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

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

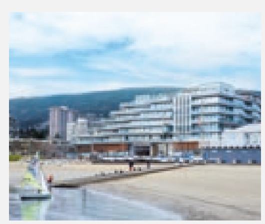
Trading property
Property held as a current asset in the balance sheet that is being developed with a view to subsequent resale.

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

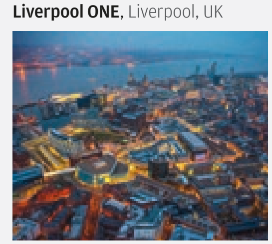
WELL
The WELL Building Standard focuses exclusively on the ways that buildings, and everything in them, can improve comfort and enhance health and wellness.

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

Front cover:
Grosvenor Ambleside, Vancouver, Canada



Back cover:
Liverpool ONE, Liverpool, UK



GROSVENOR

Celebrating 10 years of Liverpool ONE – a catalyst to the city's revival