

Grosvenor Estate Management Limited

Company Registration Number 02048534

Annual Report and Financial Statements

Year Ended 31 December 2011



Grosvenor Estate Management Limited

Directors' Report

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2011

Principal Activities and Business Review

The company is a wholly owned subsidiary of Grosvenor Group Limited, its ultimate parent company. Grosvenor Limited is the immediate holding company and is responsible for the operations of the Grosvenor Group in the United Kingdom and Ireland.

The principal activities of the company during the year was to provide management and consultancy services to other group companies and to third parties. The directors do not anticipate any significant change in the activities of the company and its profitability.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the company's financial statements.

The Registered Office of Grosvenor Estate Management Limited is 70 Grosvenor Street, London, W1K 3JP.

Results and Dividends

The results of the company for the year are shown in the Profit and Loss Account. Profit on ordinary activities before taxation was £ 48,101 (2010 - Profit of £ 33,550).

The balance sheet shows that the company's net assets increased from £ 4,308,019 to £ 4,356,120 during the year.

The directors have not recommended payment of a dividend.

Key Performance Indicators

The directors of Grosvenor Limited manage its group operations on a divisional basis. For this reason, the company's directors believe that further key financial and non-financial performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The performance of the Grosvenor Limited Group, which includes the company, is discussed in the directors' report in the annual report of that company which does not form part of this report.

Principal Risks and Uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key risks and uncertainties affecting the business include:

- Inability to recruit and retain sufficient staff with appropriate skills
- Non-recovery of costs incurred on behalf of other Grosvenor Group companies and related entities

The company is financed by equity and intra group loans.

Grosvenor manages its cash flows, liquidity position and borrowing facilities on a group basis and further disclosure relating to these matters, are included in the annual report of Grosvenor Limited.

Grosvenor Estate Management Limited

Directors' Report

Directors of the Company

The directors who served the company throughout the year, except as noted, were as follows

P S Vernon

R F C Blundell

S Arthur

T Lightbody

(Resigned 15 June 2011)

U Schwarz-Runer

(Appointed 01 February 2011)

Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

United Kingdom company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all reasonable steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

This information is given in accordance with S 418 of the Companies Act 2006.

Grosvenor Estate Management Limited

Directors' Report

Employment

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's bonus scheme.

Policy on the Payment of Creditors

Payment terms are agreed with suppliers on an individual basis. It is the policy of the company to abide by the agreed terms, provided the suppliers comply with all relevant terms and conditions.

Auditors

Deloitte LLP has indicated its willingness to be reappointed for another term and is deemed to be reappointed accordingly.

Signed by order of the Board

A handwritten signature in black ink, appearing to read 'K Robinson', with a stylized flourish at the end.

K Robinson
Company Secretary

Independent Auditor's Report to the Members of
Grosvenor Estate Management Limited
For the Year Ended 31 December 2011

We have audited the financial statements of Grosvenor Estate Management Limited for the year ended 31 December 2011 which comprise the profit and loss account, balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of Directors and Auditor

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

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

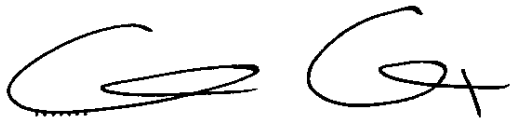
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of
Grosvenor Estate Management Limited
For the Year Ended 31 December 2011

Matters on Which we are Required to Report by Exception

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

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



Emma Cox (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

2nd May 2012

Grosvenor Estate Management Limited

Profit and Loss Account for the Year Ended 31 December 2011

	Note	2011 £	2010 £
Turnover	2	45,675,744	44,538,807
Cost of sales		(45,627,643)	(44,495,264)
Gross profit		48,101	43,543
Operating profit	3	48,101	43,543
Interest receivable and similar income		-	7
Interest payable and similar charges		-	(10,000)
Profit on ordinary activities before taxation		48,101	33,550
Tax on profit on ordinary activities	7	(804,103)	(352,879)
Loss for the financial year		(756,002)	(319,329)


All results are derived from continuing operations

Grosvenor Estate Management Limited

Balance Sheet as at 31 December 2011

	Note	2011 £	2010 £
Fixed assets			
Fixtures and fittings	8	<u>645,383</u>	<u>646,507</u>
		<u>645,383</u>	<u>646,507</u>
Current assets			
Debtors	10	18,749,917	16,860,977
Cash at bank and in hand		<u>12,668</u>	<u>61,724</u>
		18,762,585	16,922,701
Creditors: amounts falling due within one year	11	(14,857,472)	(13,068,840)
Net current assets		<u>3,905,113</u>	<u>3,853,861</u>
Total assets less current liabilities		4,550,496	4,500,368
Provisions for liabilities	6	(194,376)	(192,349)
Net assets		<u>4,356,120</u>	<u>4,308,019</u>
Capital and reserves			
Called up share capital	12	2,500,000	2,500,000
Profit and loss account	13	<u>1,856,120</u>	<u>1,808,019</u>
Shareholders' funds	13	<u>4,356,120</u>	<u>4,308,019</u>

These financial statements were approved by the Board and authorised for issue on 2nd May 2012 and are signed on its behalf by


R F C Blundell


U Schwarz-Runer

Company registration number 02048534

Grosvenor Estate Management Limited

Notes to the Financial Statements

1. Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The accounting policies have been applied consistently throughout the current and preceding year.

The directors' report describes the going concern basis of preparation of the financial statements.

Cash flow statement

The directors have taken advantage of the exemption in FRS1 'Cash flow statements' from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and is a member of a group that publishes a consolidated cash flow statement.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Improvements	-	12.50%
Fixtures & Fittings	-	12.50% - 33.3%
Motor Vehicles	-	25%
Computer Systems	-	25% - 33.3%

Pension costs

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

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

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

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

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

The company's contributions to multi-employer defined benefit pension plans, when the company's share of the underlying assets and liabilities cannot be identified, are recognised as an expense in the income statement as incurred.

Taxation

All current and deferred tax charges or credits (after the application of group relief, to the extent relevant) are recognised in the company's profit and loss account.

Grosvenor Estate Management Limited

Notes to the Financial Statements

1. Accounting Policies

Current UK corporation tax is recognised at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

The company's taxation obligations are settled on its behalf by the intermediate holding company Grosvenor Limited. The benefit of this arrangement is recognised as a capital contribution from Grosvenor Limited to the company (or distribution from the company to Grosvenor Limited where a tax credit arises) with all current and deferred tax assets and liabilities recorded in the balance sheet of Grosvenor Limited

Deferred taxation is provided in full in respect of timing differences between the recognition of income and expenditure for accounting and taxation purposes. Deferred taxation is not provided in respect of unrealised revaluation surpluses where there is no commitment to sell the asset. Deferred tax credits are recognised to the extent that it is regarded as more likely than not that the related assets will be recovered. Deferred tax assets and liabilities are not discounted. As described above, whilst the deferred tax charge or credit is recognised in the profit and loss account of the company, the related deferred tax assets and liabilities are recorded in the balance sheet of Grosvenor Limited

2. Turnover

Turnover and profit before tax are attributable to the one principal activity of the company and arise entirely in the United Kingdom

3. Operating Profit

Operating profit is stated after charging	2011	2010
	£	£
Auditors' remuneration		
- for the audit of the annual accounts of the company	10,550	10,950
- for the audit of the annual accounts of fellow subsidiaries	238,540	227,250
- for the audit of the group pension fund	9,114	8,500
	258,204	246,700
Operating lease commitments - other	3,521,528	3,645,628
Depreciation	173,924	184,030

Grosvenor Estate Management Limited

Notes to the Financial Statements

4. Particulars of Employees

The average number of employees by business was as follows

	2011	2010
	No	No
Property investment	91	98
Property development	59	64
Management and administration	82	73
	<u>232</u>	<u>235</u>

All employees are based in the United Kingdom

The aggregate payroll costs of the above were

	2011	2010
	£	£
Wages and salaries	19,190,110	18,719,470
Social security costs	2,452,953	2,259,285
Other pension costs	6,219,930	5,714,547
	<u>27,862,993</u>	<u>26,693,302</u>

Grosvenor Estate Management Limited is also responsible for the employment contracts of 81 employees (2010 - 81) whose duties fall outside the Grosvenor Limited group. The costs of these employees are borne by the companies outside the Grosvenor Limited group.

Directors are paid by Grosvenor Estate Management Limited for services to other companies.

The disclosure of the directors' remuneration has been included in the consolidated accounts of Grosvenor Limited.

5. Pensions

The company principally participates in the Grosvenor Pension Plan (the 'Plan', formerly the Grosvenor Estates Pension Scheme), a defined benefit pension scheme, and a separate stakeholder defined contribution scheme. Both schemes are administered by independent trustees. The Plan is open to all staff and provides a defined benefit pension up to an upper earnings limit. Above this limit the Group contributes between 25% and 30% of that tranche of salary into the defined contribution scheme. Some members of the Plan accrue benefits on historical scales which pension full salary (subject to the earnings cap).

Independent qualified actuaries complete valuations of the Plan at least every three years and contributions are paid to the Plan in line with a schedule of contributions agreed between the trustees of the Plan and the Group.

Although the Plan is a defined benefit scheme, it is a multi-employer scheme and the company's share of the underlying assets and liabilities cannot be identified. As a result, FRS 17 requires that the Plan is accounted for as if it were a defined contribution scheme. Actuarial valuations for the Plan as a whole, including the element that relates to non-company employees, have been updated to 31 December 2011 by an independent qualified actuary, in accordance with FRS 17, and included below is the surplus/(deficit) indicated by that valuation and the major assumptions used by the actuary.

Grosvenor Estate Management Limited

Notes to the Financial Statements

	2011 £m	2010 £m	2009 £m
Pension scheme (deficit) before tax	(13 7)	(19 6)	(28 8)

Assets in the scheme and the expected rates of return

	2011 Value	Long-term rate of expected return	2010 Value	Long-term rate of expected return	2009 Value	Long-term rate of expected return
	£m		£m		£m	
Equities	122 0	6 8%	115 1	7 4%	98 4	8 0%
Bonds	31 8	3 7%	29 8	4 6%	23 3	5 3%
Other	2 3	3 0%	1 8	4 2%	1 9	4 4%
	<u>156 1</u>		<u>146 7</u>		<u>123 6</u>	
Present value of scheme liabilities	<u>(169 8)</u>		<u>(166 3)</u>		<u>(152 4)</u>	
Pension scheme surplus/(deficit) before tax	(13 7)		(19 6)		(28 8)	
Related deferred tax asset/(liability) at 25%	<u>3 4</u>		<u>5 5</u>		<u>8 1</u>	
Surplus/(deficit) in scheme	<u>(10 3)</u>		<u>(14 1)</u>		<u>(20 7)</u>	

Major assumptions used by the actuary were:

	2011	2010	2009
Rate of increase in salaries	4.3%-5.3%	4 5%-7 5%	4 6%-7 6%
Rate of increase in pensions payment	3.3%	3 5%	3 6%
Discount rate	4.8%	5 4%	5 6%
Inflation	3.3%	3 5%	3 6%

In addition, the company operates an unfunded defined benefit scheme to satisfy pension commitments not catered for by the principal schemes. The provision in relation to this scheme is disclosed in note 6.

Defined benefit pension costs charged to the profit and loss account were £ 5,614,986 (2010 - £ 5,069,319). This includes the contribution to the multi-employer scheme, the cost in the year of the unfunded defined benefit scheme and also a variation cost for the multi-employer scheme of £ 3,005,755 (2010 - £ 2,797,666).

The company's contributions to the defined contribution scheme were £ 604,944 (2010 - £ 645,227).

Grosvenor Estate Management Limited

Notes to the Financial Statements

6. Provisions for Liabilities

	2011 £	2010 £
At 1 January	192,349	167,333
Finance charges	10,000	10,000
Benefits paid	(7,973)	(7,651)
	<u>194,376</u>	<u>192,349</u>

Provisions are in respect of an unfunded pension obligation, and are based on valuations carried out by independent qualified actuaries. The principle assumptions used by the actuaries are the same as those used for the Grosvenor Pension Plan, which are set out in note 5. Actuarial gains and losses as a percentage of the scheme were 0% in 2011, 0% in 2010, and a loss of 10.6% in 2009.

The deferred tax asset relating to this provision has been recognised at group level in accordance with the deferred taxation accounting policy in note 1.

7. Taxation on Ordinary Activities

Taxation

	2011 £	2010 £
Current tax		
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	855,906	352,879
Effect of change in corporation tax rate on opening balance	(51,803)	-
Total deferred tax	<u>804,103</u>	<u>352,879</u>
Tax on profit on ordinary activities	<u>804,103</u>	<u>352,879</u>

Tax reconciliation:

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>48,101</u>	<u>33,550</u>
Tax on ordinary activities at the standard UK corporation rate of 26.5% (2010 - 28%)	12,747	9,394
Expenses not deductible for tax purposes	163,959	181,722
Group relief surrendered/(received) for nil consideration	679,200	(287,280)
Other tax adjustments	(855,906)	96,165
Total current tax	<u>-</u>	<u>-</u>

Grosvenor Estate Management Limited

Notes to the Financial Statements

8. Fixed Assets

	Land and Buildings	Fixtures & Fittings	Total
	£	£	£
Cost or valuation			
At 1 January 2011	4,429,948	3,373,811	7,803,759
Additions	103,824	68,975	172,799
At 31 December 2011	<u>4,533,772</u>	<u>3,442,786</u>	<u>7,976,558</u>
Depreciation			
At 1 January 2011	4,326,736	2,830,516	7,157,252
Charge for the year	28,961	144,963	173,924
At 31 December 2011	<u>4,355,696</u>	<u>2,975,479</u>	<u>7,331,176</u>
Net book value			
At 31 December 2011	178,076	467,307	645,382
At 31 December 2010	<u>103,213</u>	<u>543,295</u>	<u>646,507</u>

9. Commitments under Operating Leases

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

	Land and Buildings	
	2011	2010
	£	£
Operating leases which expire		
Within 1 year	5,734	895
Within 2 to 5 years	3,514,794	3,646,608
	<u>3,520,528</u>	<u>3,647,503</u>

10. Debtors: amounts falling due within one year

	2011	2010
	£	£
Trade debtors	364,516	110,982
Amounts owed by group undertakings	7,807,838	11,437,178
Prepayments and accrued income	4,686,611	1,625,419
Other debtors	5,890,952	3,687,398
	<u>18,749,917</u>	<u>16,860,977</u>

Grosvenor Estate Management Limited

Notes to the Financial Statements

11. Creditors: amounts falling due within one year

	2011	2010
	£	£
Bank loans and overdrafts	56,215	139,725
Trade creditors	289,029	281,445
Other creditors	4,332,759	3,732,065
Accruals and deferred income	10,179,469	8,915,605
	<u>14,857,472</u>	<u>13,068,840</u>

12. Called up Share Capital

Authorised share capital:

	2011	2010
	£	£
10,000,000 Ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>

Allotted, called up and fully paid:

	2011	2010
	£	£
2,500,00 Ordinary shares of £1 each	<u>2,500,000</u>	<u>2,500,000</u>

13. Reconciliation of Movements in Shareholders' Funds

	Share capital	Profit and loss account	Total
	£	£	£
1 January 2011	2,500,000	1,808,019	4,308,019
Loss for the financial year	-	(756,002)	(756,002)
Capital contributions from holding company	-	804,103	804,103
31 December 2011	<u>2,500,000</u>	<u>1,856,120</u>	<u>4,356,120</u>

14. Related Party Transactions

The company has applied the exemption granted by FRS8 'Related party disclosures' not to disclose transactions with Grosvenor Group Limited or wholly owned fellow subsidiaries of Grosvenor Group Limited, which would otherwise qualify as related parties

In the ordinary course of its business, the company provided management services to certain members of the Grosvenor family, Grosvenor trusts and companies under the control of the Grosvenor trusts. Income from these services totalled £ 1,010,488 (2010 - £ 739,000)

At the end of the financial year debtor balances owed by Grosvenor trusts totalled £ 42,112 (2010 - £ 1,462) and creditor balances owed to Grosvenor trusts totalled £ 1,368,742 (2010 - £ 161,387)

Grosvenor Estate Management Limited

Notes to the Financial Statements

15. Ultimate Parent Company and Controlling Party

The company's ultimate parent undertaking is Grosvenor Group Limited, a company incorporated in Great Britain and registered in England and Wales which is wholly owned by trusts and members of the Grosvenor family, headed by the Duke of Westminster

The ultimate parent undertaking heads the largest group of undertakings of which the company is a member and for which group accounts are prepared. Grosvenor Limited, the intermediate holding company, heads the smallest group of undertakings of which the company is a member and for which group accounts are prepared.

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