

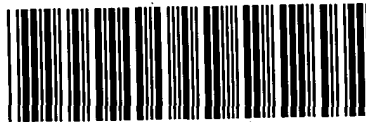
Eaton Square Properties Limited

Company Registration Number 00417751

Annual Report and Financial Statements

Year Ended 31 December 2014

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Eaton Square Properties Limited

Strategic Report

The directors present their strategic and annual report together with the audited financial statements of the company for the year ended 31 December 2014.

Review of the Business

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 activity of the company during the year was investment in real estate property in the United Kingdom. The directors do not anticipate any significant change in the activity of the company and its profitability.

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

The company is in a net asset position and is profit making as at 31 December 2014. It holds investment property which has contracted revenue streams under lease agreements in place which are across a diverse mix of tenants. After making enquiries the directors have a reasonable expectation that the company has adequate resources for the foreseeable future and for a minimum period of 12 months from the date of signing the financial statements. Accordingly they continue to adopt the going concern basis in preparing the company's financial statements.

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 business risks and uncertainties affecting the company arise from the investment and development of property, including:

- demand from occupiers which affects the amount of rent obtainable for buildings in the company's market and the level of occupancy in its portfolio;
- supply of properties for rent in the company's market;
- demand from investors which affects the valuation of investment properties;
- tenant default; and
- valuation of investment properties.

Eaton Square Properties Limited

Strategic Report

The company is financed by equity and intra group loans. It has no external debt. It therefore has no interest rate exposure.

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

Future Developments

The directors expect the general level of activity to remain consistent with 2014 in the forthcoming year. This is consistent with the long-term strategy of the Company and reflects an expectation that the property market will be stable in the coming year.

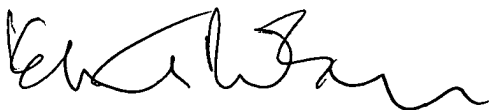
There have been no significant events since the balance sheet date.

Results

The results of the company for the year are shown in the Profit and Loss Account. Profit on ordinary activities before taxation was £34,795,000 (2013 - Profit of £30,920,000).

The balance sheet shows that the company's net assets increased from £720,704,000 to £782,855,000 during the year.

Signed by order of the Board

A handwritten signature in black ink, appearing to read 'K Robinson', written over a horizontal line.

K Robinson
Company Secretary

5 March 2015

Eaton Square Properties Limited

Directors' Report

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2014.

Directors of the Company

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

R F C Blundell	
C A Henderson	Appointed 17 October 2014
K J Bailey	Appointed 1 August 2014
S R Elmer	
P S Vernon	
I D Mair	Resigned 20 June 2014
N A Hughes	
T Reade	Resigned 1 August 2014
C Stevenson	
W R Bax	
U Schwarz-Runer	
J E T Clark	Resigned 17 October 2014
C McWilliam	
H J Cooper	
J E Mendonça	
I Morrison	

Eaton Square Properties Limited

Directors' Report

Directors' Responsibilities Statement

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

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 or loss of the company for that period.

In preparing these financial statements, the directors are required by law to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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 and should be interpreted in accordance with s.418 of the Companies Act 2006.

Results and Dividends

The directors have not recommended payment of a dividend in the current or preceding year. The results of the company are described in the Strategic Report.

Going Concern

The directors have prepared the financial statements on the going concern basis. Refer to the Strategic Report for further information.

Eaton Square Properties Limited

Directors' Report

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, flowing script.

K Robinson
Company Secretary

5 March 2015

Independent Auditor's Report to the Members of
Eaton Square Properties Limited
For the Year Ended 31 December 2014

We have audited the financial statements of Eaton Square Properties Limited for the year ended 31 December 2014 which comprise the profit and loss account, statement of recognised gains and losses, note of historical cost profits and losses, balance sheet and the related notes 1 to 14. 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 Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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

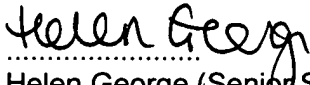
In our opinion the information given in the Strategic Report and in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of
Eaton Square Properties Limited
For the Year Ended 31 December 2014

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.



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

5 March 2015

Eaton Square Properties Limited

Profit and Loss Account for the Year Ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	2	10,891	10,808
Cost of sales		(5,042)	(4,391)
Gross profit		5,849	6,417
Administrative expenses		(112)	(14)
Operating profit	3	5,737	6,403
Profit on disposal of investment property		28,877	24,518
Interest receivable and similar income	5	180	-
Profit on ordinary activities before taxation		34,794	30,921
Tax on profit on ordinary activities	6	(15,971)	(13,788)
Profit for the financial year		18,823	17,133

All results are derived from continuing operations.

Eaton Square Properties Limited

Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2014

	2014	2013
	£000	£000
Profit for the financial year attributable to the shareholders	18,823	17,133
Unrealised gain on revaluation of investment properties	27,385	44,086
Other recognised gains and losses	(29)	(7)
Total recognised gains and losses relating to the year	<u>46,179</u>	<u>61,212</u>

Note of Historical Cost Profits and Losses

	2014	2013
	£000	£000
Reported profit on ordinary activities before taxation	34,795	30,920
Realisation of property revaluation gains recognised in previous periods	54,475	59,569
Historical cost profit on ordinary activities before taxation	<u>89,270</u>	<u>90,489</u>
Historical cost profit for the year after taxation	<u>73,299</u>	<u>76,702</u>

Eaton Square Properties Limited


Balance Sheet as at 31 December 2014

	Note	2014 £000	2013 £000
Fixed assets			
Investment property	7	553,339	570,222
Fixtures and fittings	7	394	409
		<u>553,733</u>	<u>570,631</u>
Current assets			
Debtors	8	232,034	154,144
Restricted cash		4,615	4,102
		<u>236,649</u>	<u>158,246</u>
Creditors: amounts falling due within one year	9	(7,493)	(8,138)
		<u>229,156</u>	<u>150,108</u>
Net current assets			
		<u>229,156</u>	<u>150,108</u>
Total assets less current liabilities		782,890	720,739
Creditors: amounts falling due after one year	10	(35)	(35)
		<u>782,855</u>	<u>720,704</u>
Net assets			
		<u>782,855</u>	<u>720,704</u>
Capital and reserves			
Called up share capital	11	307	307
Revaluation reserve	12	510,911	614,604
Profit and loss account	12	271,637	105,793
Shareholders' funds	12	<u>782,855</u>	<u>720,704</u>

These financial statements were approved by the Board and authorised for issue on 5 March 2015 and are signed on its behalf by:



 R F C Blundell



 C A Henderson

Company registration number 00417751

Eaton Square Properties Limited
Notes to the Financial Statements

1. Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets 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 company is a wholly owned subsidiary of Grosvenor Group Limited, its ultimate parent undertaking, which is incorporated in Great Britain and registered in England and Wales and prepares consolidated financial statements. Consequently the company is not required to prepare consolidated financial statements.

The strategic 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.

Turnover

The turnover shown in the profit and loss account represents rents receivable and other recoverables from tenants in the year, excluding VAT.

Rental income from operating leases is recognised on a straight line basis over the lease term, even if the payments are not received on such a basis. The cost of operating lease incentives are similarly spread, in accordance with UITF28, on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

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%

In accordance with SSAP19 (Revised) 'Accounting for Investment Properties' no depreciation is provided on freehold or on leasehold properties with an unexpired term exceeding twenty years. The directors consider that this departure from the requirement of the Companies Act 2006 for all properties to be depreciated is necessary for the financial statements to show a true and fair view, since depreciation is reflected in the open market valuation and cannot be quantified separately.

Eaton Square Properties Limited

Notes to the Financial Statements

1. Accounting Policies (continued)

Investment properties

Investment properties are valued annually at open market value by independent valuers. Any surplus or deficit on revaluation is transferred to the revaluation reserve, except that if a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged or credited to the profit and loss account.

Investment properties under development are stated at cost, except where the directors consider that the value has fallen below cost, when they are revalued to the lower amount. The revaluation deficit is transferred to the revaluation reserve unless it is considered permanent, in which case it is charged to the profit and loss account.

Profits and losses on the disposal of investment properties are recognised on unconditional exchange of contracts and are calculated by reference to book value and are included in the profit and loss account. On the disposal or recognition of a provision for impairment of a revalued asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

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.

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.

Eaton Square Properties Limited

Notes to the Financial Statements

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:

	2014	2013
	£000	£000
Depreciation	166	184

Auditors' remuneration for the audit of the financial statements of the company for 2014 is £9,430 (2013 - £9,200) and has been borne by Grosvenor Estate Management Limited, a fellow subsidiary undertaking.

No fees were payable to Deloitte LLP and its associates for non-audit services to the company during the current or preceding year.

4. Particulars of Employees

No fees or other emoluments were paid to the directors of the company during either the current or the preceding year in respect of their services to the company. The directors are paid by Grosvenor Estate Management Limited.

There were no employees of the company for the current or preceding year.

5. Interest Receivable & Similar Income

	2014	2013
	£000	£000
Interest receivable from group undertakings	180	-
	180	-

Eaton Square Properties Limited

Notes to the Financial Statements

6. Taxation on Ordinary Activities

Taxation

	2014 £000	2013 £000
Current tax:		
UK Corporation tax	15,946	13,790
Total current tax	15,946	13,790
Deferred tax:		
Origination and reversal of timing differences	26	21
Effect of change in corporation tax rate on opening balance	(1)	(24)
Total deferred tax	25	(3)
Tax on profit on ordinary activities	15,971	13,787

Tax reconciliation:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	34,794	30,921
Tax on ordinary activities at the standard UK corporation rate of 21.5% (2013 - 23.25%)	7,481	7,189
Expenses not deductible for tax purposes	(22)	44
Revaluations realised on disposal of property	11,039	8,514
Indexation relief	(851)	(896)
Rollover relief on profit on disposal of property	(1,682)	(1,040)
Adjustments to tax charge in respect of prior years	(19)	(21)
Total current tax	15,946	13,790

Eaton Square Properties Limited
Notes to the Financial Statements

7. Fixed Assets

	Investment property Long leasehold	Fixtures & Fittings	Total
	£000	£000	£000
Cost or valuation			
At 1 January 2014	570,222	2,374	572,596
Additions	6,465	151	6,616
Disposals	(50,704)	(1,182)	(51,886)
Revaluation	27,356	-	27,356
At 31 December 2014	553,339	1,343	554,682
Depreciation			
At 1 January 2014	-	1,965	1,965
Charge for the year	-	166	166
Disposals	-	1,182	1,182
At 31 December 2014	-	949	949
Net book value			
At 31 December 2014	553,339	394	553,733
At 31 December 2013	570,222	409	570,631

Investment property was independently valued at 31 December 2014 by DTZ. The valuation was performed on a fair value basis in accordance with the Royal Institution of Chartered Surveyors' Valuation – Professional Standards guidelines and performed in accordance with International Valuation Standards.

The historical cost of properties was £42,427,896 (2013 - £38,288,279).

The taxation on capital gains which would be payable on the surplus arising on the revaluation of investment properties, in the event of their sale at valuation, is estimated to be approximately £93,095,227 (2013 - £96,280,419).

Eaton Square Properties Limited

Notes to the Financial Statements

8. Debtors: amounts falling due within one year

	2014	2013
	£000	£000
Trade debtors	1,422	226
Amounts owed by group undertakings	229,982	150,879
Prepayments and accrued income	382	335
Other debtors	248	2,705
	232,034	154,144

9. Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	405	564
Other creditors	4,772	4,469
Accruals and deferred income	2,316	3,105
	7,493	8,138

10. Creditors: amounts falling due after one year

	2014	2013
	£000	£000
35,000 authorised, allotted, called up and fully paid 3.5% preference shares of £1.00 each	35	35

11. Called up Share Capital

Authorised share capital:

	2014	2013
	£000	£000
153,550 Ordinary shares of £1 each	154	154
153,550 Deferred ordinary shares of £1 each	154	154

Allotted, called up and fully paid:

	2014	2013
	£000	£000
153,550 Ordinary shares of £1 each	154	154
153,550 Deferred ordinary shares of £1 each	154	154

Eaton Square Properties Limited

Notes to the Financial Statements

The profits which the company determines to distribute are to be applied first in paying a fixed cumulative dividend of 3.5% per annum on the amounts paid on the 3.5% cumulative preference shares, classified as debt in other creditors falling due within one year above. The balance of profits for distribution are payable to the holders of the ordinary shares.

On a return of the company's assets to shareholders the assets are to be applied first in repaying to the holders of the 3.5% cumulative preference shares the amount paid up on their shares, secondly in repaying to the ordinary shares the amounts paid up on their shares, thirdly amongst the holders of the 3.5% cumulative preference shares and the ordinary shares pari passu until a further payment of 10 pence has been made in respect of each preference share paid up, fourthly by a maximum of £100 million amongst the holders of the ordinary shares and lastly in repaying to the holders of the deferred shares the amounts paid up on their shares. The balance of the assets is payable to the holders of the ordinary shares in proportion to the amounts paid up on their shares.

The ordinary shares confer voting rights upon the holder. The deferred shares have no voting rights.

12. Reserves and Reconciliation of Movement in Shareholder's Funds

	Called up Share capital £000	Profit and loss account £000	Revaluation reserve £000	Total £000
1 January 2014	307	105,793	614,604	720,704
Profit for the financial year	-	18,824	-	18,824
Capital contributions from holding company	-	15,971	-	15,971
Revaluation of fixed assets	-	-	27,385	27,385
Transfer between reserves	-	131,049	(131,049)	-
Other net recognised gains and losses	-	-	(29)	(29)
31 December 2014	<u>307</u>	<u>271,637</u>	<u>510,911</u>	<u>782,855</u>

13. 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.

Accordingly, during the year under review there were no transactions or balances with related parties which require disclosure in these financial statements.

Eaton Square Properties Limited

Notes to the Financial Statements

14. 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.