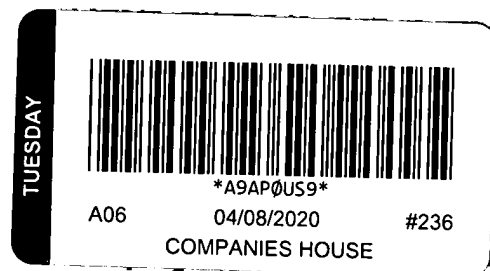


Registered number: 00417751

EATON SQUARE PROPERTIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



EATON SQUARE PROPERTIES LIMITED

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EATON SQUARE PROPERTIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

The directors present their Annual Report on the affairs of Eaton Square Properties Limited (the 'Company') together with the financial statements for the year ended 31 December 2019.

BUSINESS REVIEW

The principal activity of the Company during the year was investment in real estate property in the United Kingdom.

The Company holds investment property which has contracted revenue streams under lease agreements in place which are across a diverse mix of tenants. During the year disposal proceeds relating to investment and group occupied property of £59,576,000 (2018 - £11,249,000) have been received generating profits of £9,457,000 (2018 - £5,661,000), £834,000 (2018 - £149,000) has been deferred for recognition in future periods.

The Company has net assets of £476,798,000 (2018: £510,108,000) and net current assets of £90,636,000 (2018: £82,019,000). The company made a profit of £16,679,000 for the year ended 31 December 2019 (2018: £6,872,000).

GOING CONCERN

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.

The Company is incorporated in the United Kingdom and its registered office is 70 Grosvenor Street, London, W1K 3JP.

EATON SQUARE PROPERTIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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.

The Company is financed by equity and intra group loans.

Grosvenor saw no discernible impact on operations arising from the UK's exit from the European Union (the "EU") on 31 January 2020. During 2020, the Company as part of the wider Group, will review the potential for operational or financial impacts arising from the negotiation of the future trading arrangement between the UK and the EU. Business commitments will be managed through the year dependent on the developing views of the likely outcome of the negotiations. Any related increase or decrease in profitability in the next 12 months is not expected to impact the long term strategy of the Company.

The Company is a subsidiary of Grosvenor Limited (together with its subsidiaries the 'Group'). The Group co-ordinates its cash flows, liquidity position and borrowing facilities on a group basis and further disclosures relating to these matters, including the impact of Brexit, are included in the Annual Report of Grosvenor Limited.

STATEMENT OF COMPLIANCE WITH SECTION 172 OF COMPANIES ACT 2006

Throughout the year the directors have performed their duty to promote the success of the company under section 172, taking consideration of:

- issues, factors and stakeholders relevant in complying with section 172(1)(a) to (f)
- main methods used to engage with stakeholders and to understand the issues to which they must have regard and
- information on the effect of that regard on the company's decisions and strategies during the financial year and in the long term.

The Grosvenor Group has evolved over 340 years since the Grosvenor family's first association with property in London. As a result of this heritage, the Board takes decisions for the long term and seeks to apply the highest levels of corporate conduct. The Board and the Group's Shareholder judge the success of the business based on the positive impact on the communities that we operate in whilst being mindful of the needs of future generations.

In order to protect and strengthen the long standing business reputation, enhance the brand and maintain a reputation for high standards of business conduct, the Group operates as a values led business, promoting our values of integrity, respect and trust all of the time with all our stakeholder community including employees, customers, partners, suppliers, funders, wider society and the Shareholder.

The Group seeks to optimise social and commercial outcomes for every investment and sets itself challenging environmental targets; aiming to enhance its reputation for social responsibility. To deliver its purpose effectively the Group, through its subsidiaries, implements an approach called Living Cities which combines a far-sighted, international perspective, with an intimate local knowledge of markets and communities:

- The Group seeks to learn from the past, in acting upon evidence-based research and in adopting a far-

EATON SQUARE PROPERTIES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

sighted perspective that responds to the socio-economic and demographic changes, environmental risks and disruptive technologies that pose significant urban challenges.

- Local expertise is promoted to foster a deep appreciation and understanding of local markets and the needs of local communities, working with them to implement bespoke and innovative solutions that are commercially successful and responsive to unique local circumstances.
- In implementing its activities, directly or in partnership with like-minded co-investment partners, the Group seeks to capture, distil and share knowledge, investing in its people to bring an international perspective which encourages innovation.

The Group's purpose is to improve properties and places to deliver lasting commercial and social benefit, with the community and environment forming the two key elements of social benefit as defined by our Shareholder. Consequently, building and maintaining effective stakeholder relationships is key to the success of the business, particularly in relation to developments where there is a strong focus on engaging with local communities and the planning authorities. The Group's commitment to the World Green Building Council, included a pledge to be net zero carbon in our operations by 2030 (within our directly owned and managed portfolio) and wholly net carbon zero by 2050 across all properties. The Group actively engages with its stakeholders on this commitment, for example requiring suppliers to sign up to its Supply chain Charter.

As a Grosvenor company, our purpose is fully embedded in the way the Company operates, ranging from strategic planning, to individual transactions, to how the business engages with its suppliers, customers and other stakeholders. Further detail is contained in the Strategic Report of the Grosvenor Limited Group Report and Accounts for the year ended 31 December 2019.

The Company has no employees - the staff working on behalf of the Company are employed by Grosvenor Estate Management Limited, a fellow Group company, which reports on employee engagement.

EATON SQUARE PROPERTIES LIMITED

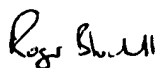
**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

KEY PERFORMANCE INDICATORS

The directors of Grosvenor Limited manage its group operations on a divisional basis. The consolidated performance of the Grosvenor Limited Group, which includes the Company, is discussed in the annual report of Grosvenor Limited which does not form part of this report.

For this reason, the Company's directors believe that further disclosure of key financial and non-financial performance indicators for the Company are neither necessary nor appropriate for an understanding of the development, performance or position of the business of the Company.

This report was approved by the Board on 5 March 2020 and signed on its behalf.



R F C Blundell
Director

EATON SQUARE PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Annual Report on the affairs of the Company together with the financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £16,679,000 (2018 - £6,872,000).

There were ordinary share dividends paid in the year under review £49,989,000 (2018 - £nil) and preference share dividends £11,025,000 (2018: - £nil).

Please refer to the Strategic Report for information on risk management objectives and policies.

DIRECTORS

The directors who served during the year and subsequently, except as noted, were:

R F C Blundell
C A Henderson (resigned 31 December 2019)
K J Bailey (resigned 31 December 2019)
A C Bond (resigned 23 August 2019)
James G Raynor (appointed 30 September 2019)
N A Hughes (resigned 27 March 2019)
C McWilliam (resigned 10 January 2020)
R A Jefferies (resigned 31 December 2019)
D N Crichton
S Harding-Roots (resigned 31 December 2019)
A M Staveley
P F O'Grady (resigned 31 December 2019)

FUTURE DEVELOPMENTS

No significant changes in the Company's strategy or operations are planned.

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

MATTERS COVERED IN THE STRATEGIC REPORT

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 1 to 3. These matters relate to the business review, principal risks and uncertainties and financial key performance indicators.

BUSINESS RELATIONSHIPS

This is covered by the Section 172(1) Statement in the Strategic Report on page 2.

EATON SQUARE PROPERTIES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is director at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be inspected in accordance with s418 of the Companies Act 2006.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since 31 December 2019.

AUDITOR

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

This report was approved by the Board on 5 March 2020 and signed on its behalf.



D J Lewis
Company Secretary

EATON SQUARE PROPERTIES LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the 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 to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EATON SQUARE PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EATON SQUARE PROPERTIES LIMITED

OPINION

In our opinion the financial statements of Eaton Square Properties Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in

EATON SQUARE PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EATON SQUARE PROPERTIES LIMITED

doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

EATON SQUARE PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EATON SQUARE PROPERTIES LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION


Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

USE OF OUR REPORT

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.



Darren Longley FCA (Senior statutory auditor)

for and on behalf of

Deloitte LLP

Chartered Accountants

London
United Kingdom
5 March 2020

EATON SQUARE PROPERTIES LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	4	15,435	13,840
Cost of sales		(4,259)	(5,348)
Gross Profit		11,176	8,492
Administrative expenses		(168)	(87)
Loss on revaluation of investment property	12	(5,755)	(8,829)
Impairment gain/(loss) on trade and other receivables, including contract assets	5	7	(32)
Operating Profit/(Loss)	5	5,260	(456)
Net profit on sale of investment property	8	9,457	5,661
Interest receivable and similar income		447	-
Profit before tax		15,164	5,205
Tax on profit	9	1,515	1,667
Profit for the year		16,679	6,872

The notes on pages 14 to 31 form part of these financial statements.

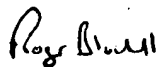
All activities in the current and prior year are derived from continuing operations.

EATON SQUARE PROPERTIES LIMITED
REGISTERED NUMBER: 00417751

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Tangible fixed assets	11	908	1,025
Investment property	12	469,939	519,571
		<u>470,847</u>	<u>520,596</u>
Current assets			
Debtors: amounts falling due within one year	13	94,152	89,116
Cash at bank and in hand	14	7,376	5,546
		<u>101,528</u>	<u>94,662</u>
Creditors: amounts falling due within one year	15	(10,892)	(12,643)
Net current assets		<u>90,636</u>	<u>82,019</u>
Total assets less current liabilities		<u>561,483</u>	<u>602,615</u>
Creditors: amounts falling due after more than one year	16	(20,732)	(20,915)
		<u>540,751</u>	<u>581,700</u>
Provisions for liabilities			
Deferred tax	17	(63,953)	(71,592)
Net assets		<u>476,798</u>	<u>510,108</u>
Capital and reserves			
Called up share capital	20	307	307
Retained earnings	19	476,491	509,801
		<u>476,798</u>	<u>510,108</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 March 2020.



R F C Blundell
Director

The notes on pages 14 to 31 form part of these financial statements.

EATON SQUARE PROPERTIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2018	307	502,929	503,236
Profit for the year	-	6,872	6,872
At 1 January 2019	307	509,801	510,108
Profit for the year	-	16,679	16,679
Dividends: Equity capital	-	(49,989)	(49,989)
AT 31 DECEMBER 2019	307	476,491	476,798

The notes on pages 14 to 31 form part of these financial statements.

EATON SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Eaton Square Properties Limited is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 31.

The financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the Company operates and is rounded to the nearest thousand pounds.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006.

The financial statements have been prepared under the historical cost basis, except for the revaluation of certain assets and liabilities that are restated at revalued amounts or for values at the end of each reporting period.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following accounting policies have been applied:

2.2 CONSOLIDATED FINANCIAL STATEMENTS

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Grosvenor Group Limited.

EATON SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.3 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 *Financial Instruments: Disclosures*
- the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 *'Presentation of Financial Statements'* to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - paragraphs 76 and 79(d) of IAS 40 *Investment Property*; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*
- the requirements of IAS 7 *Statement of Cash Flows*
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- the requirements of paragraph 17 and 18A of IAS 24 *Related Party Disclosures*
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.

Where required, equivalent disclosures are given in the group accounts of Grosvenor Limited. The group accounts of Grosvenor Limited are available to the public and can be obtained as set out in note 21.

EATON SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES

i) New standards, Interpretations and amendments effective from 1 January 2019.

The Company has applied IFRS 16 'Leases' which has a mandatory effective date of 1 January 2019.

In accordance with the transitional provisions in IFRS 16, the new rule has been adopted cumulatively using the modified retrospective approach.

There are no adjustments required to be made to the Company's financial statements as a result of the adoption of IFRS 16.

ii) Changes in accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

Lessor accounting policy applicable to contracts entered into, or changed, from 1 January 2019

IFRS 16 does not contain substantial changes to lessor accounting compared to IAS 17 and therefore has no impact on the Company.

2.5 TURNOVER

The turnover shown in the Income Statement represents rents, license fees, service charges, property management fees and amounts receivable in relation to property development sales 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 IFRS 16, on a straight line basis over the lease term.

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

2.6 OPERATING LEASES: THE COMPANY AS LESSOR

Rental income from operating leases is credited to the Income Statement on a straight line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income on a straight line basis over the length of the lease.

Premiums received and book values derecognised on the sale of operating leases are deferred to the Balance Sheet and released to the Income Statement on a straight line basis over the length of the lease.

EATON SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

2.7 INVESTMENT PROPERTY

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Income Statement.

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

Profits and losses on the disposal of investment properties are recognised on completion, are calculated by reference to book value and are included in the Income Statement.

2.8 TANGIBLE FIXED ASSETS

Group occupied buildings are carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in the revaluation reserve.

Profits and losses on the disposal of group occupied buildings are recognised on completion, are calculated by reference to book value and are included in the Income Statement.

Tangible fixed assets, other than investment properties and group occupied buildings, are stated at cost less accumulated depreciation and impairment losses. Land and buildings are stated at fair value, with valuation gains and losses recognised in equity.

Depreciation is charged to the Income Statement in order to allocate the cost of assets and major components over their estimated useful lives, using the straight line method.

Depreciation rate ranges applied are as follows:

Fixtures & Fittings:	12.5%	33.3%
IT Equipment:	25.0%	

The assets' useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

2.9 GOING CONCERN

The Strategic Report on page 1 describes the going concern basis of preparation of the financial statements.

2.10 INVESTMENTS

Investments held as fixed assets, including subsidiaries, joint ventures and associates are stated at cost less provision for impairment.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.11 DEBTORS

Trade receivables, loans, contract assets and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Financial assets are assessed for indicators of impairment at each balance sheet date.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 FINANCIAL INSTRUMENTS

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, lease receivables and contract assets, the Company applies the simplified approach, permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment provisions will be measured using the expected credit loss model which requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.13 FINANCIAL INSTRUMENTS (continued)

The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime expected credit losses under the simplified approach as these items do not have significant financing component.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

Financial assets and financial liabilities are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

2.14 CREDITORS

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.16 INTEREST INCOME

Interest income is recognised in the Income Statement using the effective interest method.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.17 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

EATON SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical accounting judgements in applying the company's accounting policies

The following are critical judgements, apart from those involving estimations (which are dealt with separately below) that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Leases

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

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(ii) Property valuations

Due to the size of the investment property portfolio held on the balance sheet at market value small changes to the estimates used to derive the market values can have a significant impact on the valuations and therefore a significant impact on the results and financial position of the Company. This includes the value of property yields and the estimated future rental income assumed in the valuations.

Grosvenor saw no discernible impact on operations arising from the UK's exit from the European Union (the "EU") on 31 January 2020. During 2020, the Company as part of the wider Group, will review the potential impact on property valuations arising from the negotiation of the future trading arrangement between the UK and the EU. Business commitments will be managed through the year dependent on the developing views of the likely outcome of the negotiations. Any related increase or decrease in profitability in the next 12 months is not expected to impact the long term strategy of the Company.

The sensitivity analysis of the assumptions used in valuing the investment property portfolio are outlined in note 12.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2019	2018
	£000	£000
Gross rental income	13,856	13,527
Other income	1,579	313
	15,435	13,840

All turnover arose within the United Kingdom.

5. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after:

	2019	2018
	£000	£000
Depreciation of tangible fixed assets	278	263
Loss on revaluation of investment property	5,755	8,829
Impairment (gain)/loss on trade and other receivables, including contract assets	(7)	32

6. AUDITOR'S REMUNERATION

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2019	2018
	£000	£000
Fees for audit services	17	16
	17	16

The audit fee is 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.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. 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.

8. NET PROFIT ON SALE OF INVESTMENT PROPERTY

	2019	2018
	£000	£000
Proceeds	59,576	11,249
Cost of sales	(49,285)	(5,439)
Profits deferred to future years	(834)	(149)
	<u>9,457</u>	<u>5,661</u>

9. TAXATION

	2019	2018
	£000	£000
CORPORATION TAX		
Current tax on profits for the year	6,124	-
	<u>6,124</u>	<u>-</u>
TOTAL CURRENT TAX	<u>6,124</u>	<u>-</u>
Deferred Tax		
Origination and reversal of timing differences	(7,286)	(556)
Changes to tax rates	768	58
Adjustments for prior years	(1,121)	(1,169)
Total deferred tax	<u>(7,639)</u>	<u>(1,667)</u>
Tax credit on profit	<u>(1,515)</u>	<u>(1,667)</u>

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	15,164	5,205
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	2,881	989
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	95	50
Effect of tax rate change on deferred tax	766	58
Adjustments to tax charge in respect of prior periods	(1,120)	(1,169)
Other differences leading to an increase in the tax charge	68	64
Group relief received for no consideration	(4,205)	(1,594)
Effect of indexation	-	(65)
TOTAL TAX CREDIT FOR THE YEAR	(1,515)	(1,667)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

A current tax rate of 19%, being the UK corporation tax rate throughout the period, has been applied to the year ended 31 December 2019.

A deferred tax rate of 17% has been applied to opening balances and movements in deferred tax in the year ended 31 December 2019.

10. DIVIDENDS

	2019 £000	2018 £000
Dividends paid	49,989	-
	49,989	-

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DÉCEMBER 2019**

11. TANGIBLE FIXED ASSETS

	Fixtures and fittings £000	IT Equipment £000	Total £000
Cost			
At 1 January 2019	1,588	27	1,615
Additions	161	-	161
Acquisition of subsidiary	-	-	-
Disposals	(185)	-	(185)
At 31 December 2019	1,564	27	1,591
Depreciation			
At 1 January 2019	582	8	590
Charge for the year	269	9	278
Disposals	(185)	-	(185)
At 31 December 2019	666	17	683
At 31 December 2019	898	10	908
<i>At 31 December 2018</i>	<i>1,006</i>	<i>19</i>	<i>1,025</i>

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. INVESTMENT PROPERTY

	Long term leasehold investment property £000
Valuation	
At 1 January 2019	519,571
Additions at cost	589
Disposals	(47,230)
Loss on revaluation of investment property	(5,755)
Amortisation of deferred lease incentives and premiums	2,764
At 31 December 2019	469,939

EATON SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

12. INVESTMENT PROPERTY (CONTINUED)

The majority of investment properties that are leased out under operating leases have leases in the range of between 6 months and 20 years in length.

Investment property was independently valued at 31 December 2019 by Cushman & Wakefield. 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 £41,705,033 (2018 - £41,297,324).

The amounts recognised in profit or loss for the year for rental income from investment property is £13,856,000 (2018 - £13,527,000) and direct operating expenses (including major refurbishment expenditure) arising from investment property that generated rental income during the period are £3,541,000 (2018 - £5,318,160).

At 31 December 2019 there were contractual obligations in place to purchase, construct or develop investment property or for repairs, maintenance or enhancements £444,391 (2018 - £nil).

At 31 December 2019 investment properties with a carrying amount of £nil were pledged as security for borrowings (2018 - £nil).

At 31 December 2019 the Company had investment properties with a fair value of £nil (2018 - £nil) under offer to third parties.

The following table shows the impact (in isolation) of changes in key unobservable inputs on the fair values of investment property recognised in the balance sheet by class of asset:

Class of property	Valuation / FV 2019 £000	Impact on valuations		Impact on valuations	
		+5% ERV £000	-5% ERV £000	+25bps NEY £000	-25bps NEY £000
Office	8,140	226	(226)	(270)	293
Retail	18,500	379	(367)	(395)	425
Residential	443,299	21,560	(21,560)	(5,383)	0
Total*	469,939	22,166	(22,154)	(6,047)	718

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£000	£000
Trade debtors	1,932	1,650
Expected credit loss	(190)	(320)
Amounts owed by group undertakings	89,812	84,359
Other debtors	2,056	3,137
Prepayments and accrued income	542	290
	94,152	89,116

There are no interest bearing amounts owed by group undertakings at 31 December 2019 (2018: £nil).

Amounts owed by group undertakings are receivable on demand.

14. CASH AT BANK AND IN HAND

	2019	2018
	£000	£000
Restricted cash held on behalf of third parties	7,376	5,546
	7,376	5,546

Restricted cash held on behalf of third parties includes funds held in relation to sinking fund accounts and tenant deposits.

15. CREDITORS: Amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	589	523
Other taxation and social security	-	2
Other creditors	5,979	5,559
Accruals and deferred income	4,324	6,559
	10,892	12,643

There are no interest bearing amounts owed to group undertakings at 31 December 2019 (2018: £nil).

Amounts owed to group undertakings are payable on demand.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
	£000	£000
Net obligations under finance leases and hire purchase contracts	716	716
35,000 authorised, allotted, called up and fully paid 3.5% preference shares of £1 each	35	35
Deferred premium income	19,981	20,164
	20,732	20,915

Preference shares

Each preference share confers on its holder the right to an annual fixed cumulative dividend of 3.5% on the amount paid up on that share, but no right to vote unless on the date of the notice convening a general meeting the preferential dividend has been in arrears for 13 months. A Preferential Dividend of £11,025,000 was paid in 2019.

17. DEFERRED TAXATION

	2019
	£000
As at 1 January 2019	(71,592)
Charged to the income statement	7,639
AT END OF YEAR	(63,953)

The provision for deferred taxation is made up as follows:

	2019	2018
	£000	£000
Investment property - contingent gains	(67,333)	(74,976)
Investment property - deferred income	3,567	3,618
Other property plant and equipment	(187)	(234)
	(63,953)	(71,592)

EATON SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

18. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the Company had amounts receivable under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	7,047	7,537
Later than 1 year and not later than 2 years	4,528	3,616
Later than 2 year and not later than 3 years	3,007	3,296
Later than 3 year and not later than 4 years	2,039	2,773
Later than 4 year and not later than 5 years	1,832	4,031
Later than 5 years	30,422	32,157
	48,875	53,410

19. RESERVES

Called up share capital

The balance classified as called up share capital includes the total net proceeds on issue of the Company's equity share capital, comprising £1 ordinary shares.

Distributable reserves

The reserve contains the balance of retained earnings to carry forward, being accumulated realised profits.

Non distributable reserves

The reserve contains the balance of retained earnings to carry forward which are not available for distribution.

	Non-distributable £000	Distributable £000	Total £000
At 1 January 2019	425,790	84,011	509,801
Profit for the year	(13,921)	30,600	16,679
Dividends paid	-	(49,989)	(49,989)
At 31 December 2019	411,869	64,622	476,491

EATON SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. CALLED UP SHARE CAPITAL

	2019 £	2018 £
Authorised, allotted, called up and fully paid		
153,550 Ordinary shares of £1 each	153,550	153,550
153,550 Deferred ordinary shares of £1 each	153,550	153,550
	<u>307,100</u>	<u>307,100</u>

The Company's ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

Each deferred share confers on its holder no right to vote and no right to receive dividends

21. 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 on behalf 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.

The address of the registered office of Grosvenor Group Limited and Grosvenor Limited is 70 Grosvenor Street, London, W1K 3JP.