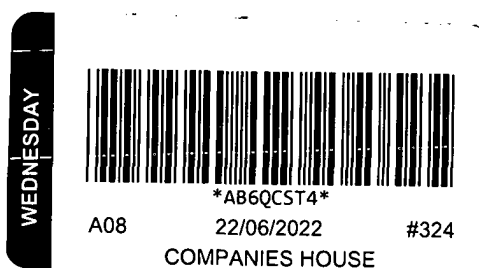


Registered number: 00417751

EATON SQUARE PROPERTIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021



EATON SQUARE PROPERTIES LIMITED

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EATON SQUARE PROPERTIES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

INTRODUCTION

The directors present their Annual Report on the affairs of Eaton Square Properties Limited (the 'Company') together with the audited financial statements for the year ended 31 December 2021.

BUSINESS REVIEW

The principal activity of the Company during the year was investment in property in the United Kingdom. The Company is a subsidiary of Grosvenor Limited (together with its subsidiaries the 'Group').

The Company holds investment property which has contracted revenue streams under lease agreements in place with a diverse mix of tenants. During the year disposal proceeds relating to investment property of £14,935,000 (2020 - £24,152,000) have been received, generating net profit of £1,588,000 (2020 - loss of £1,643,000), this includes profits deferred to the balance sheet of £432,000 (2020 - £1,538,000).

The Company has net assets of £383,215,000 (2020 - £433,552,000), however it has net current liabilities of £373,000 (2020 - £1,051,000). The company made a loss of £5,338,000 for the year ended 31 December 2021 (2020 - loss of £3,246,000).

GOING CONCERN

The intermediate holding company, Grosvenor Limited, has provided the directors of the Company with a letter of support confirming that it intends to support the Company for a period of not less than twelve months from the date of signing the accounts, provided that the Company remains a wholly owned subsidiary of Grosvenor Limited. Grosvenor Limited intends to enable it to meet its liabilities as they fall due.

The Company as part of the wider Grosvenor Limited Group is continuing to monitor developments associated with the Covid-19 virus and the associated near-term uncertainty for the global economy to understand the ongoing impact for the underlying property business and its tenants.

A Group-level assessment of the Group's cash flow forecasts for the period ending 31 December 2023 has been completed. In particular, these forecasts consider the impact of Covid-19 on the Group's rental income and stressed assumptions on the availability of finance and property valuations. Having considered the economic factor outlined above, and on the basis of the Group's continued forecast liquidity and ongoing support for the Company, the directors have a reasonable expectation that the Company has adequate resources for the foreseeable future. As such the directors continue to consider preparation of the accounts on the going concern basis to be appropriate.

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 2021

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;
- supplier failure;
- changes in public policy, law reform and tax risks; and
- valuation of investment properties.

The wider economic environment including the impact of Covid-19 on future performance remains a risk. Further information is provided in the business review and Going Concern sections of this report.

The Company is financed by equity and intra group loans.

The Group 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.

SECTION 172(1) STATEMENT

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 Company's stakeholder engagement and strategic direction is set and managed by the Group, which directs the activities of the Grosvenor Limited subsidiaries on a co-ordinated basis.

The Grosvenor family has been associated with property in London for over 340 years. 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 with all our stakeholder community including employees, customers, partners, suppliers, funders, wider society and the Shareholder.

EATON SQUARE PROPERTIES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

SECTION 172(1) STATEMENT (CONTINUED)

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-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.

During the year the Group has worked to support its tenants and communities through the effects of the Covid-19 pandemic. Rent concessions were provided to our most affected tenants and we continue to support our places and communities to ensure that they emerge from the pandemic in a position to continue to thrive.

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 and in 2020 published its Net Zero Carbon Pathway.

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 2021. Please see note 21 for details on where a copy of these consolidated financial statements can be obtained.

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 2021**

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 3 March 2022 and signed on its behalf.

DocuSigned by:

SA9100EB64784B7.....
M J Conway
Director

EATON SQUARE PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their Annual Report on the affairs of the Company together with the financial statements for the year ended 31 December 2021.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £5,380,000 (2020 - loss of £3,246,000).

There were ordinary share dividends of £44,999,000 (2020 - £40,00,000) and preference share dividends of £1,225 (2020 - £1,225) paid in the year.

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:

S F Ball (resigned 31 December 2021)
A M Bright (appointed 1 July 2021)
M J Conway (appointed 4 January 2022)
D N Crichton
C A Henderson
P F O'Grady (appointed 5 March 2021)

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 4. 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.

GREENHOUSE GAS EMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENCY ACTION

The Company is not required to disclose information in respect of greenhouse gas emissions, energy consumption and energy efficiency actions as it is a subsidiary entity. Disclosures at a Group level can be found in the Grosvenor Limited financial statements.

EATON SQUARE PROPERTIES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since 31 December 2021.

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 3 March 2022 and signed on its behalf.

DocuSigned by:
Derek Lewis
.....45E81F20E0D9457.....
D J Lewis
Company Secretary

EATON SQUARE PROPERTIES LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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; 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. 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 2021 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 22.

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" (United Kingdom Generally Accepted Accounting Practice).

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

EATON SQUARE PROPERTIES LIMITED

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

EATON SQUARE PROPERTIES LIMITED

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

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the validity of the data used by the external valuers in their estimation of the fair value of the investment property.

- Validity of data used by the external valuers in the estimation of the fair value of investment property – there is a potential fraud risk in management's ability to influence the lease data provided to the external valuers. To address this fraud risk, we obtained and documented an understanding of relevant controls in the valuation process and in particular the information provided to the valuers. We tested the completeness and accuracy of a sample of the data provided to the external valuers through agreeing a sample of the information provided to the external valuers to underlying lease agreements.
- Accounting for investment property disposals – there is a potential fraud risk in relation to management recognising investment property disposals in the incorrect period in order to manipulate the financial statements. To address this fraud risk, we have audited a sample of disposals made in December 2021 and January 2022 to ensure they have been recognised in the correct period based on the transaction completion date.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

EATON SQUARE PROPERTIES LIMITED

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

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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

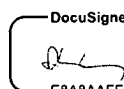
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

DocuSigned by:

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Darren Longley FCA (Senior statutory auditor)

for and on behalf of

Deloitte LLP

Chartered Accountants

London
United Kingdom
3 March 2022

EATON SQUARE PROPERTIES LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Turnover	4	12,590	12,704
Cost of sales		<u>(3,567)</u>	<u>(3,479)</u>
Gross profit		9,023	9,225
Administrative expenses		(18)	(20)
Gain / (loss) on revaluation of investment property	12	1,503	(7,419)
Impairment reversal / (expected credit loss) against trade and other receivables, including contract assets	5	<u>401</u>	<u>(522)</u>
Operating profit	5	10,909	1,264
Net profit / (loss) on sale of investment property	8	<u>1,156</u>	<u>(1,643)</u>
Profit / (loss) before tax		12,065	(379)
Tax on profit / (loss)	9	<u>(17,403)</u>	<u>(2,867)</u>
Loss for the year		<u>(5,338)</u>	<u>(3,246)</u>

There were no recognised gains and losses, or items of other comprehensive income for 2021 or 2020 other than those included in the income statement and as a result no statement of comprehensive income has been presented.

The notes on pages 15 to 35 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 2021

	Note	2021 £000	<i>Restated</i> 2020 £000
Fixed Assets			
Tangible fixed assets	11	569	752
Investment property	12	430,829	441,642
Debtors due after more than 1 year	13	55,017	79,254
		<u>486,415</u>	<u>521,648</u>
Current Assets			
Debtors: amounts falling due within one year	13	3,514	1,611
Cash at bank and in hand	14	8,617	7,854
		<u>12,131</u>	<u>9,465</u>
Creditors: amounts falling due within one year	15	(12,504)	(10,516)
Net Current Liabilities		<u>(373)</u>	<u>(1,051)</u>
Total Assets Less Current Liabilities		486,042	520,597
Creditors: amounts falling due after more than one year	16	(18,605)	(20,226)
		<u>467,437</u>	<u>500,371</u>
Provision for Liabilities			
Deferred taxation	17	(84,222)	(66,819)
		<u>(84,222)</u>	<u>(66,819)</u>
Net Assets		<u><u>383,215</u></u>	<u><u>433,552</u></u>
Capital and Reserves			
Called up share capital	20	307	307
Retained earnings	19	382,908	433,245
		<u><u>383,215</u></u>	<u><u>433,552</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 March 2022.

DocuSigned by:

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M J Conway
 Director

The notes on pages 15 to 35 form part of these financial statements.

EATON SQUARE PROPERTIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2020	307	476,491	476,798
Loss for the year	-	(3,246)	(3,246)
Dividends: Equity capital	-	(40,000)	(40,000)
At 1 January 2021	307	433,245	433,552
Loss for the year	-	(5,338)	(5,338)
Dividends: Equity capital	-	(44,999)	(44,999)
At 31 December 2021	307	382,908	383,215

The notes on pages 15 to 35 form part of these financial statements.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. GENERAL INFORMATION

Eaton Square Properties Limited (the 'Company') is a private limited company 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 1.

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:

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES (CONTINUED)

2.2 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 the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- 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 2021**

2. ACCOUNTING POLICIES (CONTINUED)

2.3 GOING CONCERN

The intermediate holding company, Grosvenor Limited, has provided the directors of the Company with a letter of support confirming that it intends to support the Company for a period of not less than twelve months from the date of signing the accounts, provided that the Company remains a wholly owned subsidiary of Grosvenor Limited. Grosvenor Limited intends to enable it to meet its liabilities as they fall due.

The Company as part of the wider Grosvenor Limited Group is continuing to monitor developments associated with the Covid-19 virus and the associated near-term uncertainty for the global economy to understand the ongoing impact for the underlying property business and its tenants.

A Group-level assessment of the Group's cash flow forecasts for the period ending 31 December 2023 has been completed. In particular, these forecasts consider the impact of Covid-19 on the Group's rental income and stressed assumptions on the availability of finance and property valuations. Having considered the economic factor outlined above, and on the basis of the Group's continued forecast liquidity and ongoing support for the Company, the directors have a reasonable expectation that the Company has adequate resources for the foreseeable future. As such the directors continue to consider preparation of the accounts on the going concern basis to be appropriate.

2.4 INVESTMENTS

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

2.5 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.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES (CONTINUED)

2.6 TURNOVER

The turnover shown in the Income Statement represents rent, licence fees, service charges, and 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.

2.7 LEASES

The Company as a 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.

2.8 OPERATING LEASES: THE COMPANY AS LESSEE

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.9 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 profit or loss.

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.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES (CONTINUED)

2.10 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.

2.11 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.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES (CONTINUED)**2.12 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.

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.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 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.

2.15 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 profit or loss 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.

2.16 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge 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 tax 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 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 2021**

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 Significant 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:

(i) 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.

As deferred tax is provided on investment properties by reference to the tax that would be due on the ultimate sale of the properties, changes to the estimates used to derive the market values would also have an impact on the deferred tax provided.

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 2021**

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(CONTINUED)**
(ii) Expected Credit Losses

In accordance with IFRS 9, the Group is required to make a provision for expected credit losses on financial assets. The most material source of estimation uncertainty in this regard relates to the Group's trade receivables (typically arrears on rental income) and any debtors held in relation to lease incentives provided to tenants.

At the balance sheet date, the Group assesses the likelihood of recovery and recognises an expected credit loss to the extent that any of the balance is considered irrecoverable by applying a probability-weighted percentage default rate to each receivable/debtor. For trade receivables, the principal consideration is the short-term liquidity of the counterparty, whereas for lease incentive debtors the estimate is driven by the directors consideration of the ability of the tenant to fulfil its obligations for the duration of the lease. These assessments are based on the counterparty's circumstances: the Group has receivables from counterparties operating in a diverse variety of sectors and the specific impacts of the wider economic uncertainty are considered in the Group's estimation of expected credit losses. Covid-19 has made this assessment more subjective due to the unprecedented challenges the pandemic has presented to our tenants' ability to meet their lease obligations.

As such there is significant uncertainty over the value of the associated expected credit losses as shown in the table below^[1]:

2021 Impact expected credit loss (£'000)					
	Recorded on the Balance Sheet	Recorded on the Income Statement	10 percentage point increase in default rate - Balance Sheet	10 percentage point decrease in default rate - Balance Sheet	10 percentage point increase in default rate - Income Statement
Expected credit loss - trade receivables	(464)	(328)	295	(295)	128
Expected credit loss - lease incentive debtors	174	(73)	20	(34)	(128)

[1] Expected credit loss – trade receivables relates primarily to rental arrears as at 31 December 2021. The difference between the ECL recorded on the Balance Sheet and the ECL recorded on the Income Statement is principally that for any trade receivables that relate to 2021, the associated ECL has been charged to deferred income (see Note 15). Expected credit loss – lease incentive debtors are the expected credit losses on the un-amortised value of the lease incentive debtor.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

For comparison to 2020^[2]

	2020 Impact expected credit loss (£'000)					
	Recorded on the Balance Sheet	Recorded on the Income Statement	10 percentage point increase in default rate - Balance Sheet	10 percentage point decrease in default rate - Balance Sheet	10 percentage point increase in default rate - Income Statement	10 percentage point decrease in default rate - Income Statement
Expected credit loss - trade receivables	1,783	421	207	(207)	94	(94)
Expected credit loss - lease incentive debtors	101	101	22	(22)	22	(22)

[2] Expected credit loss - trade receivables relates primarily to rental arrears as at 31 December 2020.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. TURNOVER

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

	2021	2020
	£000	£000
Gross rental income	11,689	11,922
Other income	901	782
	<u>12,590</u>	<u>12,704</u>

All turnover arose within the United Kingdom.

5. OPERATING PROFIT

The operating profit is stated after:

	2021	2020
	£000	£000
Depreciation of tangible fixed assets	232	252
(Gain) / loss on revaluation of investment property	(1,503)	7,419
Impairment reversal / (expected credit loss) - charged to Income Statement	(401)	522
	<u></u>	<u></u>

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:

	2021	2020
	£000	£000
Fees for audit services	<u>21</u>	<u>19</u>

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 2021**

7. DIRECTORS' REMUNERATION

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 / (LOSS) ON SALE OF INVESTMENT PROPERTY

	2021 £000	2020 £000
Proceeds	16,901	24,152
Cost of sales	(15,313)	(24,257)
Profits deferred to future years	(432)	(1,538)
	<u>1,156</u>	<u>(1,643)</u>

9. TAXATION

	2021 £000	2020 £000
CORPORATION TAX		
Current tax for the year	-	-
	<u>-</u>	<u>-</u>
TOTAL CURRENT TAX	<u>-</u>	<u>-</u>
Deferred Tax		
Origination and reversal of timing differences	(2,564)	(4,274)
Changes to tax rates	20,213	7,483
Adjustments for prior years	(246)	(342)
Total deferred tax	<u>17,403</u>	<u>2,867</u>
Tax charge on profit	<u>17,403</u>	<u>2,867</u>

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. TAXATION (CONTINUED)**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021	2020
	£000	£000
Profit/(loss) before tax	12,065	(379)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,292	(72)
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	52	57
Effect of tax rate change on deferred tax	20,213	7,483
Adjustments to tax charge in respect of prior periods	(246)	(342)
Other differences leading to an increase in the tax charge	10	15
Group relief received for no consideration to shelter tax on gains	(4,923)	(4,186)
Effect of indexation	5	(88)
TOTAL TAX CHARGE FOR THE YEAR	17,403	2,867

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 2021. From 1 April 2023, the UK corporation tax rate will increase to 25% (Finance Act 2021).

A deferred tax rate of 25% has been applied to opening balances and movements in deferred tax in the year ended 31 December 2021.

10. DIVIDENDS

	2021	2020
	£000	£000
Dividends paid	44,999	40,000
	44,999	40,000

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. TANGIBLE FIXED ASSETS

	Fixtures and fittings £000	IT Equipment £000	Total £000
Cost			
At 1 January 2021	1,499	27	1,526
Additions	49	-	49
Disposals	(43)	(27)	(70)
At 31 December 2021	1,505	-	1,505
Depreciation			
At 1 January 2021	748	26	774
Charge for the year	231	1	232
Disposals	(43)	(27)	(70)
At 31 December 2021	936	-	936
At 31 December 2021	569	-	569
At 31 December 2020	751	1	752

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. INVESTMENT PROPERTY

	Long term leasehold investment property £000
Valuation	
At 1 January 2021	441,642
Additions	338
Disposals	(14,935)
Gain on revaluation of investment property	1,503
Amortisation of deferred lease incentives and premiums	2,281
At 31 December 2021	430,829

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2021 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 £31,776,673 (2020 - £35,472,394).

The amounts recognised in profit or loss for the year for rental income from investment property is £11,163,000 (2020 - £11,922,000) and direct operating expenses (including major refurbishment expenditure) arising from investment property that generated rental income during the period are £2,672,000 (2020 - £3,854,000).

At 31 December 2021 there were contractual obligations in place to purchase, construct or develop investment property or for repairs, maintenance or enhancements £88,000 (2020 - £122,000).

At 31 December 2021 investment properties with a carrying amount of £nil were pledged as security for borrowings (2020 - £nil).

At 31 December 2021 the Company had investment properties with a fair value of £4,087,396 (2020 - £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:

		Impact on Valuations			
Class of Property	Valuation/ FV 2021 £'000	+5% ERV £'000	-5% ERV £'000	+25bp NEY £'000	-25bp NEY £'000
Offices	6,970	313	(271)	(214)	231
Retail	18,010	857	(819)	(1,220)	1,302
Residential	405,848	19,955	(19,961)	(4,955)	5,177
Total	430,828	21,125	(21,050)	(6,389)	6,710

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. DEBTORS

	2021	<i>Restated</i>
	£000	<i>2020</i>
		<i>£000</i>
DUE AFTER MORE THAN ONE YEAR		
Due from group companies	55,017	79,254
	55,017	79,254

Amount owed by Group undertakings are unsecured and repayable, however, the Directors consider it unlikely that repayment will arise in the short term and in practice amounts owed by Group undertaking are used to meet the capital requirements of the borrower with no realistic repayment in the near future. It is for this reason that the amounts are classified as amounts due after more than one year (note 22).

	2021	<i>Restated</i>
	£000	<i>2020</i>
		<i>£000</i>
DUE WITHIN ONE YEAR		
Trade debtors	3,307	1,863
Expected credit losses	(464)	(1,783)
Other debtors	375	203
Prepayments and accrued income	296	1,328
	3,514	1,611

There are no interest bearing amounts owed by group undertakings at 31 December 2021 (2020: £nil).

See note 22 for further details regarding the restatement of 31 December 2020 balance.

14. CASH AT BANK AND IN HAND

	2021	2020
	£000	£000
Restricted cash held on behalf of third parties	8,617	7,854
	8,617	7,854

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

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £000	2020 £000
Trade creditors	180	452
Other creditors	6,282	6,025
Accruals and deferred income	6,042	4,039
	<u>12,504</u>	<u>10,516</u>

Deferred income is presented net of an expected credit loss provision of £464,000 (2020: £1,783,000) relating to expected losses in relation to rental and other income amounts deferred at 31 December 2021.

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

	2021 £000	2020 £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	17,854	19,475
	<u>18,605</u>	<u>20,226</u>

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.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. DEFERRED TAXATION

	2021 £000
As at 1 January 2021	(66,819)
Charged to the income statement	(17,403)
AT END OF YEAR	<u>(84,222)</u>

The provision for deferred taxation is made up as follows:

	2021 £000	2020 £000
Investment property - contingent gains	(89,063)	(70,598)
Investment property - deferred income	5,235	4,069
Other property plant and equipment	(394)	(290)
	<u>(84,222)</u>	<u>(66,819)</u>

18. OPERATING LEASE ARRANGEMENT

Company as a lessor

At 31 December 2021 the Company had amounts receivable under non-cancellable operating leases as follows:

Operating leases

The following table summarises the undiscounted lease payments receivable after the reporting date.

	2021 £000	2020 £000
Not later than 1 year	6,313	6,418
Between 1 and 2 years	3,286	3,956
Between 2 and 3 years	2,342	2,401
Between 3 and 4 years	1,930	2,124
Between 4 and 5 years	1,650	1,866
More than 5 years	24,267	36,548
	<u>39,788</u>	<u>53,313</u>

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2021	366,098	67,147	433,245
Loss for the year	(23,861)	18,523	(5,338)
Dividends paid	-	(44,999)	(44,999)
At 31 December 2021	<u>342,237</u>	<u>40,671</u>	<u>382,908</u>

20. CALLED UP SHARE CAPITAL

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
153,550 (2020 - 153,550) Ordinary shares of £1.00 each	153,550	153,550
153,550 (2020 - 153,550) Deferred ordinary shares of £1.00 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.

EATON SQUARE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. CONTROLLING PARTY

The Company's ultimate parent undertaking is Grosvenor Group Limited, a company incorporated in the United Kingdom and registered in England and Wales, which is wholly owned by trusts on behalf of 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.

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

22. PRIOR YEAR ADJUSTMENT

Reclassification of assets – The Company has previously treated amounts owed by Group undertakings which are repayable on demand as debtors falling due within one year. However these amounts should have been classified as debtors falling due after more than one year per IAS 1 Presentation of Financial Statements, as they are used to meet the capital requirements of the borrower with no realistic repayment expected in the near future. Such loans are, in effect, investments intended for use on a continuing basis in the lender company's activities and should therefore be classified as debtors falling due after more than one year.

The reclassification therefore resulted in the restatement of the balance as at 31 December 2020 of £79,254,000, for amounts owed by Group undertakings from debtors falling due within one year to debtors falling due after more than one year, with no impact to gross or net assets previously disclosed. There has been no impact to opening reserves or prior profit/(loss) for the period.