

32-42 BPR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



CONTENTS

	Page
Directors' Report	1 - 2
Directors' Responsibilities Statement	3
Independent Auditor's Report	4 - 6
Income Statement	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10 - 27

32-42 BPR LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

INTRODUCTION

The directors present their Annual Report on the affairs of 32-42 BPR 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 and development of property for sale.

The Company is in a net asset position of £2,549,393 (2018: net liability £2,330,306) and profit making £4,879,699 (2018: £2,307,304) as at 31 December 2019. However it has net current liabilities of £3,721,298 (2018: £6,701,160).

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 Group Limited. Grosvenor Limited intends to enable it to meet its liabilities as they fall due. The directors have made enquiries and understand that the intermediate holding company has adequate resources to be able to provide this financial support.

Since the year end, the outbreak of the COVID-19 virus has given rise to material economic and financial uncertainties. The Group is continuing to monitor developments of the COVID-19 virus and the associated near-term uncertainty on the global economy outlook to understand the potential impact for the underlying property businesses and its tenants. The Directors have considered the going concern assumption for the Company in light of these developments and as part of the Group level assessment on the Group's cash flow forecasts for the period ending 31 December 2021, considered the possible impact of COVID-19, for example on rental income, as well as stressed assumptions on the availability of finance and property valuations. On the basis of the Group's continued forecast liquidity and its support for the Company, still consider it appropriate to prepare the accounts on a going concern basis.

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £4,879,699 (2018: £2,307,304).

The directors have not recommended payment of a dividend in the current period (2018: £nil).

DIRECTORS

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

C A Henderson (resigned 31 December 2019)
C McWilliam (resigned 10 January 2020)
R F C Blundell
S Harding-Roots (resigned 31 December 2019)
A M Staveley
D N Crichton
J G Raynor (appointed 30 September 2019)
K J Bailey (resigned 31 December 2019)

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

N A Hughes (resigned 27 March 2019)
P F O'Grady
R A Jefferies (resigned 31 December 2019)
A C Bond (resigned 23 August 2019)

FUTURE DEVELOPMENTS

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.

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 the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the 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 interpreted in accordance with s418 of the Companies Act 2006.

POST BALANCE SHEET EVENTS

Since the year end, the outbreak of the COVID-19 virus has given rise to material economic and financial uncertainties including that addition of a material valuation uncertainty declaration being added to property valuations. This is considered to be a non-adjusting post balance sheet event for the Company. The impact has been considered by the Directors as set out on page 1.

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 21 April 2020 and signed on its behalf.

Derek Lewis

D J Lewis
Company Secretary

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

The directors are responsible for preparing 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 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 judgements and accounting estimates that are reasonable and prudent; 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 32-42 BPR LIMITED

OPINION

In our opinion the financial statements of 32-42 BPR 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 18.

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 Auditor's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 32-42 BPR LIMITED

In connection with our audit of the financial statements, 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 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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 Directors' report.

32-42 BPR LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 32-42 BPR LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

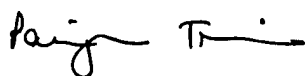
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report.

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.



Parizan Trewin FCA (Senior statutory auditor)

for and on behalf of

Deloitte LLP

Statutory Auditor

London

United Kingdom

21 April 2020

32-42 BPR LIMITED

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

	Note	2019 £	2018 £
Turnover	4	19,414,942	5,851
Cost of sales		(14,822,961)	(104,601)
Gross profit/(loss)		4,591,981	(98,750)
Administrative expenses		(408)	(270)
Gain/(loss) on revaluation of investment property	10	341,343	(2,659,359)
Impairment gain/(loss) on trade and other receivables, including contract assets	5	532	(1,016)
Operating profit/(loss)	5	4,933,448	(2,759,395)
Interest receivable and similar income		4,279	-
Profit/(loss) before tax		4,937,727	(2,759,395)
Tax on profit/(loss)	7	(58,028)	452,091
Profit/(loss) for the year		4,879,699	(2,307,304)

There were no recognised gains and losses, or items of other comprehensive income, for 2019 or 2018 other than those included in the income statement, and as a result no statement of comprehensive Income has been presented.

The notes on pages 10 to 27 form part of these financial statements.

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

32-42 BPR LIMITED
REGISTERED NUMBER: 10179841

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Tangible assets	8	6,816	-
Investment property	10	5,710,021	3,817,000
Debtors: amounts falling due after more than one year	11	553,854	553,854
		<u>6,270,691</u>	<u>4,370,854</u>
Current assets			
Development property	9	-	8,975,303
Debtors: amounts falling due within one year	11	2,444	30,725
Cash held on behalf of third parties	12	2,216,486	100,207
		<u>2,218,930</u>	<u>9,106,235</u>
Creditors: amounts falling due within one year	13	(5,940,228)	(15,807,395)
Net current liabilities		<u>(3,721,298)</u>	<u>(6,701,160)</u>
Total assets less current liabilities		<u>2,549,393</u>	<u>(2,330,306)</u>
Net assets/(liabilities)		<u><u>2,549,393</u></u>	<u><u>(2,330,306)</u></u>
Capital and reserves			
Called up share capital	17	1	1
Retained earnings	16	2,549,392	(2,330,307)
		<u><u>2,549,393</u></u>	<u><u>(2,330,306)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 April 2020.

Roger Blundell

R F C Blundell
Director

The notes on pages 10 to 27 form part of these financial statements.

32-42 BPR LIMITED

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

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2018	1	(23,003)	(23,002)
Loss for the year	-	(2,307,304)	(2,307,304)
At 1 January 2019	1	(2,330,307)	(2,330,306)
Profit for the year	-	4,879,699	4,879,699
At 31 December 2019	1	2,549,392	2,549,393

The notes on pages 10 to 27 form part of these financial statements.

32-42 BPR LIMITED

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

1. GENERAL INFORMATION

32-42 BPR Limited ('the Company') is a private company limited by shares 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 26. The Financial Statements are prepared in Sterling.

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.

Historical cost is generally based on the value of the consideration given in exchange for the assets.

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 Company is a wholly owned subsidiary of Grosvenor Limited, its ultimate parent undertaking, which is incorporated in Great Britain and registered in England and Wales and prepares consolidated financial statements. Consequently the Company is not required to prepare consolidated financial statements.

The following accounting policies have been applied:

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

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 paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- 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 18.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.3 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.

2.4 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 directors have made enquiries and understand that the intermediate holding company has adequate resources to be able to provide this financial support.

Accordingly the directors continue to adopt the going concern basis in preparing the Company's financial statements.

2.5 TURNOVER

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 SIC15, on a straight line basis over the lease term.

Turnover from the sale of trading properties is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer, which is usually at completion.

Turnover and loss before tax are attributable to the two principal activities of the Company and arise entirely in the United Kingdom.

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

2. ACCOUNTING POLICIES (CONTINUED)**2.6 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.

2.7 DEVELOPMENT PROPERTIES

Development properties are held as current assets and are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, professional fees, and construction costs but excludes overheads. Net realisable value is the estimated selling price at completion less the estimated costs of completion including the estimated costs necessary to make the sale.

Sales of development properties are recognised on completion of contracts or, if completion is conditional, on the date all material conditions have been satisfied. Credit is not taken for profit during the construction period. Where it is forecast that a project will be loss making, a provision is recognised for the unavoidable cost of completing the development.

In the event that a development property is retained as an investment, it is transferred to the investment portfolio at the lower of cost and net realisable value at the date of transfer and any loss recognised in the Income Statement.

2.8 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.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.9 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, lease receivables and contract assets, the Company applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.10 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.

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

2. ACCOUNTING POLICIES (CONTINUED)**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.

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.

2.12 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%
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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.

2.13 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 INTEREST INCOME

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.15 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 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.

**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 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 Group's accounting policies and that have the most significant effect on the amounts recognised in 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.

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 Group. 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 outbreak of the COVID-19 virus and related economic concerns have given rise to valuation uncertainties across property sectors, especially retail. A material uncertainty declaration is now being included in the majority of real estate valuations. The impact of COVID-19 is considered to be a non-adjusting post balance sheet event for the Company, but it will likely impact valuations in future periods. The size of the impact is still unknown.

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.

32-42 BPR LIMITED

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

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

The sensitivity analysis of the assumptions used in valuing the investment property portfolio are outlined in note 10.

4. TURNOVER

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

	2019 £	2018 £
Gross rental income	19,442	5,851
Proceeds on trading property sales	19,395,500	-
	<u>19,414,942</u>	<u>5,851</u>

All turnover arose within the United Kingdom.

5. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after:

	2019 £	2018 £
(Gain)/loss on revaluation of investment properties	(341,343)	2,659,359
Impairment (gain)/loss on trade and other receivables, including contract assets	<u>(532)</u>	<u>1,016</u>

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

6. AUDITOR'S REMUNERATION

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

	2019	2018
	£	£
Fees for audit services	7,219	6,563
	7,219	6,563

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 period.

7. TAXATION

The total current tax for the year is £nil (2018: £nil).

	2019	2018
	£	£
Deferred tax		
Origination and reversal of timing differences	64,855	(505,278)
Changes to tax rates	(6,827)	53,187
Total deferred tax	58,028	(452,091)
Tax on profit/(loss)	58,028	(452,091)

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

7. 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 £	2018 £
Profit/(loss) before tax	4,937,727	(2,759,395)
Profit/(loss) multiplied by standard rate of corporation tax in the UK	938,168	(524,285)
Effects of:		
Effect of tax rate change on deferred tax	(6,827)	53,187
Group relief (received)/surrendered for no consideration	(870,351)	19,007
Other items attracting no tax relief or liability	(2,962)	-
Total tax charge/(credit) for the year	58,028	(452,091)

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

7. TAXATION (CONTINUED)

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.

8. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
COST	
At 1 January 2019	-
Additions	6,816
At 31 December 2019	6,816
NET BOOK VALUE	
At 31 December 2019	6,816
<i>At 31 December 2018</i>	-

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

9. DEVELOPMENT PROPERTY

	2019 £
At 1 January 2019	8,975,303
Additions at cost	4,824,729
Disposal	(13,800,032)
At 31 December 2019	-

During the year ended 31 December 2019 there was a disposal of development properties of £13,800,032 (2018: £nil).

At 31 December 2019 there were no contractual obligations (2018: £4,441,915) in place to construct or develop investment property.

10. INVESTMENT PROPERTY

	Long term leasehold investment property £
VALUATION	
At 1 January 2019	3,817,000
Additions at cost	1,551,678
Surplus on revaluation	341,343
AT 31 DECEMBER 2019	5,710,021

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

10. 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 £8,626,624 (2018: £7,074,966).

The amount recognised in profit or loss for the year for rental income from investment property is £19,442 (2018: £5,851) and direct operating expenses (excluding major refurbishment expenditure) arising from investment property that generated rental income during the period are £5,041 (2018: £11,875).

At 31 December 2019 there were no contractual obligations in place to purchase, construct or development investment property or for repairs, maintenance or enhancements (2018: 1,480,638).

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 from 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
Retail	5710	296	-296	-311	345
Total	5,710	296	-296	-311	345

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

11. DEBTORS

	2019 £	2018 £
DUE AFTER MORE THAN ONE YEAR		
Deferred tax asset (note 14)	553,854	553,854
	<u>553,854</u>	<u>553,854</u>
	2019 £	2018 £
DUE WITHIN ONE YEAR		
Trade debtors	18,641	-
Other debtors	22,389	30,725
Prepayments and accrued income	19,442	-
Deferred tax liability (note 14)	(58,028)	-
	<u>2,444</u>	<u>30,725</u>

12. CASH HELD ON BEHALF OF THIRD PARTIES

	2019 £	2018 £
Restricted cash held on behalf of third parties	2,216,486	100,207
	<u>2,216,486</u>	<u>100,207</u>

Restricted cash held on behalf of third parties includes funds held in relation to a tenant deposit.

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

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	197,800	-
Amounts owed to group undertakings	4,624,730	1,721,811
Contract Liability	-	13,400,000
Other creditors	100,468	100,514
Accruals and deferred income	1,017,230	585,070
	<u>5,940,228</u>	<u>15,807,395</u>

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

14. DEFERRED TAXATION

	Deferred tax £
At 1 January 2019	553,854
Credited to the Income Statement	(58,028)
At 31 December 2019	<u>495,826</u>

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Investment property - contingent gains	495,826	553,854
	<u>495,826</u>	<u>553,854</u>

32-42 BPR LIMITED

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

15. COMMITMENTS UNDER OPERATING LEASES

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

	2019 £	2018 £
Not later than 1 year	115,000	-
Later than 1 year and not later than 2 years	115,000	-
Later than 2 year and not later than 3 years	115,000	-
Later than 3 year and not later than 4 years	115,000	-
Later than 4 year and not later than 5 years	115,000	-
Later than 5 years	1,129,521	-
	<u>1,704,521</u>	<u>-</u>

16. 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.

Non distributable reserves

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

Distributable reserves

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

The split of retained earnings between non distributable and distributable reserves are detailed below:

	Non- distributable £	Distributable £	Total £
At 1 January 2019	(2,704,112)	373,805	(2,330,307)
Profit for the year	283,315	4,596,384	4,879,699
	<u>(2,420,797)</u>	<u>4,970,189</u>	<u>2,549,392</u>
At 31 December 2019	<u>(2,420,797)</u>	<u>4,970,189</u>	<u>2,549,392</u>

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

17. CALLED UP SHARE CAPITAL

	2019	2018
	£	£
Authorised, allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

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

18. 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 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.