

226
387

Portman Square Properties Limited

Report and Financial Statements

Year Ended

25 December 2002



BDO Stoy Hayward
Chartered Accountants

PORTMAN SQUARE PROPERTIES LIMITED

Annual report and financial statements for the year ended 25 December 2002

Contents

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Statement of total recognised gains and losses
7	Balance sheet
8	Notes forming part of the financial statements

Directors

L Sebba
R H Ashby
A M M Ross
B C Davis

Secretary and registered office

B C Davis, 465 Salisbury House, London Wall, London EC2M 5RQ

Company number

3872261

Auditors

BDO Stoy Hayward, Northside House, 69 Tweedy Road, Bromley, Kent BR1 3WA

PORTMAN SQUARE PROPERTIES LIMITED

Report of the directors for the year ended 25 December 2002

The directors present their report together with the audited financial statements for the year ended to 25 December 2002.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the year.

The directors recommend payment of an ordinary dividend amounting to £1,300,000 (2001 - £880,000).

Principal activities, trading review and future developments

The principal activity of the company continued to be that of property investment. The company's results are in line with the directors' expectations.

The company has changed the way it accounts for deferred tax so as to comply with Financial Reporting Standard 19 "Deferred Tax". This has resulted in a deferred tax liability of £2,868 being recognised in the balance sheet. Further details of the effect this policy change has had on the financial statements are given in note 11.

The directors expect the company to continue the principal activity for the foreseeable future.

Directors

The directors of the company during the year were:

L Sebba
R H Ashby
A M M Ross
B C Davis (appointed 20 March 2002)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure 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 proper accounting records which 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 1985. 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.

PORTMAN SQUARE PROPERTIES LIMITED

Report of the directors for the year ended 25 December 2002 (*Continued*)

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	25 December 2002	26 December 2001
A M M Ross	-	-
L Sebba	-	-
R H Ashby	-	-
B C Davis	-	-

The directors' interests in the shares of the parent undertaking are disclosed in the accounts of that company.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



B C Davis
Secretary

12 March 2003

PORTMAN SQUARE PROPERTIES LIMITED

Report of the independent auditors

To the shareholders of Portman Square Properties Limited

We have audited the financial statements of Portman Square Properties Limited for the year 25 December 2002 on pages 5 to 14 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

PORTMAN SQUARE PROPERTIES LIMITED

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 25 December 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
Bromley

12 March 2003

PORTMAN SQUARE PROPERTIES LIMITED**Profit and loss account for the year ended 25 December 2002**

		2002 £	2001 (restated) £
Turnover	2	3,505,495	3,091,007
Cost of sales		(587,975)	(561,755)
Gross profit		2,917,520	2,529,252
Administrative expenses		(7,469)	(8,172)
		2,910,051	2,521,080
Capital receipt on surrender of lease		697,750	-
Operating profit	3	3,607,801	2,521,080
Net interest receivable	4	-	65
Profit on ordinary activities before taxation		3,607,801	2,521,145
Tax on profit on ordinary activities	6	(971,718)	(759,796)
Profit on ordinary activities after taxation		2,636,083	1,761,349
Dividends	7	(1,300,000)	(880,000)
Retained profit for the year	13	1,336,083	881,349

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 8 to 14 form part of these financial statements.

PORTMAN SQUARE PROPERTIES LIMITED

Statement of total recognised gains and losses for the year ended 25 December 2002

	2002 £	2001 (restated) £
Profit for the financial year	2,636,083	1,761,349
Unrealised (deficit)/surplus on revaluation of properties	(4,675,000)	1,200,000
Total recognised gains and losses relating to the year	(2,038,917)	<u>2,961,349</u>
Prior year adjustment (see note 11)	(1,673)	
Total recognised gains and losses since last annual report	(2,040,590)	

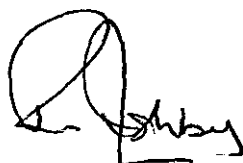
The notes on pages 8 to 14 form part of these financial statements.

PORTMAN SQUARE PROPERTIES LIMITED

Balance sheet at 25 December 2002

	Note	2002 £	2002 £	2001 (restated) £	2001 (restated) £
Fixed assets					
Tangible assets	8		30,625,000		35,300,000
Current assets					
Debtors	9	274,604		703,796	
Creditors: amounts falling due within one year	10	(23,696,869)		(25,463,339)	
Net current liabilities			(23,422,265)		(24,759,543)
Provision for liabilities and charges	11		(2,868)		(1,673)
Net assets			7,199,867		10,538,784
Capital and reserves					
Called up share capital	12		1		1
Revaluation reserve	13		4,119,600		8,794,600
Profit and loss account	13		3,080,266		1,744,183
Shareholders' funds – equity interests	14		7,199,867		10,538,784

The financial statements were approved by the Board on 12 March 2003.



R H Ashby
Director

The notes on pages 8 to 14 form part of these financial statements.

PORTMAN SQUARE PROPERTIES LIMITED

Notes forming part of the financial statements for the year ended 25 December 2002

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with applicable accounting standards. The company has taken advantage of the provisions in Financial Reporting Standard No 1 and has not prepared a cash flow statement. The following principal accounting policies have been applied:

Turnover

Turnover represents rents and service charges receivable.

Tangible fixed assets and depreciation

Investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in Statement of Standard Accounting Practice No 19. The directors consider that, as these properties are not held for consumption, but for investment potential, to depreciate them would not give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. The directors consider that it would be neither practical or of real value to determine the level of the depreciation charge.

Pensions

The cost of the company's contributions to personal pension plans are charged to the profit and loss account in the period to which they reflect.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

PORTMAN SQUARE PROPERTIES LIMITEDNotes forming part of the financial statements for the year ended 25 December 2002 *(Continued)***2 Turnover**

	2002 £	2001 £
Rents receivable	2,835,960	2,628,064
Service charges receivable	669,535	462,943
	<u>3,505,495</u>	<u>3,091,007</u>

3 Operating profit

	2002 £	2001 £
Operating profit is stated after charging:		
Auditors' remuneration	1,566	2,512
	<u>1,566</u>	<u>2,512</u>

4 Net interest receivable and similar income

	2002 £	2001 £
Other interest receivable	-	2,664
Interest payable on late payment of corporation tax	-	(2,599)
	<u>-</u>	<u>65</u>

5 Employees

The average monthly employees (excluding directors) during the year was:

	2002 Number	2001 Number
Administration	1	1
	<u>1</u>	<u>1</u>
	£	£
Employment costs		
Wages and salaries	28,700	29,575
Social security costs	2,756	3,002
Other pension costs	2,491	2,468
	<u>33,947</u>	<u>35,045</u>

The directors did not receive any emoluments during the year.

PORTMAN SQUARE PROPERTIES LIMITED

Notes forming part of the financial statements for the year ended 25 December 2002 (*Continued*)

6 Taxation

	2002	2002	2001	2001
	£	£	(restated)	(restated)
			£	£
<i>Current tax</i>				
UK corporation tax on profits of the year	970,523		758,933	
Adjustment in respect of previous years	-		(405)	
Total current tax		970,523		758,528
<i>Deferred tax</i>				
Movement in deferred tax provision (note 11)		1,195		1,268
Taxation on profit on ordinary activities		971,718		759,796

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2002	2001
	£	(restated)
		£
Profit on ordinary activities before tax	3,607,801	2,521,145
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 – 30%)	1,082,340	756,344
Effects of:		
Expenses not deductible for tax purposes	3,603	3,857
Capital allowances for year in excess of depreciation	(1,195)	(1,268)
Adjustment to tax charge in respect of previous years	-	(405)
Capital receipt	(209,325)	-
Capital gain	95,100	-
Current tax charge for year	970,523	758,528

PORTMAN SQUARE PROPERTIES LIMITED

Notes forming part of the financial statements for the year ended 25 December 2002 (Continued)

7 Dividends

	2002 £	2001 £
Ordinary final proposed of £1,300,000 (2001 - £880,000)	<u>1,300,000</u>	<u>880,000</u>

8 Tangible fixed assets

	Leasehold investment property £
Valuation	
At 26 December 2001	35,300,000
Additions	-
Revaluation	(4,675,000)
	<u> </u>
At 25 December 2002	30,625,000
	<u> </u>
Depreciation	
At 26 December 2001 and 25 December 2002	-
	<u> </u>
Net book value	
At 25 December 2002	30,625,000
	<u> </u>
Net book value	
At 25 December 2001	35,300,000
	<u> </u>
Historical cost at 26 December 2001 and 25 December 2002	26,505,400
	<u> </u>

The properties were valued by Insignia Richard Ellis, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors on basis of open market value as at 25 December 2002 at a total of £30,625,000 (2001 - £35,300,000). The properties are held as long term investments and no allowance has been made for tax on capital gains which would become payable if any properties were sold at the amount at which they are valued. In the opinion of the directors, this contingent liability amounts to £4,195,000 (2001 - £5,600,000).

9 Debtors

	2002 £	2001 £
Trade debtors	256,626	688,511
Prepayments and accrued income	17,978	15,285
	<u>274,604</u>	<u>703,796</u>

PORTMAN SQUARE PROPERTIES LIMITED

Notes forming part of the financial statements for the year ended 25 December 2002 (*Continued*)

10 Creditors: amounts falling due within one year

	2002 £	2001 £
Amounts owed to parent undertaking	20,478,068	23,090,447
Other creditors	18,449	21,180
Other taxes and social security costs	378,292	240,566
Proposed dividend	1,300,000	880,000
Corporation tax	538,523	417,933
Accruals and deferred income	983,537	813,213
	<u>23,696,869</u>	<u>25,463,339</u>

11 Provision for liabilities and charges

	Deferred taxation £
Balance at 26 December 2001	
- As previously reported	-
- Prior year adjustment (see below)	1,673
	<hr/>
- As restated	1,673
Charged to profit and loss account (note 6)	1,195
	<hr/>
Balance at 25 December 2002	2,868
	<hr/> <hr/>
	2002
	2001
	(restated)
	£
	£
Accelerated capital allowances	2,868
	1,673

PORTMAN SQUARE PROPERTIES LIMITED

Notes forming part of the financial statements for the year ended 25 December 2002 (Continued)

11 Provision for liabilities and charges (Continued)

The company has changed its accounting policy in respect of deferred tax following the adoption of FRS 19 'Deferred Tax' this year. Under the company's previous accounting policy deferred tax was only recognised to the extent that it was probable that an asset or liability would crystallise. The company's new accounting policy is set out in note 1.

The effect of this accounting policy change has been to increase the taxation charge and reduce profit after tax in the prior year profit and loss account by £1,268. In addition, there was a £405 adjustment in respect of earlier years than 2001, giving a total prior year adjustment of £1,673. Had the accounting policy remained the same, the taxation charge in the current year would have decreased by £1,195 and profit after tax for the current year would have been £1,195 higher. The deferred tax provision of £2,868 and £1,673 in the current and prior year respectively would not have been recognised in the balance sheet under the previous accounting policy.

12 Share capital

Authorised

100 Ordinary shares of £1 each

100

100

Allotted, called up and fully paid

1 Ordinary shares of £1 each

1

1

13 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
At the beginning of the year as previously stated	8,794,600	1,745,856
Prior year adjustment (see note 11)	-	(1,673)
Balance at 26 December 2001 as restated	8,794,600	1,744,183
Retained profit for the year	-	1,336,083
Revaluation during the year	(4,675,000)	-
Balance at 25 December 2002	4,119,600	3,080,266

PORTMAN SQUARE PROPERTIES LIMITED

Notes forming part of the financial statements for the year ended 25 December 2002 *(Continued)*

14 Reconciliation of movements in shareholders' funds

	2002 £	2001 (restated) £
Profit for the financial year	2,636,083	1,761,349
Dividends	(1,300,000)	(880,000)
	<hr/> 1,336,083	<hr/> 881,349
Other recognised gains and losses	(4,675,000)	1,200,000
	<hr/> (3,338,917)	<hr/> 2,081,349
Net (reduction)/addition to shareholders' funds		
Opening shareholders' funds (originally £10,540,457 before deducting prior year adjustment to £1,673)	10,538,784	8,457,435
	<hr/> 7,199,867	<hr/> 10,538,784
Closing shareholders' funds		

15 Ultimate parent company and control

The immediate parent company is Warnford Investments Limited which owns and controls 100% of the company's issued share capital. The ultimate control is held by the Sebba family and related parties who together hold a controlling interest in the company.

The smallest and largest group of undertakings of which the company is a member, that prepare consolidated accounts, is headed by Warnford Investments Limited.

Group accounts for Warnford Investments Limited are available to the public on payment of the appropriate fee from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

16 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirements to make disclosures concerning related parties.

17 Tenants deposits

£18,449 (2001 - £21,180) has been deposited by tenants as security for their obligation under their leases.

18 Pension costs

The company contributes to personal pension plans of individual employees. The pension cost charge represents contributions payable by the company to the plans and amounted to £2,491 (2001 - £2,468).