

**PORTMAN SQUARE PROPERTIES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

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# PORTMAN SQUARE PROPERTIES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	T A Courtauld N Sanderson S Mew
<b>Secretary</b>	D Lennark
<b>Company number</b>	03872261
<b>Registered office</b>	33 Cavendish Square London United Kingdom W1G 0PW
<b>Auditor</b>	Deloitte LLP Statutory Auditor London United Kingdom

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# PORTMAN SQUARE PROPERTIES LIMITED

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# PORTMAN SQUARE PROPERTIES LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2020

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The directors present their annual report and audited financial statements for the year ended 31 March 2020.

This report has been prepared in accordance with the special provisions relating to small companies under s415A Companies Act 2006 taking the exemption from preparing a strategic report.

#### Principal activities

The principal activity of the Company is investment in and development of freehold properties in the United Kingdom. There has been no significant change in the Company's business during the year.

#### Results and dividends

The profit for the year, after taxation, amounted to £3,462,449 (2019: £2,256,704). The directors have paid a dividend of £nil (2019: £nil).

Great Portland Estates plc Group ('the Group') converted to REIT status on 1 January 2007 and as a result the Company benefits from an exemption from UK corporation tax on both rental profits and chargeable gains relating to the property investment business.

The Company is managed on a day to day basis by Great Portland Estates plc. The performance of the Group, including the Company, is discussed in the Great Portland Estates plc Annual Report. For this reason, the directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

#### Directors

The directors, who served during the year and up to the date of this report, except as noted, were as follows:

T A Courtauld  
N Sanderson  
S Mew

#### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were in force during the year and remain in force at the date when this report was approved.

#### Going concern

The directors have reviewed the profit made in the current financial year and the projected financial position of the Company and the Group, making reasonable assumptions about future trading performance, valuation projections and debt requirements. In making this assessment, the directors have focused on the impact of COVID-19 on the macroeconomic conditions in which the Company and Group is operating. As part of the review, the directors have modelled a series of market scenarios to further understand the resilience of the business to the impact of COVID-19. This included a going concern scenario to consider the impact of market disruption on the Group's cash balances, its capital commitments, its debt maturity profile, including undrawn facilities, its levels of rent collection and the long-term nature of occupier leases.

On the basis of this review, and after making due enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate as a going concern for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

#### Rent receivable

Rent receivable for the year was £4,663,502, an increase from 2019 of £904,001 due to portfolio management activity.

# PORTMAN SQUARE PROPERTIES LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including liquidity risk, credit risk and cash flow risk.

#### Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company sources funds from the Group which uses a mixture of long-term and short-term debt finance.

#### Credit risk

The Company's principal financial assets are bank balances and trade and other receivables. The Company's credit risk is primarily to its trade receivables. The amounts presented in the statement of financial position are net of expected credit losses. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a diverse occupier base. Further details regarding credit risk can be found in the accounting policies in the notes to the financial statements.

#### Cash flow risk

Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to insignificant risk of changes in value.

#### Future prospects

Whilst much of the financial year to March 2020 was characterised by political and economic uncertainty, nothing could have prepared us for the social and economic consequences of the COVID pandemic. As we examine the implications for our business, it is clear that we must plan for a recession with an increase in unemployment, leading to reduced occupational demand for space, implying falling rental and capital values. Key to our market's performance will be both the depth of the downturn and the shape of the recovery. Whatever the outcome, whilst some working practices might change, our human desire to congregate and create underpins our belief that London's magnetic appeal as a global business capital will persist for the long term. This belief is reinforced by our current leasing discussions, illustrating occupiers' ongoing appetite to secure high quality, sustainable space.

Guided by our strong purpose and unifying values, we are positioned for any market eventuality; our low leverage is both defensive and gives us significant capacity for growth; our portfolio is virtually fully let, off low rents and has material upside potential from our extensive development pipeline; and our talented team with its deep market knowledge, combined with our financial strength, gives us the ability to choose our path to deliver on our ambitions.

#### Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

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

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements to reappoint them will be proposed at the forthcoming Annual General Meeting.

# PORTMAN SQUARE PROPERTIES LIMITED

## DIRECTORS' REPORT (CONTINUED)

***FOR THE YEAR ENDED 31 MARCH 2020***

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Approved by the board and signed on their behalf by

A handwritten signature in black ink, appearing to be 'N Sanderson', consisting of a large loop followed by a series of connected strokes.

**N Sanderson**

11 September 2020

# **PORTMAN SQUARE PROPERTIES LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

### ***FOR THE YEAR ENDED 31 MARCH 2020***

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, and in accordance with the small companies regime, unless it is inappropriate.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# PORTMAN SQUARE PROPERTIES LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF PORTMAN SQUARE PROPERTIES LIMITED

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#### Report on the audit of the financial statements

##### Opinion

In our opinion the financial statements of Portman Square Properties Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 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 and the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 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 UK, 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.

##### Emphasis of matter relating to material uncertainty within property valuations

We draw attention to note 9, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the company's investment property portfolio. As noted by Company's external valuers, CBRE, the outbreak has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the investment property portfolio at the balance sheet date. Our opinion is not modified in respect of this matter.

##### Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in 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 twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.



# **PORTMAN SQUARE PROPERTIES LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF PORTMAN SQUARE PROPERTIES LIMITED**

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#### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in 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 Statement of Directors' Responsibilities, 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

#### **Opinion on other matter 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.

# **PORTMAN SQUARE PROPERTIES LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF PORTMAN SQUARE PROPERTIES LIMITED**

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#### **Matters on which we are required to report by exception**

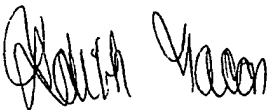
Under the Companies Act 2006 we are required to report in respect of the following matters, if in our opinion:

- 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic 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.



**Judith Tacon FCA (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP

11 September 2020

Statutory Auditor  
London  
United Kingdom

# PORTMAN SQUARE PROPERTIES LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
<b>Total revenue</b>	<b>3</b>	5,507,250	4,355,131
Net rental income	<b>3</b>	4,663,502	3,759,501
Ground rent		(1,000)	(1,001)
<b>Gross profit</b>		4,662,502	3,758,500
Property expenses	<b>4</b>	(127,208)	(1,220,591)
Administrative expenses		(817,077)	(421,086)
<b>Net rental and related income, being operating profit</b>		3,718,217	2,116,823
(Deficit)/surplus on revaluation of investment properties	<b>9</b>	(398,372)	556,569
<b>Profit before finance charges</b>		3,319,845	2,673,392
Interest receivable	<b>6</b>	142,604	-
Finance costs	<b>7</b>	-	(416,688)
<b>Profit before taxation</b>		3,462,449	2,256,704
Tax	<b>8</b>	-	-
<b>Profit for the financial year</b>		3,462,449	2,256,704

The income statement has been prepared on the basis that all operations are continuing operations.

# PORTMAN SQUARE PROPERTIES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 MARCH 2020*

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	2020	2019
	£	£
Profit for the financial year	3,462,449	2,256,704
	<u>          </u>	<u>          </u>
Other comprehensive income	<u>          </u>	<u>          </u>
Total other comprehensive income for the year	-	-
	<u>          </u>	<u>          </u>
Total comprehensive income for the year	3,462,449	2,256,704
	<u>          </u>	<u>          </u>

# PORTMAN SQUARE PROPERTIES LIMITED


## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Notes	2020 £	2019 £
<b>Non-current assets</b>			
Investment properties	9	78,450,000	78,300,000
<b>Current assets</b>			
Trade and other receivables	10	6,510,464	2,989,913
Cash at bank and in hand		2,155	2,155
		6,512,619	2,992,068
<b>Current liabilities</b>			
Trade and other payables	11	(1,837,416)	(1,629,314)
		(1,837,416)	(1,629,314)
<b>Net current assets</b>		4,675,203	1,362,754
<b>Net assets being total assets less current liabilities</b>		83,125,203	79,662,754
<b>Equity</b>			
Share capital	12	30,000,001	30,000,001
Retained earnings		53,125,202	49,662,753
<b>Total equity</b>		83,125,203	79,662,754

The financial statements were approved by the Board of directors and authorised for issue on 11 September 2020.

Signed on its behalf by:

  
N Sanderson  
Director

Company Registration No. 03872261

# PORTMAN SQUARE PROPERTIES LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

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	Share capital £	Retained earnings £	Total £
Balance at 1 April 2018	1	47,406,049	47,406,050
	<hr/>	<hr/>	<hr/>
Profit for the year	-	2,256,704	2,256,704
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	2,256,704	2,256,704
Issue of share capital	30,000,000	-	30,000,000
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	30,000,001	49,662,753	79,662,754
	<hr/>	<hr/>	<hr/>
Profit for the year	-	3,462,449	3,462,449
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	3,462,449	3,462,449
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	30,000,001	53,125,202	83,125,203
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# PORTMAN SQUARE PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **1 Accounting policies**

#### **1.1 Basis of preparation**

Portman Square Properties Limited is a private company limited by shares and incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The nature of the Company's operations and its principal activities are set out on page 1. The address of the registered office can be found in note 16.

The Company meets the definition of a qualifying entity under FRS100 "Application of Financial Reporting Requirements issued by the FRC". Accordingly the financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and the requirements of the Companies Act 2006.

The financial statements have been prepared in sterling on the historical cost basis, except for investment property that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

The entity is included in the ultimate parent company accounts as described in note 16 as such the entity has taken the exemption per IFRS 10 from preparing consolidated financial statements.

The Company has taken advantage of certain disclosure exemptions in FRS 101 as its financial statements are included in the publicly available consolidated financial statements of Great Portland Estates plc. The disclosure exemptions available under that standard in relation to business combinations, share-based payments, non-current assets held for sale and discontinued operations, financial instruments, certain revenue, capital management, presentation of a cash flow statement, changes in accounting estimates and errors, standards not yet effective, impairment of assets and related party transactions. Copies of those consolidated financial statements can be obtained from Great Portland Estates plc, 33 Cavendish Square, London, W1G 0PW or from the Group's website at [www.gpe.co.uk](http://www.gpe.co.uk).

The Company is not a financial institution and is therefore able to take advantage of exemption from all requirements of, IFRS 7 'Financial Instruments: Disclosures' and from the disclosure requirements of IFRS13 'Fair Value Measurement'.

#### **1.2 Significant judgements and sources of estimation uncertainty**

In the process of preparing the financial statements, the directors are required to make certain judgements, assumptions and estimates. Not all of the Company's accounting policies require the directors to make difficult, subjective or complex judgements or estimates. Any estimates and judgements made are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on the director's best knowledge of the amount, event or actions, actual results may differ from those estimates. No significant judgements have been made in the current or prior year.

The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements.

# PORTMAN SQUARE PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **1 Accounting policies**

**(Continued)**

#### **Key source of estimation uncertainty: property portfolio valuation**

The valuation to assess the fair value of the Company's investment properties is prepared by its external valuer. The valuation is based upon a number of assumptions including future rental income, anticipated maintenance costs, future development costs and an appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. An adjustment to any of these assumptions could lead to a material change in the property valuation. For 31 March 2020, the rapid spread of COVID-19 has disrupted activity in real estate markets creating heightened valuation uncertainty for the Company's valuers. As a result, the valuation report includes a clause which highlights a 'material valuation uncertainty'. This clause serves as a precaution and does not invalidate the valuation and does not mean that the valuation cannot be relied upon. Rather, it is intended to highlight that due to current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case. For the current year and prior year the directors adopted the valuation without adjustment, further information is provided in the accounting policy for investment property and note 9.

### **1.3 New accounting standards**

During the year ended 31 March 2020, the following accounting standards and guidance were adopted by the Company the pronouncements either had no impact on the financial statements or resulted in changes to presentation and disclosure only:

- IFRS 16 Leases;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Prepayment Features with Negative Compensation (Amendments to IFRS 9); and
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).

The adoption of the Standards and Interpretations has not significantly impacted these financial statements.



# PORTMAN SQUARE PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

##### 1.4 Going concern

As noted in the Directors' report, the directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Directors rely upon the Group's ability to continue as a going concern and provide support when required by group companies to inform their review of the Company's going concern position. Great Portland Estates plc (the ultimate parent company) has committed to support the Company in order to continue operating for the going concern period.

The Directors have reviewed the profit and net current asset position of the Company in the current year as well as the projected financial position of the Group, making reasonable assumptions about future trading performance. The Group assessment has focused on the impact of Brexit and COVID-19 on the macroeconomic conditions in which both the Company and Group operates. As part of the Group review, the Great Portland Estates plc directors modelled a series of market scenarios to further understand the resilience of the business to the impact of COVID-19. This included a going concern scenario to consider the impact of market disruptions and demonstrated that the Group has significant liquidity to fund its ongoing operations and is operating with significant headroom above its Group debt financing covenants.

On the basis of this review, and the confirmed availability of financial support by the Group where necessary, and after making due enquiries, the Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the next twelve months. Accordingly, it continues to adopt the going concern basis in preparing the annual report and financial statements.

##### 1.5 Leases - the Company as a lessor

Rent receivable is recognised in the income statement on a straight-line basis over the term of the lease. In the event that a lease incentive is granted to a lessee, such incentives are recognised as an asset, with the aggregate cost of the incentive recognised as a reduction in rental income on a straight-line basis over the term of the lease.

##### 1.6 Property expenses

Irrecoverable running costs directly attributable to specific properties within the Company's portfolio are charged to the income statement as other property expenses. Costs incurred in the improvement of the portfolio which, in the opinion of the directors, are not of a capital nature are written off to the income statement as incurred.

##### 1.7 Administration expenses

Costs not directly attributable to individual properties are treated as administration expenses.

# PORTMAN SQUARE PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

##### 1.8 Investment Properties

Leasehold investment properties and investment properties under development are professionally valued on a fair value basis by qualified external valuers and the directors must ensure that they are satisfied that the valuation of the Company's properties is appropriate for inclusion in the accounts without adjustment.

The valuations have been prepared in accordance the RICS Valuation – Global Standards 2017 (incorporating the International Valuation Standards) and the UK national supplement 2018 (the Red Book) and have been primarily derived using comparable recent market transactions on arm's length terms.

For investment property, this approach involves applying market-derived capitalisation yields to current and market-derived future income streams with appropriate adjustments for income voids arising from vacancies or rent-free periods.

These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs in the valuation. Other factors that are taken into account in the valuations include the tenure of the property, tenancy details, planning, building and environmental factors that might affect the property.

In the case of investment property under development, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above with a deduction for the costs necessary to complete the development, together with an allowance for the remaining risk.

The Company recognises sales and purchases of property when control passes on completion of the contract. Gains or losses on the sale of properties are calculated by reference to the carrying value at the end of the previous year, adjusted for subsequent capital expenditure.

##### **Financial risk management objectives:**

The Company's financial risk management is in line with and managed by the Group.

##### 1.9 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a policy of reviewing the financial information of prospective occupiers and only dealing with those that are creditworthy and obtaining sufficient rental cash deposits or third party guarantees as a means of mitigating financial loss from defaults.

The concentration of credit risk is limited due to the large and diverse tenant base. Accordingly the directors believe that there is no further credit provision required in excess of the expected credit losses. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of rent deposits obtained.

##### 1.10 Capital risk

The Group manages its capital to ensure that it will be able to continue as a going concern and as such it aims to maintain an appropriate mix of debt and equity financing. The current capital structure of the Group consists of a mix of equity and debt. The Group aims to maintain a loan-to-property value of between 10% - 40%.

##### 1.11 Liquidity risk

The Group operates a framework for the management of the Group's short-, medium- and long-term funding requirements. Cash flow and funding needs are regularly monitored to ensure sufficient facilities are in place. The Group operates strict counterparty limits on its deposits.

# PORTMAN SQUARE PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

##### 1.12 Interest rate risk

Interest rate risk arises from the Group's use of interest bearing financial instruments. It is the risk that future cash flows from a financial instrument will fluctuate due to changes in interest rates. It is the Group's policy to mitigate the risk through fixed interest rates on its debt.

##### Financial instruments:

##### 1.13 Trade receivables and payables

Trade receivables and payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method as a defined method in IFRS 9.

##### 1.14 Interest bearing loans and borrowings

Borrowings are held at amortised cost, with any discounts, premiums and attributable costs charged to the income statement using the effective interest rate method as a defined method in IFRS 9.

##### 1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date that are expected to apply to the reversal of the timing difference.

#### 2 Directors' remuneration and employees

The Company had no employees other than directors, in the current year or preceding year. None of the directors received any emoluments for their services to the Company in the current or preceding financial year.

#### 3 Revenue

Revenue comprises rental income, service charge receivable and premiums on lease surrenders on investment properties for the year. Rental uplifts from rent reviews are recognised when agreed with the tenant. Net rental income is exclusive of service charge receivable, service charge receivable are credited against relevant expenditure. All revenue is derived within the UK.

# PORTMAN SQUARE PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 4 Property expenses

	2020	2019
	£	£
Service charge income	(843,748)	(595,630)
Service charge expenses	1,048,191	949,799
Other property (cost recovery)/expenses	(77,235)	866,422
	<u>127,208</u>	<u>1,220,591</u>

### 5 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the Company's auditor and its associates:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts - paid by ultimate parent undertaking	<u>6,200</u>	<u>6,000</u>
Total audit fees	<u>6,200</u>	<u>6,000</u>

Fees payable to the Company's auditor and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent Company are required to disclose such fees on a consolidated basis.

### 6 Interest receivable

	2020	2019
	£	£
Interest receivable from ultimate parent company at 3.19%	<u>142,604</u>	<u>-</u>

Interest on intercompany debt is charged at variable rates based on the weighted average interest rate of Group third party debt.

### 7 Finance costs

	2020	2019
	£	£
Interest payable to ultimate parent undertaking (2019: 3.28%)	<u>-</u>	<u>416,688</u>

Interest on intercompany debt is charged at variable rates based on the weighted average interest rate of Group third party debt.

# PORTMAN SQUARE PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 8 Tax

	2020 £	2019 £
Total tax charge for the year	-	-
The charge for the year can be reconciled to the profit per the income statement as follows:		
	2020 £	2019 £
Profit before taxation	3,462,449	2,256,704
Profit before taxation multiplied by standard rate of UK corporation tax of 19% (2019 - 19%)	657,865	428,774
<b>Taxation impact of factors affecting tax charge:</b>		
Effect of revaluation of investment property	75,691	(105,748)
Ring-fenced rental profits and gains	(706,461)	(323,026)
Tax losses claimed by Company for nil consideration	(27,095)	-
Total adjustments	(657,865)	(428,774)
Tax charge for the year	-	-

The standard rate of corporation tax in the UK is 19% from 1 April 2017, and 17% from 1 April 2020. This gives a corporation tax rate for the Company for the full period of 19% (2019: 19%). Post the Balance Sheet date, legislation has been substantively enacted to repeal the reduction of the main corporation tax rate, thereby maintaining the current rate at 19%. These financial statements do not reflect the impact of this change as it was not substantively enacted by the Balance Sheet date.

# PORTMAN SQUARE PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 9 Investment properties

	Leasehold £
<b>Valuation</b>	
At 1 April 2018	77,750,000
Additions and incentive for tenant adjustment	(6,569)
Surplus on revaluation	556,569
At 31 March 2019	78,300,000
Additions and incentive for tenant adjustment	548,372
Deficit on revaluation	(398,372)
At 31 March 2020	78,450,000

The Company's investment properties were valued on the basis of Fair Value by CBRE Limited (CBRE), external valuers, as at 31 March 2020 in accordance with the RICS Valuation – Global Standards 2017 (incorporating the International Valuation Standards) and the UK national supplement 2018 ("the Red Book") and have been primarily derived using comparable recent market transactions on arm's length terms. CBRE has continuously been carrying out valuation instructions for the Group for in excess of 20 years. CBRE has carried out valuation, agency and professional services on behalf of the Group for in excess of 20 years.

For the 31 March 2020 valuation, the rapid spread of COVID-19 has disrupted activity in real estate markets creating heightened valuation uncertainty for the Group's valuers. As a result, the valuation report includes a clause which highlights a 'material valuation uncertainty' which is as follows:

"As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this portfolio under frequent review".

This clause serves as a precaution and does not invalidate the valuation, and does not mean that the valuation cannot be relied upon. Rather, it is intended to highlight that due to current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case. Real estate valuations are complex and derived using comparable market transactions which are not publicly available and involve an element of judgement. Therefore, in line with EPRA guidance, we have classified the valuation of the property portfolio as Level 3 as defined by IFRS 13. There were no transfers between levels during the year. Inputs to the valuation, including capitalisation yields (typically the true equivalent yield) and rental values, are defined as 'unobservable' as defined by IFRS 13.

The historical cost of investment properties at 31 March 2020 was £44,303,769 (2019: £43,997,597).

# PORTMAN SQUARE PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 10 Trade and other receivables

	2020	2019
	£	£
Trade receivables	245,077	172,024
Amounts due from parent undertaking	6,265,387	2,817,889
	<u>6,510,464</u>	<u>2,989,913</u>

Trade receivables consist of rent and service charge monies, which are due on the quarter day with no credit period. Interest is charged on trade receivables in accordance with the terms of the occupier's lease. Trade receivables are provided for based on the expected credit loss, which uses a lifetime expected loss allowance for all trade receivables based on an assessment of each individual occupiers' circumstance. This assessment reviews the outstanding balances of each individual occupier and makes an assessment of the likelihood of recovery, based on an evaluation of their financial situation. Where the expected credit loss relates to revenue already recognised this has been recognised immediately in the income statement. For the portion of the expected credit loss that relates to future revenue, which is no longer considered fully recoverable, the relevant amount of rent received in advance has been released. No expected credit loss allowance has been made in the current or prior year.

Interest on intercompany debt is charged at variable rates based on the weighted average interest rate of Group third party debt. Amounts are unsecured and are repayable on demand and amounts owed to parent undertaking have been moved to current assets and offset against amounts due from parent undertaking.

### 11 Trade and other payables

	2020	2019
	£	£
Tenant's reserve fund	40,000	40,000
Accruals and rent in advance	1,343,366	1,219,411
Other taxes	224,745	145,196
Other payables	229,305	224,707
	<u>1,837,416</u>	<u>1,629,314</u>

### 12 Share capital

	2020	2019
	£	£
<b>Ordinary share capital</b>		
<b><i>Authorised, issued and fully paid</i></b>		
30,000,001 Ordinary shares of £1 each	<u>30,000,001</u>	<u>30,000,001</u>

The share capital comprises 30,000,001 ordinary shares carrying no right to fixed income.

### 13 Contingent liabilities

The Company, along with certain of its fellow group subsidiaries, has guaranteed bank facilities of its parent undertaking to the extent of £450 million (2019: £450 million), of which £150 million was drawn down at 31 March 2020 (2019: £nil).

# PORTMAN SQUARE PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 14 Lease obligations

Future aggregate minimum rentals receivable under non-cancellable operating leases are:

	2020 £	2019 £
<b>The Company as a lessor</b>		
Less than one year	5,128,661	4,051,290
Between two and five years	5,755,834	9,790,679
More than five years	778,625	1,227,595
	<u>11,663,120</u>	<u>15,069,564</u>

### 15 Reserves

The following describes the nature and purpose of each reserve within equity:

#### Share capital

The nominal value of the Company's issued capital, comprising £1 ordinary shares.

#### Retained earnings

Cumulative net gains and losses recognised in the Company's income statement together with other items such as dividends.

### 16 Ultimate controlling party

The Company is a wholly-owned subsidiary undertaking of Great Portland Estates plc, a company incorporated in the United Kingdom and registered in England & Wales, the ultimate parent undertaking and controlling entity, and the only company within the Group which prepares consolidated financial statements. The financial statements of the Company and of Great Portland Estates plc can be obtained from 33 Cavendish Square, London W1G 0PW.