

Company Registration No. 3872261 (England and Wales)

PORTMAN SQUARE PROPERTIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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PORTMAN SQUARE PROPERTIES LIMITED

COMPANY INFORMATION

Directors

T A Courtauld
N Sanderson
S Mew

Secretary

D L Martin

Company number

3872261

Registered office

33 Cavendish Square
London
W1G 0PW

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

PORTMAN SQUARE PROPERTIES LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Statement of directors' responsibilities	3
Independent auditor's report	4 - 6
Income statement	7
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 - 18

PORTMAN SQUARE PROPERTIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present their annual report and audited financial statements for the year ended 31 March 2018.

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 Company is a wholly owned subsidiary of Great Portland Estates plc and operates as part of the Great Portland Estates plc Group's ('the Group') central London focused business.

The Company's principal activities are the investment in freehold and leasehold property in the United Kingdom. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Results and dividends

The profit for the year, after taxation, amounted to £1,465,034 (2017: loss of £11,134,148). The directors have paid a dividend of £nil (2017: £nil).

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 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 made during the prior year and remain in force at the reporting date.

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 taken into account available market information, consulted with advisers and applied their own knowledge and experience to the Company and Group's property portfolio and markets.

On the basis of this review, and the confirmed support of the ultimate parent company where necessary, and after making due enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

Rent receivable

Rent receivable for the year was £3,607,150, a decrease from 2017 of £38,329 due to lease expiries.

PORTMAN SQUARE PROPERTIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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 allowances for doubtful receivables. 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 we expect, and are planning for, continued economic uncertainty, we look to our future with confidence: although we can expect a softening in market rents and some secondary asset yields, occupier demand remains healthy across our retail and office portfolio. With London's investment markets remaining competitive, the Group has no need to buy, preferring the relative returns on offer from investing in our existing portfolio which is full of opportunity. In addition, our low average rents provide us with plenty of reversion to capture and our talented team is ready to capitalise on our many opportunities for organic growth as we continue to broaden our offering to meet evolving occupier needs. Either way, after five years of net sales, the Group has the financial strength to exploit any market weakness where we unearth it.

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.

Approved by the board and signed on their behalf by

D L Martin

17 September 2018

PORTMAN SQUARE PROPERTIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2018

The directors are responsible for preparing the Annual Report including 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 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.

PORTMAN SQUARE PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PORTMAN SQUARE PROPERTIES LIMITED

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 2018 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 Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Basis for opinion

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

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.

PORTMAN SQUARE PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PORTMAN SQUARE PROPERTIES LIMITED

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. This description forms part of our auditor's report.

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.

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

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.



Stephen Craig FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

17 September 2018

Statutory Auditor
London
United Kingdom

PORTMAN SQUARE PROPERTIES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
Revenue	3	3,607,150	3,645,479
Ground rent		(8,595)	(7,485)
Gross profit		3,598,555	3,637,994
Property expenses	5	(1,008,105)	(589,188)
Administrative expenses		(327,969)	(293,682)
Net rental and related income, being operating profit		2,262,481	2,755,124
Surplus/(deficit) on revaluation of investment properties	8	2,478,652	(12,481,903)
Profit/(loss) before finance charges		4,741,133	(9,726,779)
Finance costs	6	(3,276,099)	(1,407,369)
Profit/(loss) before taxation		1,465,034	(11,134,148)
Tax	7	-	-
Profit/(loss) attributable to equity holder for the financial year		1,465,034	(11,134,148)

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 2018

	2018	2017
	£	£
Profit/(loss) attributable to equity holder for the financial year	1,465,034	(11,134,148)
Other comprehensive income		
Total other comprehensive income for the year	-	-
Total comprehensive income/(expense) for the year	1,465,034	(11,134,148)

PORTMAN SQUARE PROPERTIES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Notes	2018 £	2017 £
Non-current assets			
Investment properties	8	77,750,000	68,450,000
Current assets			
Trade and other receivables	9	40,734	82,409
Cash at bank and in hand		2,155	2,155
		42,889	84,564
Current liabilities			
Trade and other payables	10	(30,386,839)	(22,593,548)
		(30,386,839)	(22,593,548)
Net current liabilities		(30,343,950)	(22,508,984)
Net assets being total assets less current liabilities		47,406,050	45,941,016
Equity			
Share capital	11	1	1
Retained earnings		47,406,049	45,941,015
Total equity		47,406,050	45,941,016

The financial statements were approved by the Board of directors and authorised for issue on 17 September 2018.

Signed on its behalf by:



N Sanderson
Director

Company Registration No. 3872261

PORTMAN SQUARE PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Share capital £	Retained earnings £	Total £
Balance at 1 April 2016	1	57,075,163	57,075,164
	<hr/>	<hr/>	<hr/>
Loss for the year	-	(11,134,148)	(11,134,148)
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(11,134,148)	(11,134,148)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	1	45,941,015	45,941,016
	<hr/>	<hr/>	<hr/>
Profit for the year	-	1,465,034	1,465,034
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	1,465,034	1,465,034
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	1	47,406,049	47,406,050
	<hr/>	<hr/>	<hr/>

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

1.1 Basis of preparation

Portman Square Properties Limited is a private company limited by shares and incorporated 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 14.

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).

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 14 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. These disclosure exemptions relate to the statement of cash flows and related party transactions. Copies of those consolidated financial statements may be obtained by writing to the Company Secretarial Department at Great Portland Estates plc at the address found in note 14.

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 IFRS 13 'Fair Value Measurement'.

As permitted by FRS 101, the Company has taken advantage of 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, 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.

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.

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 2018

1 Accounting policies

(Continued)

Significant judgements: recognition of sales and purchases of property

The Company recognises sales and purchases of property when the risks and rewards of ownership transfer to the new owner, usually on the date of completion. Whilst in most instances this assessment is straightforward, arrangements such as forward sales, significant levels of deferred consideration or transactions with other complex arrangements require the directors to exercise judgement in recognising the transaction. In the current year, no transactions required significant judgement.

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. 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 8.

1.3 New accounting standards

During the year ended 31 March 2018, 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:

- Amendments to IFRS (Annual improvements 2014–2016 cycle)
- Amendments to IAS 17
- Amendments to IAS 12

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

1.4 Going concern

As detailed in the Director's 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 the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Tenant leases

The directors have considered the potential transfer of risks and rewards of ownership in accordance with IAS17 - Leases for all properties leased to tenants and in their judgement have determined that all such leases are operating leases.

1.6 Leases incentives

Lease incentives including rent-free periods and payments to tenants, are allocated to the income statement on a straight-line basis over the lease term or on another systematic basis, if applicable. The value of the resulting accrued rental income is included within the respective property.

1.7 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.

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

1.8 Administration expenses

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

1.9 Investment Properties

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 with the RICS Valuation – Professional Standards Global January 2014 including the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) ("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 Group recognises sales and purchases of property when the risks and rewards of ownership transfer, usually on the date of completion of a contract for sale. 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:

1.10 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 allowance for doubtful debts. 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.

1.11 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%.

1.12 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 2018

1 Accounting policies

(Continued)

1.13 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:

1.14 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 IAS32.

1.15 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 IAS32.

1.16 Taxation

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 balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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 balance sheet date. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet 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

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

4 Auditor's remuneration

	2018	2017
	£	£
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	6,000	6,000
Total audit fees	6,000	6,000

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

4 Auditor's remuneration

(Continued)

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.

5 Property expenses

	2018	2017
	£	£
Service charge income	(627,522)	(711,278)
Service charge expenses	857,397	995,846
Other property expenses	778,230	304,620
	<u>1,008,105</u>	<u>589,188</u>

6 Finance costs

	2018	2017
	£	£
Interest payable to ultimate parent company at 14.01% (2017: 6.8%)	<u>3,276,099</u>	<u>1,407,369</u>

Interest on intercompany debt is charged at variable rates based on the weighted average interest rate of Group third party debt, including premiums paid to refinance debt obligations. Balances are unsecured and are repayable on demand.

7 Tax

	2018	2017
	£	£
Total tax charge for the year	<u>-</u>	<u>-</u>

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2018	2017
	£	£
Profit/(loss) before taxation	<u>1,465,034</u>	<u>(11,134,148)</u>

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

		(Continued)	
7	Tax	2018 £	2017 £
	Profit/(loss) before taxation multiplied by standard rate of UK corporation tax of 19% (2017 - 20%)	278,356	(2,226,830)
	Taxation impact of factors affecting tax charge:		
	Effect of revaluation of investment property	(470,944)	2,496,381
	Ring-fenced rental profits and gains	192,588	(269,551)
	Total adjustments	(278,356)	2,226,830
	Tax charge for the year	-	-

A reduction in the UK corporation tax rate from 20% to 19% took place on 1 April 2017.

8	Investment properties	Leasehold £
	Valuation	
	At 1 April 2016	80,000,000
	Additions	931,903
	Deficit on revaluation	(12,481,903)
	At 31 March 2017	68,450,000
	Additions	6,821,348
	Surplus on revaluation	2,478,652
	At 31 March 2018	77,750,000

The Company's investment properties were valued on the basis of Fair Value by CBRE Limited (CBRE), external valuers, as at 31 March 2018 in accordance with the RICS Valuation – Professional Standards Global January 2014 including the International Valuation standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) ("the Red Book") and have been primarily derived using comparable recent market transactions on arm's length terms.

The historical cost of investment properties at 31 March 2018 was £44,701,439 (2017: £37,880,091).

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

9 Trade and other receivables

	2018	2017
	£	£
Trade receivables	40,484	19,289
Other receivables	-	63,120
Prepayments	250	-
	<u>40,734</u>	<u>82,409</u>

10 Trade and other payables

	2018	2017
	£	£
Trade payables	-	36,346
Tenant's reserve fund	40,000	40,000
Amount due to parent undertaking	28,642,361	21,341,735
Accruals and rent in advance	1,484,716	1,115,467
Other taxes	159,762	-
Other payables	60,000	60,000
	<u>30,386,839</u>	<u>22,593,548</u>

Interest on intercompany debt is charged at variable rates based on the weighted average interest rate of Group third party debt, including premiums paid for refinancing debt obligations. Balances are unsecured and are repayable on demand.

11 Share capital

	2018	2017
	£	£
Ordinary share capital		
<i>Authorised, issued and fully paid</i>		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

12 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.

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

13 Operating leases

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

	2018 £	2017 £
The Company as a lessor		
Less than one year	3,754,694	2,297,204
Between two and five years	10,503,735	8,439,056
More than five years	-	-
	<u>14,258,429</u>	<u>10,736,260</u>

14 Ultimate controlling party

The Company is a wholly-owned subsidiary undertaking of Great Portland Estates plc, a company incorporated in Great Britain 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.