

Company Registration No. 03872261 (England and Wales)

PORTMAN SQUARE PROPERTIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022



PORTMAN SQUARE PROPERTIES LIMITED

COMPANY INFORMATION

Directors

T Courtauld
N Sanderson
S Mew
A White

Secretary

D Lennark

Company number

03872261

Registered office

33 Cavendish Square
London
United Kingdom
W1G 0PW

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

PORTMAN SQUARE PROPERTIES LIMITED

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PORTMAN SQUARE PROPERTIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and audited financial statements for the year ended 31 March 2022.

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 leasehold properties in the United Kingdom. There has been no significant change in the Company's business during the year.

Results and dividends

The results for the year are set out on page 8.

The profit for the year, after taxation, amounted to £3,722,415 (2021: loss of £1,365,975). The directors paid a dividend during the year of £nil (2021: £nil) and no dividend has been proposed after the year end (2021: £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 Courtauld
N Sanderson
S Mew
A White

Directors' insurance

The Company has qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

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 had a particular focus on macroeconomic conditions in which the Company and Group is operating including the ongoing economic disruption from geopolitical tensions, high inflationary environment and rising interest rates. As part of the review, the directors have modelled a series of market scenarios to further understand the resilience of the business. 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 customer leases. The directors also conducted extensive stress testing, sensitising the potential impact of climate change as well as the impact of removing non-committed disposal proceeds and capital expenditure. Please see note 1 for further details.

On the basis of this review, and the confirmed availability of financial support from the Group where necessary, 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.

PORTMAN SQUARE PROPERTIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Net rental income

Net rental income for the year was £4,694,205, an increase from 2021 of £158,191 due to portfolio management activity.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including liquidity risk and credit 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 trade and other receivables. The Company's credit risk is primarily in relation to its trade receivables. The amounts presented in the statement of financial position are net of expected credit losses. The Company has no significant concentration of credit risk, with exposure spread over a diverse customer base. Further details regarding credit risk can be found in the accounting policies in the notes to the financial statements.

Future prospects

We expect macro-economic and geopolitical uncertainties to persist in the near term, dampening economic activity and growth, whilst conditions we experienced in late 2021 which kick-started the post-pandemic recovery in London's economy and its property markets, remain in evidence today. London is substantially busier than this time last year with office workers and shoppers returning, Crossrail is open, job vacancies remain high and inward investment into income yielding real estate is robust. Plus, we expect weaker sentiment and cost inflation in the short term, along with further tightening in the planning environment, to impact the appetite for development risk, choking off the supply of new office space, intensifying the already acute shortage as customers continue their flight to quality.

Auditor

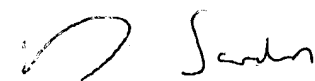
Each of the persons who is a director at the date of approval of this report confirms that:

- 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



N Sanderson

21 September 2022

PORTMAN SQUARE PROPERTIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2022

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 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 2022 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 statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

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

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

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

As a result of performing the above, we identified the greatest potential for fraud to be in relation to the valuation of the investment property and development property portfolio. The valuation of the investment and development property portfolio is a key source of estimation uncertainty and includes a number of assumptions. Due to the high level of estimation required in determining the valuation, we have determined that there is a potential fraud risk in the balance.

PORTMAN SQUARE PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PORTMAN SQUARE PROPERTIES LIMITED

Our procedures in relation to the audit of the valuation of the investment and development property portfolio involved understanding the process and relevant controls, testing the data provided to the valuer, with the assistance of a valuation expert challenging the valuations prepared by the external valuer and assessing the appropriateness of the disclosures included within the Financial Statements.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 material misstatements in the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and 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.

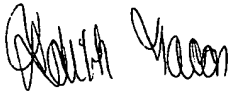
Use of our report

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.

PORTMAN SQUARE PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PORTMAN SQUARE PROPERTIES LIMITED



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

21 September 2022

Statutory Auditor
London
United Kingdom

PORTMAN SQUARE PROPERTIES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Revenue	3	5,874,181	5,266,803
Cost of sales	4	(1,287,729)	(1,114,934)
		<u>4,586,452</u>	<u>4,151,869</u>
Expected credit recoveries/(losses)	9	15,749	(15,749)
Administrative expenses		(834,681)	(618,053)
Operating profit before deficit from property		<u>3,767,520</u>	<u>3,518,067</u>
Deficit on revaluation of investment properties	8	(418,355)	(5,106,611)
Operating profit/(loss)		<u>3,349,165</u>	<u>(1,588,544)</u>
Interest receivable	6	373,250	222,569
Profit/(loss) before taxation		<u>3,722,415</u>	<u>(1,365,975)</u>
Tax	7	-	-
Profit/(loss) for the financial year		<u><u>3,722,415</u></u>	<u><u>(1,365,975)</u></u>

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 2022

	2022 £	2021 £
Profit/(loss) attributable to equity holder for the financial year	<u>3,722,415</u>	<u>(1,365,975)</u>
Other comprehensive income	<u> </u>	<u> </u>
Total other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income/(expense) for the year	<u>3,722,415</u>	<u>(1,365,975)</u>

PORTMAN SQUARE PROPERTIES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Notes	2022 £	2021 £
Non-current assets			
Investment properties	8	72,800,000	72,850,000
Amounts due from parent undertaking	9	14,586,406	10,937,640
		<u>87,386,406</u>	<u>83,787,640</u>
Current assets			
Trade and other receivables	9	408,673	23,053
Cash at bank and in hand		2,000	2,000
		<u>410,673</u>	<u>25,053</u>
Current liabilities			
Trade and other payables	10	(2,315,436)	(2,053,465)
		<u>(2,315,436)</u>	<u>(2,053,465)</u>
Net current liabilities		<u>(1,904,763)</u>	<u>(2,028,412)</u>
Net assets being total assets less liabilities		<u>85,481,643</u>	<u>81,759,228</u>
Equity			
Share capital	11	30,000,001	30,000,001
Retained earnings		55,481,642	51,759,227
Total equity		<u>85,481,643</u>	<u>81,759,228</u>

The financial statements were approved by the board of directors and authorised for issue on 21 September 2022 and are 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 2022

	Share capital £	Retained earnings £	Total £
Balance at 1 April 2020	30,000,001	53,125,202	83,125,203
	<hr/>	<hr/>	<hr/>
Loss for the year	-	(1,365,975)	(1,365,975)
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(1,365,975)	(1,365,975)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	30,000,001	51,759,227	81,759,228
	<hr/>	<hr/>	<hr/>
Profit for the year	-	3,722,415	3,722,415
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	3,722,415	3,722,415
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	30,000,001	55,481,642	85,481,643
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

1.1 Basis of preparation

Portman Square Properties Limited is a private company limited by shares 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 15.

The Company meets the definition of a qualifying entity under FRS 100 "Application of Financial Reporting Requirements issued by the FRC". The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) 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 is measured at fair value 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 15 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, 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.

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'.

1.2 Critical judgements and key 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 directors' best knowledge of the amount, event or actions, actual results may differ from those estimates. No critical 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 material impact on the financial statements.

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 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.

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.3 New accounting standards

During the year ended 31 March 2022, the following accounting standards and guidance were adopted by the Company. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. These new standards and amendments are listed below:

- Amendment to IFRS 16 on COVID-19 related rent concessions; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – interest rate benchmark reform phase 2.

The adoption of the Standards and Interpretations has not significantly impacted these financial statements, and no other Standards effective in the year impact the Company.

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 liability 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 geopolitical tensions on 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 geopolitical tensions. 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.

The Directors also conducted extensive stress testing sensitising the potential impact of climate change as well as the impact of removing non-committed disposal proceeds and capital expenditure. Based on these considerations, together with available market information and the directors' knowledge and experience of the Company's property portfolio and the confirmed availability of financial support by the Group where necessary, 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 Revenue

Gross rental income comprises rental income and premiums on lease surrenders on investment properties for the year, exclusive of service charges receivable, on a straight-line basis. Initial direct costs incurred in arranging a lease are added to the carrying value of investment properties and are subsequently recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives, including rent-free periods and payments to customers, 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 resulting accrued rental income is included within the respective property 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.

Service charge income is recorded over the period when the services are provided and benefit the customer.

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.6 Cost of sales

Service charge expenses represent the costs of operating the Company's portfolio and are expensed as incurred.

Other property expenses represent irrecoverable running costs directly attributable to specific properties within the Company. 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.

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 valuation of the property portfolio reflects its fair value taking into account the market view of all relevant factors including the climate related risks associated with the properties. This includes the impact of expected regulatory changes.

The valuations have been prepared in accordance the RICS Valuation – Global Standards (incorporating the International Financial Reporting Standards (IFRS)) and the UK national supplement (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, non-payment of rent, 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 customers 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 customer 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.

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

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 both equity and debt. The Group aims to maintain a loan-to-property value of between 10% - 35%.

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.

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

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

The tax expense represents the sum of the tax payable and deferred tax. 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 balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of tangible fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

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 as they were paid by another group company.

3 Revenue

Revenue comprises rental income, service charge income 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 income. All revenue is derived within the UK.

	2022 £	2021 £
Gross rental income	4,958,056	5,047,363
Spreading of lease incentives	(278,600)	(494,600)
Service charge income	1,194,725	714,040
	<u>5,874,181</u>	<u>5,266,803</u>

	2022 £	2021 £
The table below sets out the Company's net rental income:		
Gross rental income	4,958,056	5,047,363
Expected credit recoveries/(losses)	15,749	(15,749)
Spreading of lease incentives	(278,600)	(494,600)
Ground rents	(1,000)	(1,000)
Net rental income	<u>4,694,205</u>	<u>4,536,014</u>

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

4 Cost of Sales

	2022 £	2021 £
Service charge expenses	1,252,116	1,016,426
Other property costs	34,613	97,508
Ground rent	1,000	1,000
	<u>1,287,729</u>	<u>1,114,934</u>

The table below sets out the Company's property costs:

Service charge income	(1,194,725)	(714,040)
Service charge expenses	1,252,116	1,016,426
Other property costs	34,613	97,508
	<u>92,004</u>	<u>399,894</u>

5 Auditor's remuneration

	2022 £	2021 £
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	9,000	7,400
Total audit fees	<u>9,000</u>	<u>7,400</u>

No non-audit fees were paid in either the current or prior year.

6 Interest receivable

	2022 £	2021 £
Interest receivable from ultimate parent company at 2.94% (2021: 2.70%)	<u>373,250</u>	<u>222,569</u>

Interest on intercompany debt is charged at variable rates based on the weighted average interest rate of Group third party debt. The headline margin of the Group's revolving credit facility (RCF) was unchanged at 90.0 basis points over SONIA.

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

7 Taxation

	2022	2021
	£	£
Total tax charge	-	-

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

	2022	2021
	£	£
Profit/(loss) before taxation	3,722,415	(1,365,975)
Profit/(loss) before taxation multiplied by standard rate of UK corporation tax of 19% (2021: 19%)	707,259	(259,535)
Taxation impact of factors affecting tax charge:		
Effect of revaluation of investment properties	79,488	970,256
Ring-fenced rental profits and gains	(715,829)	(668,433)
Tax losses claimed by Company for nil consideration	(70,918)	(42,288)
Total adjustments	(707,259)	259,535
Tax charge for the year	-	-

The standard rate of corporation tax in the UK is 19%. This gives a corporation tax rate for the Company for the full period of 19% (2021: 19%). The main corporation tax rate will increase, from 19% to 25% on 1 April 2023.

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

8 Investment properties

	Leasehold £
Valuation	
At 1 April 2020	78,450,000
Additions and incentive for tenant adjustment	(493,389)
Deficit on revaluation	(5,106,611)
	<hr/>
At 31 March 2021	72,850,000
Additions	368,355
Deficit on revaluation	(418,355)
	<hr/>
At 31 March 2022	72,800,000
	<hr/>

The Company's investment properties were valued on the basis of Fair Value by CBRE Limited (CBRE), external valuers, as at 31 March 2022. The valuations have been prepared in accordance with the current version of the RICS Valuation – Global Standards (incorporating the International Financial Reporting Standards (IFRS)) and the UK national supplement (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.

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 valuation of the property portfolio reflects its fair value taking into account the market view of all relevant factors including the climate related risks associated with the properties. This includes the impact of expected regulatory changes.

The historical cost of investment properties at 31 March 2022 was £44,951,935 (2021: £44,304,980).

9 Trade and other receivables

	Current 2022 £	2021 £	Non-current 2022 £	2021 £
Trade receivables	408,423	41,702	-	-
Expected credit loss allowance	-	(18,899)	-	-
	<hr/> 408,423	<hr/> 22,803	<hr/> -	<hr/> -
Amount owed by parent undertaking	-	-	14,586,406	10,937,640
Prepayments and accrued income	250	250	-	-
	<hr/> 408,673	<hr/> 23,053	<hr/> 14,586,406	<hr/> 10,937,640
	<hr/>	<hr/>	<hr/>	<hr/>

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

9 Trade and other receivables

(Continued)

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 customer'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 customers' circumstance. This assessment reviews the outstanding balances of each individual customer 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 provision was made in the current year.

	2022 £	2021 £
Movements in expected credit loss allowance		
Balance at the beginning of the year	(18,899)	-
Expected credit loss allowance during the year	18,899	(18,899)
Expected credit loss allowance in respect of future years	-	-
Amounts written-off as uncollectable	-	-
	<u>-</u>	<u>(18,899)</u>

The current year expected credit recovery net of VAT is £15,749 (2021: loss of £15,749).

Interest on intercompany debt is charged at variable rates based on the weighted average interest rate of Group third party debt. The headline margin of the Group's revolving credit facility (RCF) was unchanged at 90.0 basis points over SONIA. Amounts are unsecured and are repayable on demand.

10 Trade and other payables

	2022 £	2021 £
Tenant's reserve fund	40,000	40,000
Accruals and rent in advance	1,373,879	1,707,036
Other taxes	142,392	236,111
Other payables	759,165	70,318
	<u>2,315,436</u>	<u>2,053,465</u>

11 Share capital

	2022 £	2021 £
Ordinary share capital		
Issued and fully paid		
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.

PORTMAN SQUARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

12 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 (2021: £450 million), of which £87 million was drawn down at 31 March 2022 (2021: £45 million).

13 Lease obligations

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

	2022 £	2021 £
The Company as a lessor		
Less than one year	4,182,225	4,830,960
Between two and five years	13,070,457	9,813,423
More than five years	-	1,660,118
	<u>17,252,682</u>	<u>16,304,501</u>

14 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.

15 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.