Soho Estates Limited

Annual report and consolidated financial statements

Registered number 00473566

31 March 2018

Contents

Directors and advisers

Directors	Mr S Norris (Chairman) Mr J James Miss F James Mr M Egglenton Mrs R Wood Mr P Whalan Mr P Thompson
Secretary	Mrs R Wood
Company number	00473566
Registered office	58 Wardour Street London UK W1D 4JQ
Registered auditor	KPMG LLP St Nicholas House 31 Park Row Nottingham NG1 6FQ

Strategic report

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

Principal activities

The principal activity of the group continued to be that of property investment, substantially, but not exclusively, in the W1 postal district. The group also has an interest in projects in the United Arab Emirates.

Review of the business

The Group's principal activity is that of property investment. We invest in real estate primarily in London's Soho which is rated as prime real estate, enjoying a diverse economy with high occupancy rates in our target markets and therefore mitigating certain economic business risks.

The Group understands and respects the "village" in which we operate and reacts accordingly. We understand the requirements of our tenants and have helped in times of recession to maintain their cash flow and keep the small businesses of Soho thriving, whilst also helping some of our tenants to grow into major concerns.

A key aspect of our long-term success is the socially responsible way in which we run our business. We see the preservation and enhancement of our iconic destinations as critical to our long-term future and we are committed to bringing economic and environmental sustainability through the stewardship of our extensive ownership of mainly older buildings. Creating prosperous, appealing locations which support the businesses of our commercial occupiers, and which benefit the important residential communities in and around our areas, creates the conditions which sustain the long-term prospects of our business.

The Group is closely involved with the local authority and community stakeholders to assist the regeneration of Soho. We contribute to upgrading the area to improve public safety and security.

The Group has a long term strategy view of Soho centred on building the future whilst respecting the past and does not fear the short term changes in the market place. Our objectives are:

- To produce a sustainable growth through long–term investment in our portfolio and careful management
- To build a strong company for future generations
- To mitigate risk on future market changes

The risks to the Group are that planning laws become restrictive and prohibit or frustrate our enhancement of the Estate. Although this would not cause a loss in revenue it would lead to suboptimal development of a key area at London's heart. The Group has a small exposure to a rise in interest rates and is comfortable that there is sufficient headroom to cope with a higher than anticipated increase and therefore does not pose a significant concern. The Group is also exposed to the risk that the demand for commercial and/or residential properties in Soho decreases but the Group operates with low overheads and is not concerned that this would have a material effect.

The Estate continues to develop and currently has an on-going iconic project. The Company has completed two developments within the financial year. A combination of sustained demand for space in our Estate and the asset management initiatives enable us to continue to retain turnover whilst underpinning growth in earnings and the overall value of our portfolio.

The key performance indicators (KPI's) are rental growth, both current and potential, high occupancy level and low obsolescence. These underpin long-term growth in capital values.

The financial statements of Soho Estates Holdings Limited have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

On behalf of the board

Mr S Norris
Chairman

13th August 2018

Directors' report

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

Results and dividends

The consolidated profit and loss account for the year is set out on page 7.

The directors recommend the payment of a dividend of £45,000,000 *(2017: £nil).*

It is proposed that the retained profit is transferred to the group's reserves.

Directors

The directors who held office during the year and up to the date of this report:

Mr S Norris
Mr J James
Miss F James
Mr M Egglenton
Mrs R Wood
Mr P Whalan
Mr P Thompson

Charitable donations

	2018	2017
During the year the group made the following payments:	**£000**	£000
Charitable donations	**142**	115

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

Mr S Norris
Chairman

13th August 2018

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Soho Estates Limited

Opinion

We have audited the financial statements of Soho Estates Limited ("the company") for the year ended 31 March 2018 which comprise the consolidated profit and loss account and other comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

Independent auditor's report to the members of Soho Estates Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Anthony Hambleton *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Dated: 20 August 2018

Consolidated profit and loss account and other comprehensive income
for the year ended 31 March 2018

	Note	**2018** **£000**	2017 £000
Turnover	*2*	**28,967**	28,275
Cost of sales		**(2,174)**	(1,132)
Gross profit		**26,793**	27,143
Administrative expenses		**(4,197)**	(6,782)
Other operating income	*6*	**28,032**	194,379
Profit on sale of investment property		**16**	-
Group operating profit		**50,644**	214,740
Group's share of loss of joint ventures	*12*	**(39)**	-
Total operating profit		**50,605**	214,740
Other interest receivable and similar income	*7*	**137**	6
Interest payable and similar expenses	*8*	**(6,887)**	(3,691)
Profit before taxation		**43,855**	211,055
Tax on profit	*9*	**(6,866)**	(29,679)
Profit for the financial year		**36,989**	181,376
Other comprehensive income		**-**	-
Total comprehensive income		**36,989**	181,376

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

Consolidated balance sheet
at 31 March 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	*10*		**781**		881
Investment property	*11*		**943,537**		887,607
Investments in joint ventures	*12*		**100**		139
			944,418		888,627
Current assets					
Debtors	*13*	**12,568**		4,225	
Cash at bank and in hand	*14*	**46,912**		5,083	
		59,480		9,308	
Creditors: amounts falling due within one year	*15*	**(55,704)**		(93,729)	
Net current assets / (liabilities)			**3,776**		(84,421)
Total assets less current liabilities			**948,194**		804,206
Creditors: amounts falling due after more than one year	*16*		**(218,834)**		(70,003)
Provisions for liabilities:					
Deferred taxation	*18*		**(61,415)**		(58,247)
Net assets			**667,945**		675,956
Capital and reserves					
Called up share capital	*19*		**100**		100
Share premium account			**155,036**		155,036
Revaluation reserve			**412,329**		387,703
Profit and loss account			**100,480**		133,117
Shareholders' funds			**667,945**		675,956

These financial statements were approved by the board of directors on 13th August 2018 and were signed on its behalf by:

Mr S Norris
Chairman

Company registered number: 00473566

Company balance sheet
at 31 March 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	*10*		**30**		24
Investment property	*11*		**799,845**		759,071
Investments	*12*		**3,656**		3,656
			803,531		762,751
Current assets					
Debtors	*13*	**111,576**		88,377	
Cash at bank and in hand		**46,849**		5,344	
		158,425		93,721	
Creditors: amounts falling due within one year	*15*	**(55,310)**		(93,122)	
Net current assets			**103,115**		599
Total assets less current liabilities			**906,646**		763,350
Creditors: amounts falling due after more than one year	*16*		**(218,834)**		(70,003)
Provision for liabilities:					
Deferred taxation	*18*		**(55,960)**		(52,748)
Net assets			**631,852**		640,599
Capital and reserves					
Called up share capital	*19*		**100**		100
Share premium account			**155,036**		155,036
Revaluation reserve			**377,597**		352,907
Profit and loss account			**99,119**		132,556
Shareholders' funds			**631,852**		640,599

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The profit for the financial year was £36,253,000 *(2017: £166,610,000).*

These financial statements were approved by the board of directors on 13th August 2018 and were signed on its behalf by:

Steve Norris

Mr S Norris
Director

Company registered number: 00473566

Consolidated statement of changes in equity

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total Share holder's equity £000
Balance at 1 April 2016	100	155,036	219,776	119,668	494,580
Total comprehensive income for the year					
Profit for the year	-	-	-	181,376	181,376
Transfer to revaluation reserve (note 11)	-	-	194,379	(194,379)	-
Movement of deferred tax on revaluation reserve	-	-	(26,346)	26,346	-
Transfer of depreciation to revaluation reserve	-	-	(106)	106	-
	-	-	167,927	13,449	181,376
Balance at 31 March 2017	**100**	**155,036**	**387,703**	**133,117**	**675,956**

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total Share holder's equity £000
Balance at 1 April 2017	100	155,036	387,703	133,117	675,956
Total comprehensive income for the year					
Profit for the year	-	-	-	36,989	36,989
Transfer to revaluation reserve (note 11)	-	-	28,032	(28,032)	-
Movement of deferred tax on revaluation reserve	-	-	(3,300)	3,300	-
Transfer of depreciation to revaluation reserve	-	-	(106)	106	-
	100	155,036	412,329	145,480	712,945
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(45,000)	(45,000)
Total contributions by and distributions to owners	-	-	-	(45,000)	(45,000)
Balance at 31 March 2018	**100**	**155,036**	**412,329**	**100,480**	**667,945**

Company statement of changes in equity

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1 April 2016	100	155,036	201,494	117,359	473,989
Total comprehensive income for the year					
Profit for the year	-	-	-	166,610	166,610
Transfer to revaluation reserve	-	-	175,082	(175,082)	-
Movement on deferred tax on revaluation reserve	-	-	(23,669)	23,669	-
	-	-	151,413	15,197	166,610
Balance at 31 March 2017	**100**	**155,036**	**352,907**	**132,556**	**640,599**

	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1 April 2017	100	155,036	352,907	132,556	640,599
Total comprehensive income for the year					
Profit for the year	-	-	-	36,253	36,253
Transfer to revaluation reserve	-	-	28,032	(28,032)	-
Movement on deferred tax on revaluation reserve	-	-	(3,342)	3,342	-
	100	155,036	377,597	144,119	676,852
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(45,000)	(45,000)
Total contributions by and distributions to owners	-	-	-	(45,000)	(45,000)
Balance at 31 March 2018	**100**	**155,036**	**377,597**	**99,119**	**631,852**

Consolidated cash flow statement
for year ended 31 March 2018

	2018	2017
	£000	£000
Cash flows from operating activities		
Profit for the year	**36,989**	181,376
Adjustments for:		
Depreciation, amortisation and impairment	**119**	115
Change in value of investment property	**(28,032)**	(194,379)
Interest receivable and similar income	**(137)**	(6)
Interest payable and similar expenses	**6,887**	3,691
Loss on joint venture	**39**	-
Profit from sale of investment property	**(16)**	-
Taxation	**6,866**	29,679
	22,715	20,476
(Increase)/decrease in trade and other debtors	**(8,343)**	4,884
Increase in trade and other creditors	**20,903**	11,378
	12,560	16,262
Interest paid	**(1)**	-
Tax paid	**(2,000)**	(4,200)
Net cash from operating activities	**33,274**	32,538
Cash flows from investing activities		
Interest received	**147**	6
Proceeds from sale of investment property	**8,200**	1,041
Acquisition of investment property and fixed assets	**(36,118)**	(56,830)
Net cash from investing activities	**(27,771)**	(55,783)
Cash flows from financing activities		
Interest paid	**(7,508)**	(3,115)
Proceeds from new bank loan	**202,834**	29,457
Proceeds from issue of loan notes	**97,500**	-
Repayment of bank loan	**(211,500)**	(10,000)
Dividends paid	**(45,000)**	-
Net cash from financing activities	**36,326**	16,342
Net increase/(decrease) in cash and cash equivalents	**41,829**	(6,903)
Cash and cash equivalents at 1 April	**5,083**	11,986
Cash and cash equivalents at 31 March	**46,912**	5,083

Notes
(forming part of the financial statements)

1 Accounting policies

Soho Estates Limited (the "Company") is a private company limited by shares and incorporated and domiciled in England. The registered number is 00473566 and the registered address is 58 Wardour Street, London, UK, W1D 4JQ.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis except that investment property is stated at fair value.

1.2. Going concern

The directors have reviewed the profit and cash forecasts for the twelve months from the date of approval of these financial statements. The forecasts show a profit and that a positive cash balance will be maintained. On this basis the directors have prepared the financial statements on a going concern basis.

Notes _(continued)_

1 Accounting policies _(continued)_

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2018. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries and jointly controlled entities are carried at cost less impairment.

1.4. Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5. Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes _(continued)_

1 Accounting policies _(continued)_

1.6. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Subsequent to initial recognition investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Land and buildings leasehold	Over the life of the leasehold
Fixtures, fittings & equipment	Straight line over 3-10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.8. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition;

i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise;

ii. investment properties under construction are measured at cost until the fair value becomes reliably measurable, or until construction is complete;

iii. no depreciation is provided in respect of investment properties applying the fair value model.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9. Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10. Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.11. Turnover

Turnover represents the amount of property income receivable in the period. Rental income received in advance are treated as deferred income until the period to which it relates is completed. Lease incentives are recognised over the duration of the lease term.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12. Expenses

Interest receivable and Interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

Turnover represents the amount of property income receivable in the period, derived wholly in the United Kingdom.

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Less than one year	**26,947**	23,595	**26,053**	23,540
Between one and five years	**86,846**	80,772	**84,535**	80,772
More than five years	**162,512**	129,262	**161,445**	129,262
	276,305	233,629	**272,033**	233,574

3 Auditor's remuneration

Auditor's remuneration:

	2018	2017
	£000	£000
Audit of these financial statements	**40**	40
Audit of subsidiaries	**20**	21

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Number of employees	**22**	22

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**2,673**	2,511
Social security costs	**345**	230
Contributions to defined contribution plans	**97**	168
	3,115	2,909

The group operates a defined contribution pension scheme.

The pension charge for the year represent contributions payable by the group. There are no outstanding or prepaid contributions at either beginning or end of the financial year.

5 Directors' remuneration

	2018	2017
	£000	£000
Directors' remuneration	**1,992**	1,724
Company contributions to money purchase pension plans	**55**	152
	2,047	1,876

The aggregate of remuneration of the highest paid director was £726,100 *(2017: £623,100)*, and company pension contributions of £10,000 *(2017: £10,000)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**5**	5

6 Other operating income

	2018	2017
	£000	£000
Fair value movement on investment property (note 11)	**28,032**	194,379

Notes *(continued)*

7 Other interest receivable and similar income

	2018	2017
	£000	£000
Bank interest	**6**	-
Other interest	**131**	6
Total interest receivable	**137**	6

8 Interest payable and similar expenses

	2018	2017
	£000	£000
Loan interest at amortised cost	**6,189**	2,872
Other bank charges and fees	**698**	819
Total other interest payable and similar expenses	**6,887**	3,691

9 Taxation

Total tax expense recognised in the profit and loss account

	2018		2017	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the year		**3,650**		3,333
Adjustments in respect of prior periods		**(84)**		-
Total current tax		**3,566**		3,333
Deferred tax (see note 18)				
Origination and reversal of timing differences	**3,300**		26,665	
Change in tax rate	**-**		(319)	
Total deferred tax		**3,300**		26,346
Total tax		**6,866**		29,679

Notes *(continued)*

9 Taxation *(continued)*

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	**36,989**	181,376
Total tax expense	**6,866**	29,679
Profit excluding taxation	**43,855**	211,055
Tax using the UK corporation tax rate of 19% *(2017: 20%)*	**8,319**	42,211
Origination and reversal of timing differences	**3,212**	-
Reduction in tax rate on deferred tax balances	-	(319)
Other timing differences	**(5,368)**	(11,987)
Income not subject to taxation	**(29)**	(40)
Adjustments in respect of prior periods	**(84)**	-
Expenses not allowable for taxation	**26**	59
Group relief	**(20)**	(44)
Capital allowances in excess of depreciation	**(146)**	(201)
Capital gains	**956**	-
Total tax expense included in profit or loss	**6,866**	29,679

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2018 has been calculated based on these rates.

10 Tangible fixed assets

Group	Leasehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost			
Balance at 1 April 2017	1,397	71	1,468
Additions	-	20	20
Disposals	-	(24)	(24)
Balance at 31 March 2018	1,397	67	1,464
Depreciation and impairment			
Balance at 1 April	540	47	587
Depreciation charge for the year	106	13	119
Disposals	-	(23)	(23)
Balance at 31 March	646	37	683
Net book value			
At 31 March 2018	**751**	**30**	**781**
At 31 March 2017	857	24	881

The historical cost of the leasehold properties is £407,000 *(2017: £407,000)*. The aggregate depreciation charged under historical cost accounting for properties held at 31 March 2018 is £646,000 *(2017: £540,000)*.

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Company	**Fixtures, fittings and equipment £000**
Cost	
Balance at 1 April 2017	71
Additions	20
Disposals	(24)
Balance at 31 March 2018	67
Depreciation and impairment	
Balance at 1 April 2017	47
Depreciation charge for the year	13
Disposals	(23)
Balance at 31 March 2018	37
Net book value	
At 31 March 2018	**30**
At 31 March 2017	24

11 Investment property

Group	**£000**
Balance at 1 April 2017	887,607
Additions	36,098
Revaluations	28,032
Disposals	(8,200)
Balance at 31 March 2018	**943,537**
Historical cost net book value	475,089

Notes *(continued)*

11 Investment property *(continued)*

Company	£000
Balance at 1 April 2017	759,071
Additions	20,942
Disposals	(8,200)
Revaluations	28,032
Balance at 31 March 2018	**799,845**
Historical cost net book value	376,804

Investment properties totalling £261,978,000 were independently valued, on a Market Value basis in March 2018, by an external, independent valuer *(2017: £277,869,000),* having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation was made in accordance with the RICS Valuation Standards.

The remainder of the Investment Property portfolio is valued by the Directors of the company using ERV and yields appropriate to the region in which the property is situated. Benchmarking is undertaken to determine appropriate parameters for the yields used.

Any gain or loss arising from a change in fair value is recognised in the profit or loss account - rental income from investment property is accounted for as described in the turnover accounting policy.

The group and company have entered into certain capital commitments at the year end in relation to investment properties (see note 20).

12 Fixed asset investments

Group	**Interests in joint ventures £000**
Share of post acquisition reserves	
At beginning of year	139
Retained profits less losses	(39)
At end of year	**100**

Company	**Shares in group undertakings £000**
Cost and net book value	
At 31 March 2018	**3,656**
At 31 March 2017	3,656

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Notes *(continued)*

12 Fixed asset investments *(continued)*

All the shareholdings are of £1 ordinary shares except Gulf Investor 101 Limited where the shareholdings are AED 1,000 ordinary shares.

Company	Registered	Percentage held	Registered office address	Activity
Soho Estates Development Limited	England and Wales	100	58 Wardour Street, London, UK, W1D 4JQ	Property
Soho Estates Properties Limited	England and Wales	100	58 Wardour Street, London, UK, W1D 4JQ	Dormant
Soho Estates Portfolio Limited	England and Wales	100	58 Wardour Street, London, UK, W1D 4JQ	Property
Victor Green Properties Limited	England and Wales	100	58 Wardour Street, London, UK, W1D 4JQ	Property
Gulf Investor Limited	England and Wales	100	58 Wardour Street, London, UK, W1D 4JQ	Property
Gulf Investor 101 Limited *	United Arab Emirates	100	Rolex Tower, Level 15, Sheikh Zayed Road, Dubai, UAE, PO Box 112967	Property
Westlegate Developments Limited **	England and Wales	76	7 The Close, Norwich, Norfolk, NR1 4DJ	Property

* Held by subsidiary undertaking.

** Joint Venture by virtue of a shareholder's agreement held by subsidiary undertaking.

The group holds an investment in Westlegate Developments Limited which the directors' believe is a joint venture under the shareholder agreement and has been accounted for in accordance with the gross equity method of accounting. The Directors assess this as immaterial to the group.

13 Debtors

	Group		Company	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Trade debtors	**2,830**	627	**2,745**	627
Amounts owed by joint ventures	**100**	151	**-**	-
Amounts owed by other group undertakings	**1,184**	-	**100,625**	84,556
Other debtors	**4,950**	2,353	**4,729**	1,967
Corporation tax debtor	**-**	79	**-**	268
Prepayments and accrued income	**3,504**	885	**3,477**	829
Deferred tax assets (note 18)	**-**	130	**-**	130
	12,568	4,225	**111,576**	88,377

Amounts owed by other group companies are repayable on demand.

Notes *(continued)*

14 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	**46,912**	5,083
Cash and cash equivalents per cash flow statements	**46,912**	5,083

15 Creditors: amounts falling due within one year

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Bank loans (note 17)	-	60,000	-	60,000
Trade creditors	**1,376**	3,793	**1,187**	3,449
Amounts owed to parent undertaking	**35,806**	19,909	**36,067**	20,015
Corporation tax	**1,487**	-	**1,336**	-
Taxation and social security	**969**	74	**1,169**	73
Other creditors	**4,882**	2,173	**4,715**	2,012
Accruals and deferred income	**11,184**	7,780	**10,836**	7,573
	55,704	93,729	**55,310**	93,122

Amounts owed to parent undertaking is repayable on demand.

16 Creditors: amounts falling after more than one year

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Bank loans (see note 17)	**218,834**	70,003	**218,834**	70,003

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Creditors falling due after more than one year				
Secured bank loans	**121,334**	70,003	**121,334**	70,003
Senior secured notes	**97,500**	-	**97,500**	-
	218,834	70,003	**218,834**	70,003
Creditors falling due within less than one year				
Secured bank loans	-	60,000	-	60,000

Notes *(continued)*

17 Interest bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

Group and Company

	Currency	rate	maturity	schedule	2018 £000	2017 £000
Barclays Bank Plc loan	GBP	1.95%	2020	On maturity	-	130,003
HSBC Bank Plc loan	GBP	1.75%	2022	On maturity	121,334	-
Series A senior secured notes	GBP	3.79%	2032	On maturity	15,000	-
Series B senior secured notes	GBP	3.90%	2035	On maturity	20,000	-
Series C senior secured notes	GBP	3.97%	2037	On maturity	62,500	-
					218,834	130,003

During the year, the existing facility from Barclays Bank was repaid in full and a new £250,000,000 revolving credit facility was taken out with HSBC Bank.

Also during the year, a subsidiary of the Group, Soho Estates Limited, issued £15,000,000 Senior A loan notes, £20,000,000 Senior B loan notes and £62,500,000 Senior C loan notes.

The loans are secured over the balance sheet of the group.

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**		**Net**	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Origination and reversal of timing differences	-	-	**(61,415)**	(58,247)	**(61,415)**	(58,247)
Other	-	130	-	-	-	130
Net tax assets/(liabilities)	-	130	**(61,415)**	(58,247)	**(61,415)**	(58,117)

We anticipate an immaterial amount of deferred tax to unwind in the next twelve months and the majority to remain until which point the asset is sold.

Company	**Assets**		**Liabilities**		**Net**	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Origination and reversal of timing differences	-	-	**(55,960)**	(52,748)	**(55,960)**	(52,748)
Other	-	130	-	-	-	130
Net tax assets/(liabilities)	-	130	**(55,960)**	(52,748)	**(55,960)**	(52,618)

We anticipate an immaterial amount of deferred tax to unwind in the next twelve months and the majority to remain until which point the asset to which it attaches is sold.

Notes *(continued)*

19 Capital and reserves

Share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	**100**	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium account

The balance classified as share premium relates to the aggregate net proceeds less nominal value of shares on issue of the Company's equity share capital.

Revaluation reserve

Where investment properties have previously been revalued, the net revaluation increase is included in the revaluation reserve.

Dividends

No dividends were proposed after the year end.

20 Capital commitments

Capital commitments

Contractual commitments at the year-end were £20,000,000 *(2017: £27,000,000),* Company £7,000,000 *(2017: £7,000,000).*

21 Employee benefits

Defined contribution plans

Group

The Group and Company operates a defined contribution pension plan. The total expense relating to these plans in the current year was £97,000 *(2017: £168,000)*, Company £97,000 *(2017: £168,000).*

22 Related parties

Group

Identity of related parties with which the Group has transacted

As the Company was a wholly owned subsidiary of Soho Estates Holdings Limited at 31 March 2018, the Company has taken advantage of the exemption contained in FRS102.33.1A and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group headed by Soho Estates Holdings Limited.

As at the balance sheet date the group holds a debit balance relating to a loan of £100,000 *(2017: £151,000)* with Westlegate Developments Limited, a joint venture company. The interest charge on the loan for the year was £nil *(2017: £6,000)* and as at 31 March 2018 the interest debtor is £100,000 *(2017: £151,000),* which is included in the total loan above. An amount of £51,000 *(2017: £96,000)* was written off and included in administrative expenses during the year.

Transactions with key management personnel

Total compensation of key management personnel (the directors) in the year amounted to £2,259,000 *(2017: £1,876,000).*

Notes *(continued)*

22 Related parties *(continued)*

Company

Identity of related parties with which the Company has transacted

As the Company was a wholly owned subsidiary of Soho Estates Holdings Limited at 31 March 2018, the Company has taken advantage of the exemption contained in FRS102.33.1A and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group headed by Soho Estates Holdings Limited.

23 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Soho Estates Holdings Limited, 58 Wardour Street, London, UK, W1D 4JQ who are the ultimate parent company. The ultimate controlling party is the Paul Raymond family trusts, 58 Wardour Street, London, UK, W1D 4JQ.

The largest Company in which the results of the Company are consolidated is that headed by Soho Estates Holdings Limited, 58 Wardour Street, London, UK, W1D 4JQ, incorporated in the UK. The smallest Company in which they are consolidated is that headed by Soho Estates Limited, incorporated in the UK. The consolidated financial statements of these Companies are available to the public and may be obtained from the address shown in note 1.

24 Accounting estimates and judgements

Key sources of estimation uncertainty

The directors consider the only areas of estimation uncertainty in the financial statements is the valuation of investment property. Investment properties totalling £261,978,000 were independently valued, on a Market Value basis in March 2018, by an external, independent valuer *(2017: £277,869,000)*, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation was made in accordance with the RICS Valuation Standards. The remainder of the Investment Property portfolio is valued by the Directors. This is calculated with reference to market rental yields for the area which reduces the subjectivity around investments.

Critical accounting judgements in applying the Company's accounting policies

The directors consider that there are no critical accounting judgements (except for those involving estimates included above).