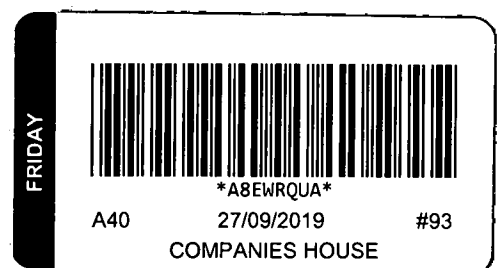


Company Registration No. 04852607

Brookfield Properties (UK PM) Limited

Annual report and financial statements
For the year ended 31 December 2018



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Directors' report

The Directors present their annual report and the audited financial statements for Brookfield Properties (UK PM) Limited (the "Company") for the year ended 31 December 2018. The Company is registered in England and Wales. The Company's registered office is Level 15, Citypoint, 1 Ropemaker Street, EC2Y 9AW, United Kingdom.

Principal activities

The Company continues to provide property management services for properties owned in the Brookfield Properties Group. The Company has continued to provide property management services to 99 Bishopsgate, Principal Place Commercial, London Wall Place 2 and Aldgate Tower during 2018. In addition, Company added 100 Bishopsgate to its management portfolio in 2018.

Business review

The total comprehensive loss for the year amounted to £409k (2017 loss: £262k). Revenue for the year was £1.2m (2017: £5.0m), a decrease from the prior year as the Company ceased generating Service Charge income relating to 20 Canada Square following the termination of the property management agreement in 2017. The operating loss for the year was £409k (2017: £262k). The Company was in a net liability position at 31 December 2018 with net liabilities of £194k (2017: net assets of £215k).

The Directors do not recommend the payment of a dividend (2017: nil).

Going concern basis

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is currently loss making and in a net liability position however, it continues to receive support from its Parent, confirmed in a letter of support. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the significant accounting policies in the notes to the financial statements.

Directors

The Directors, who served throughout the year, and subsequently, except as noted, were as follows:

K Wambach (appointed 15/02/2019)
N Thompson (resigned 06/06/2018)
R Meller
R Tang
S Ruck
Z Vaughan (appointed 06/06/2018)

Directors' indemnities

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

Financial risk management objectives and policies

Information relating to financial risk management and future development has been included in the strategic report set out on page 4.

Directors' report (*continued*)

Auditor

In line with the prior year, Deloitte LLP remain commissioned as auditor of the Company.

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

The Company has elected to dispense with the obligation to appoint the auditor annually pursuant to s485 of the Companies Act 2006

By order of the board



R Meller
Director

1 Ropemaker Street
London
EC2Y 9AW
25 September 2019

Strategic Report

Results and dividends

The results for the year ended 31 December 2018 are set out on page 9. The directors do not recommend the payment of a dividend for the year (2017: £nil).

During the year the Company provided property management to a portfolio of properties located in the City of London. The Company will continue to provide management services pursuant to arm's length agreements.

The performance of the company is assessed by considering the revenues, operating profit/(loss) and profit/(loss) after tax reported in the statement of comprehensive income.

	Year ended 31-Dec-18 £'000	Year ended 31-Dec-17 £'000	Change £'000	Change £'000
Revenue	1,219	5,003	(3,784)	-76%
Operating loss	(409)	(262)	(147)	56%
Operating profit margin	-34%	-5%		

Revenue

Revenue has decreased 76% as the Company ceased generating Service Charge income relating to 20 Canada Square following the termination of the property management agreement in 2017. Revenue is now mainly derived from property management fees.

Operating (loss)

The operating profit margin has decreased from -5% in 2017 down to -34% in 2018 due to property management income being lower than the prior year and general administrative expenses increasing from the prior year.

Another key performance indicator is assessing the aging of accounts receivable to ensure outstanding balances are collected on time. The Company dedicates resources to complete thorough checks on new customers and proactively manages all collections.

Principal risks and uncertainties

The key risks facing the business and the processes in place by which the Company aims to manage those risks are:

- **Market risk:** as a result of the Company's specialisation there is a risk that the central London real estate market underperforms other UK property sectors leading to poor relative financial results. The wider group have dedicated resources whose remit is to constantly research each of the sub-markets within central London, seeking the right balance of investment and development opportunities suitable for current and anticipated market conditions.
- **The impact of changes in legislation particularly in respect of taxation, planning, environmental legislation and EU directives:** through both the use of experienced professional advisors and direct contact, the directors ensure compliance with current and future regulations.
- **Brexit:** as a result of the UK's decision to leave the EU there is a risk that elevated political instability and economic uncertainty will result in increased market volatility for asset prices, potentially higher UK inflation as a consequence of sterling depreciation, credit rating downgrades and certain sectors potentially experiencing increased difficulty in obtaining or renewing credit.
- **Health and safety:** the directors ensure that Health and Safety is considered a priority, appropriately considered at board meetings and that property and development service providers have adequate management systems in place, including regular risk assessments and annual audits to proactively address key Health and Safety Executive areas including employee, contractor and tenant safety.

Strategic Report *(continued)*

- **Financing risk:** the Company is currently funded by its Shareholder. The Company has processes in place to ensure that funding requirements are monitored and reported to the board of directors on a regular basis.

Post balance sheet events

There have been no significant post balance sheet events that require disclosure up until the date of signing of the financial statements.

By order of the board



R Meller
Director

1 Ropemaker Street
London
EC2Y 9AW
25 September 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, Strategic 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 to 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.

Independent auditor's report to the members of Brookfield Properties (UK PM) Limited

Opinion

In our opinion the financial statements of Brookfield Properties (UK PM) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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

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

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Brookfield Properties (UK PM) Limited

Opinion (*Continued*)

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.

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 the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or 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.

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.

Andy Siddons (Senior statutory auditor) *Andy Siddons*
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 September 2019

Statement of comprehensive income
For the year ended 31 December 2018

	<i>Notes</i>	Year ended 31 Dec 2018 £000	Year ended 31 Dec 2017 £000
Revenue		1,219	5,003
Cost of sales		-	(3,930)
Administrative expenses		(1,628)	(1,335)
Operating loss		(409)	(262)
Taxation	6	-	-
Total comprehensive loss		(409)	(262)

All results relate to continuing operations.

There were no items of other comprehensive income and consequently no separate statement of other comprehensive income is presented.

The income statement should be read in conjunction with the notes to the financial statements on pages 13 to 23.

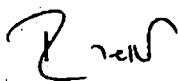
Statement of financial position
As at 31 December 2018

	<i>Notes</i>	2018 £000	2017 £000
Assets			
Non-current assets			
Other intangible assets	8	<u>1</u>	<u>10</u>
		1	10
Current assets			
Cash and cash equivalents	9	10,824	9,054
Trade and other receivables	10	<u>290</u>	<u>387</u>
Total current assets		<u>11,114</u>	<u>9,441</u>
Total assets		<u>11,115</u>	<u>9,451</u>
Current liabilities			
Trade and other payables	11	<u>(11,309)</u>	<u>(9,236)</u>
Total Liabilities		<u>(11,309)</u>	<u>(9,236)</u>
Net (liabilities)/ assets		<u>(194)</u>	<u>215</u>
Equity			
Share capital	14	400	400
Accumulated losses		<u>(594)</u>	<u>(185)</u>
Total equity		<u>(194)</u>	<u>215</u>

The statement of financial position should be read in conjunction with the notes to the financial statements on pages 13 to 23.

These financial statements of Brookfield Properties (UK PM) Limited, registered number 04852607, were approved by the board of directors and approved for issue on 25 September 2019.

They were signed on its behalf by:



R Meller
Director

Statements of changes in equity
For year ended 31 December 2018

	Share capital	(Accumulated losses) / Retained earnings	Total
	£000	£000	£000
At 1 January 2017	<u>400</u>	<u>77</u>	<u>477</u>
Total comprehensive profit for the year	-	(262)	(262)
At 31 December 2017	<u>400</u>	<u>(185)</u>	<u>215</u>
Total comprehensive loss for the year	-	(409)	(409)
At 31 December 2018	<u>400</u>	<u>(594)</u>	<u>(194)</u>

The statement of changes in equity should be read in conjunction with the notes to the financial statements on pages 13 to 23.

Cash flow statement

For year ended 31 December 2018

	Notes	2018 £000	2017 £000
Cash flows from operating activities			
Loss for the year		(409)	(262)
Amortisation		9	9
Decrease in trade and other receivables	10	97	703
Increase/ (decrease) in trade and other payables	11	1,073	(166)
Net cash generated from operating activities		770	284
Cash flows used in investing activities			
Purchase of intangible assets	8	-	(2)
Net cash used in investing activities		-	(2)
Cash flows used in financing activities			
Non-interest bearing loan from parent	11	1,000	-
Net cash used in financing activities		1,000	-
Net increase in cash and cash equivalents		1,770	282
Cash and cash equivalents at beginning of year		9,054	8,772
Cash and cash equivalents at end of year	9	10,824	9,054

The cash flow statement should be read in conjunction with the notes to the financial statements on pages 13 to 23.

Notes to the financial statements

(forming part of the financial statements)

1 General information

Brookfield Properties (UK PM) Limited ("the Company") is a property management company. The Company is a limited liability company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is Level 15, Citypoint, 1 Ropemaker Street, EC2Y 9AW, United Kingdom.

2 Adoption of new and revised standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been adopted by the EU):

		Effective for periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021 *
IFRS 3 (amendments)	Amendments to the definition of a business	1 January 2020 *
IFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019
IAS 28 (amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
IAS 19 (amendments)	Plan amendment, curtailment or settlement	1 January 2019
Conceptual Framework	Amendments to references to the conceptual framework in IFRS standards.	1 January 2020 *
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes, IAS 23 Borrowing Costs	1 January 2019

*subject to EU endorsement

The Directors do not expect that the adoption of the other Standards listed above will have a material impact on the financial statements of the Company aside from additional disclosures.

The Company has applied the following amendments for the first time during the annual reporting period presented in these financial statements:

- IFRS 9, financial instruments. This standard did not have a material impact on the Company as intercompany, trade and other receivables are held at amortised cost under both IAS 39 and IFRS 9.
- IFRS 15, Revenue from contracts with customers. This standard did not have a material impact on the Company as property management income is not recognised until the service is completed.
- Amendments to IFRS 1. The amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, did not have any impact to the financial statements of the Company as it is not the Company's first year of financial statements under IFRS.
- Amendments to IFRS 2. The amendments to IFRS 2, Share based payments did not have any impact to the financial statements of the Company as the Company does not have any share-based payments.
- Amendments to IFRS 12. The amendments to IFRS 12, Disclosure of Interests in Other Entities, did not have any impact to the financial statements of the Company as the Company does not have any investments.
- Amendments to IAS 28. The amendments to IAS 28, Investments in Associates and Joint Ventures, did not have any impact to the financial statements of the Company as the Company does not have any investments in associates or joint ventures.
- Amendments to IAS 40. The amendments to IAS 40, Investment Property did not have any impact to the financial statements of the Company as the Company does not have any investment property.

Notes to the financial statements (continued)

3 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies are set out below.

Going concern

After making enquiries and considering the uncertainties derived from the current economic climate the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The company received a non-interest-bearing loan of £1m from its immediate parent company in 2018 to ensure it continues to operate as a going concern. The Parent is committed to providing the necessary financial support to the Company, confirmed through a letter of support.

Rendering of services

Management fees received under property management agreements are recognised according to the agreements on an accruals basis.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Current tax and deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements *(continued)*

3 Significant accounting policies *(continued)*

Intangible assets

Finite-lived intangible assets, which primarily comprise of software, are capitalised and amortised on a straight-line basis over a period of three years, their expected useful lives.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand. Cash held on behalf of other entities and service charge funds received in advance from tenants are shown as restricted cash. Cash and cash equivalents are carried in the balance sheet at cost.

Employee benefits

Pension obligations

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

Bonus plans

The Company recognises a liability and expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Financial instruments

Financial assets

Investments and other financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Notes to the financial statements (continued)

3 Significant accounting policies (continued) Financial Instruments (continued)

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as a separate line item in the consolidated statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and is presented net within other gains (losses) in the period in which it arises.

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in net change in fair value of financial instruments at fair value through profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company's financial assets are subject to the expected credit loss model.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the tenants to settle the receivable. Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics);
- external market indicators; and
- tenant base.

Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

Financial liabilities

The Company recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Company opted to measure a liability at FVPL.

All loans and borrowings are initially recognized initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Revenue recognition

Revenue includes property management charges.

Revenue from service and property management charges is recognised in the accounting period in which control of the services are passed to the customer, which is when the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Some property management contracts may include multiple elements of service, which are provided to tenants. The Company assesses the whether individual elements of service in contract are separate performance obligations. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these selling prices are not directly observable, they are estimated based on an expected cost plus margin. In the case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of variable consideration and payments to customers, which are not for distinct services, this consideration may include discounts, trade allowances, rebates and amounts collected on behalf of third parties. For arrangements that include deferred payment terms that exceed twelve months, the Company adjusts the transaction price for the financing component, with the impact recognized as interest income using the effective interest rate method over the period of the financing.

A receivable is recognised when services are provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues, expenses and the accompanying disclosures. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Management do not consider there to be any critical estimates and judgement pertinent to the preparation of these financial statements.

Notes to the financial statements (continued)

5 Operating profit

	For the year ended 31 Dec 2018	For the year ended 31 Dec 2017
	£000	£000
Operating profit is stated after charging:		
Amortisation charge	9	9
Fees payable to the auditor in respect of these financial statements	8	9

6 Taxation

a) Analysis of result/(charge) in the year

	For the year ended 31 Dec 2018	For the year ended 31 Dec 2017
	£000	£000
Current tax (income) / expense:		
Current year	-	-
Prior year	-	-
Total tax income/(expense) in statement of comprehensive income	-	-

b) Reconciliation of effective tax rate

	For the year ended 31 Dec 2018	For the year ended 31 Dec 2017
	£000	£000
Loss before tax	(409)	(262)
Tax using the UK corporate tax rate of 19% (2017: 19.25%)	(78)	(50)
Expenses not deductible for tax purposes	2	2
Current year temporary differences (including losses) that we currently do not expect to use	76	48
Total tax result/income in statement of comprehensive income	-	-

The Company has unrecognised tax losses in 2018 of £650k (2017: 253k) which relate to tax losses carried forward.

The standard rate of corporation tax applied to reported profit is 19% (2017: 19.25%). The applicable rate has changed following the substantive enactment of the Finance Act 2017.

7 Staff numbers and costs

The average number of staff employed by the Company during the year was 54 (2017: 47).

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	244	661
Social security costs	34	70
Pension	27	59
	<u>305</u>	<u>790</u>

The Directors did not receive any remuneration for their services as directors to this company in either the current or prior year.

Notes to the financial statements (continued)

8 Other intangible assets

	IT Software £000	Total £000
Cost		
At 1 January 2017	102	102
Additions	2	2
At 31 December 2017	104	104
Additions for the year		
At 31 December 2018	104	104
Amortisation		
At 1 January 2017	(85)	(85)
Charge for the year	(9)	(9)
At 31 December 2017	(94)	(94)
Charge for the year	(9)	(9)
At 31 December 2018	(103)	(103)
Net book value		
At 31 December 2017	10	10
At 31 December 2018	1	1

9 Cash and cash equivalents

	2018 £000	2017 £000
Cash and cash equivalents	10,824	9,054

The carrying amount of cash and cash equivalents is equivalent to their fair value.

Of the cash and cash equivalents, £10,210k (2017: £8,496k) is considered restricted and is held on behalf of other related entities in the Company's capacity as property manager.

Notes to the financial statements (continued)

10 Trade and other receivables

Amounts falling due within one year	2018 £000	2017 £000
Trade receivables	4	107
Other receivables	-	7
Prepayments and accrued income	286	273
	<u>290</u>	<u>387</u>

Before accepting any new customers, the Company assesses a potential new customer's credit quality in accordance with the manner described in note 12. Given the nature of the Company's business activities which give rise to a low number of high value customers, and potentially a concentration of credit risk, the provision for doubtful debts is specifically assessed by management. As a result, the net carrying amount of trade receivables is considered by management to be approximately equal to their fair value. No interest has been charged on overdue receivables in the year, but the Company reserves the right to do so.

11 Trade and other payables

Amounts falling due within one year	2018 £000	2017 £000
Trade payables	-	-
Non-interest bearing loan from parent	(1,000)	-
Amounts owing to related parties	(10,212)	(8,937)
Other payables	(97)	(299)
	<u>(11,309)</u>	<u>(9,236)</u>

At the balance sheet date all intercompany and related party loans are unsecured, non-interest bearing and repayable on demand.

12 Financial instruments

Categories of financial instruments

The following table summarises the fair values of the financial assets and liabilities recorded in the Company's financial statements.

	2018 Current £000	2017 Current £000
Financial assets		
Trade and other receivables	290	387
Cash and cash equivalents	10,824	9,054
	<u>11,114</u>	<u>9,441</u>
Financial liabilities		
Trade and other payables	(11,309)	(9,236)
	<u>(11,309)</u>	<u>(9,236)</u>

Notes to the financial statements (*continued*)

12 Financial instruments (continued)

Financial risk management objectives

The Company has no significant exposure to foreign exchange movements other than with related parties. The Company has no material contracts denominated in a foreign currency.

Credit risk management

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the Company. The Company uses publicly available financial information and its own trading records to assess its major customers. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Capital risk management

The capital structure of the Company is managed by Group Treasury as part of the overall group position. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern.

13 Related party transactions

Management fees			2018	2017
Entity	Nature	Relationship	£000	£000
99 Bishopsgate Management Limited	Management fee revenue	Indirect subsidiary of ultimate parent	243	219
The 100 Bishopsgate Partnership	Management fee revenue	Indirect subsidiary of ultimate parent	90	-
Aldgate Tower Sarl	Management fee revenue	Indirect subsidiary of ultimate parent	193	-
London Wall Place LP	Management fee revenue	Indirect subsidiary of ultimate parent	207	130
Principal Place Commercial GP Limited	Management fee revenue	Indirect subsidiary of ultimate parent	487	300
Related party expenditure			2018	2017
Entity	Nature	Relationship	£000	£000
Technology Services Group LLC	IT costs	Indirect subsidiary of ultimate parent	620	460
Brookfield Global Asset Management Limited	Corporate recharges	Indirect subsidiary of ultimate parent	812	1,307

Notes to the financial statements (continued)

13. Related party transactions (continued)

Balances payable to related parties			2018	2017
Entity	Nature	Relationship	£000	£000
Brookfield Global Asset Management Limited	Trade payables	Indirect subsidiary of ultimate parent	-	(166)
99 Bishopsgate Management Limited	Trade payables	Indirect subsidiary of ultimate parent	(2,662)	(2,105)
99 Bishopsgate Real Estate Sarl	Trade payables	Indirect subsidiary of ultimate parent	(173)	(4)
Principal Place Commercial Sarl	Trade payables	Indirect subsidiary of ultimate parent	(199)	(1,796)
Principal Place Commercial GP Ltd	Trade payables	Indirect subsidiary of ultimate parent	(1,859)	-
London Wall Place LP	Trade payables	Indirect subsidiary of ultimate parent	(148)	(193)
London Wall Place 2	Trade payables	Indirect subsidiary of ultimate parent	(1,750)	(1,181)
Brookfield Europe (Gibraltar) Limited	Trade payables	Indirect subsidiary of ultimate parent	-	(370)
Technology Services Group LLC	Trade payables	Indirect subsidiary of ultimate parent	-	(441)
The 100 Bishopsgate Partnership	Trade payables	Indirect subsidiary of ultimate parent	(1,044)	-
Brookfield Properties (UK RE) Limited	Trade payables	Subsidiary of immediate parent	(1)	-
BOP (Europe) Holdings Ltd	Trade payables	Parent	(1,000)	-

14 Capital and reserves

Share capital

	2018 £000	2017 £000
Authorised 400,001 ordinary shares of £1	400	400
Allotted, called up and fully paid 400,001 ordinary shares of £1	400	400

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.

There were no sales or purchases of shares during the current or prior year.

Notes to the financial statements (continued)

15 Ultimate parent undertaking and parent undertaking of larger group of which the Company is a member

The Company's immediate parent is BOP (Europe) Holdings Limited, an entity registered in Canada. The ultimate parent undertaking and controlling party is Brookfield Asset Management Inc., a company incorporated in Canada.

The smallest group in which the results of the company are consolidated is that headed by Brookfield Property Partners L.P., incorporated in Bermuda. The consolidated financial statements of Brookfield Property Partners L.P. are available to the public and may be obtained from its registered office at 73 Front Street, 5th Floor, Hamilton, HM 12, Bermuda. The largest group in which the results of the company are consolidated is that headed by Brookfield Asset Management Inc., incorporated in Canada. The consolidated financial statements of Brookfield Asset Management Inc. are available to the public and may be obtained from its registered office at Brookfield Place, 181 Bay Street, Suite 300, Toronto, Ontario, M5J 2T3.

16 Subsequent events

The Company has evaluated all events that may have a material impact on the financial statements occurring after the balance sheet date through the date when the financial statements were issued to determine if they must be reported. There were no subsequent events during the period that require disclosure.