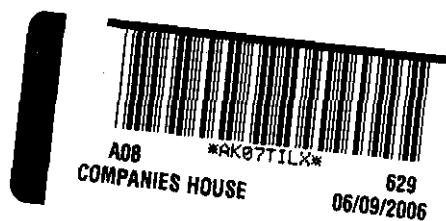


**Portman Investments (Baker Street) Limited**

**Directors' report and financial statements**

**31 March 2006**

**Registered in England and Wales number 806862**



# Portman Investments (Baker Street) Limited

## Directors' report and financial statements

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## Portman Investments (Baker Street) Limited

### Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2006.

### Principal activities

The Company's principal activities is property investment. The directors foresee no material change in the nature of the Company's activities.

### Financial review and dividends

The results for the year are set out in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (2005: £2,770,224).

### Properties

The Company's properties were revalued at 31 March 2006 as set out in note 8 to the financial statements. During the year the Company realised a profit of £7,552 from disposing of leasehold and freehold interests which had no costs associated to them.

### Directors and directors' interests

The directors who held office during the year were as follows:

N T J Groves  
R N Lay  
W Millsom (alternate to R A Rayne)  
R A Rayne  
H R Seaborn

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company or its subsidiary undertakings.

The interests of the directors in the shares of the Company's ultimate holding company are set out below; their interests at the beginning of the year or date of appointment are shown in brackets.

### Directors' interests at 31 March 2006

	27 18/41p Ordinary	Executive 189.5p options	Executive 174.0p options	Executive 137.5p options	Executive 181.0p options	Executive 219.5p options	SAYE 65.25p options	SAYE 104.5p options	SAYE 130.0p options
NTJ Groves	72,165 (60,345)	33,337 (33,337)	- (-)	84,444 (84,444)	80,114 (80,114)	68,337 (-)	- (8,965)	12,308 (12,308)	3,871 (3,871)
RN Lay	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
W Millsom	736,144 (736,144)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
R A Rayne	7,645,793 (7,645,793)	- (-)	1,235,420 (1,235,420)	359,635 (359,635)	275,555 (275,555)	227,223 (-)	- (-)	- (-)	- (-)
HR Seaborn	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

## **Portman Investments (Baker Street) Limited**

### **Directors' report (*continued*)**

#### **Directors' interests at 31 March 2006 (*continued*)**

In accordance with the terms of the London Merchant Securities Executive Share Option Scheme

- i) Options were granted in 2000 to subscribe for 27 18/41p Deferred Ordinary shares in London Merchant Securities plc. Following the conversion of Deferred Ordinary shares in July 2004 these options became options over Ordinary shares and were re-priced at 189.5p per share. The expiry date of these options is 27 July 2010; and
- ii) Options were granted in 2001 to subscribe for 27 18/41p Deferred Ordinary shares in London Merchant Securities plc. Following the conversion of Deferred Ordinary shares in July 2004 these options became options over Ordinary shares and were re-priced at 174.0p per share. The expiry date of these options is 5 January 2011;
- iii) Options were granted in 2003 to subscribe for 27 18/41p Deferred Ordinary shares in London Merchant Securities plc. Following the conversion of Deferred Ordinary shares in July 2004 these options became options over Ordinary shares and were re-priced at 137.5p per share. The expiry date of these options is 28 August 2013;
- iv) Options were granted in 2004 to subscribe for 27 18/41p Ordinary shares in London Merchant Securities plc at 181.0p per share. The expiry date of these options is 31 August 2014; and
- v) Options were granted in 2005 to subscribe for 27 18/41p Ordinary shares in London Merchant Securities plc at 219.5p per share. The expiry date of these options is 28 June 2015.

In accordance with the terms of the London Merchant Securities Sharesave Scheme:

- i) Options were granted in 1998 to subscribe for 27 18/41p Deferred Ordinary shares in London Merchant Securities plc at 65.25p per share. Following the conversion of Deferred Ordinary shares in July 2004 these options became options over Ordinary shares. These options were exercised on 20 April 2005;
- ii) Options were granted in 2001 to subscribe for 27 18/41p Deferred Ordinary shares in London Merchant Securities plc at 104.5p per share. Following the conversion of Deferred Ordinary shares in July 2004 these options became options over Ordinary shares. The expiry date of these options is 28 February 2009; and
- iii) Options were granted in 2003 to subscribe for 27 18/41p Deferred Ordinary shares in London Merchant Securities plc at 130.0p per share. Following the conversion of Deferred Ordinary shares in July 2004 these options became options over Ordinary shares. The expiry date of these options is 31 July 2011.

Under the rules of the LMS Executive Share Option Scheme and the LMS Sharesave Scheme, if London Merchant Securities plc enters into a Scheme of Arrangement options may be exercisable earlier than three years from the date of grant. Pursuant to the demerger of Leo Capital plc a Scheme of Arrangement was sanctioned by the Court on 8 June 2006. The Remuneration Committee of London Merchant Securities plc treated the performance conditions for grants under the Executive Share Option Scheme as satisfied. All options are therefore now exercisable.

#### **Disclosure of information to auditors**

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 auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

## **Portman Investments (Baker Street) Limited**

### **Directors' report (continued)**

#### **Auditors**

In accordance with s.385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**SC Mitchley**  
*Secretary*

Carlton House  
33 Robert Adam Street  
London  
W1U 3HR

24 July 2006

## **Portman Investments (Baker Street) Limited**

### **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

*The directors are responsible for preparing 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 financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 those 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditors' report to the members of Portman Investments (Baker Street) Limited**

We have audited the financial statements of Portman Investments (Baker Street) Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities on page 4, the Company's directors are responsible for preparation of the financial statements in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*John Audit Plc*  
**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
London

24 July 2006

## Portman Investments (Baker Street) Limited

### Profit and loss account

for the year ended 31 March 2006

	Note	2006 £	2005 £
Net rental income from investment properties	2	4,709,384	4,554,641
Administrative expenses	3	(23,404)	(15,659)
Sundry income		58,612	384
		<hr/>	<hr/>
<b>Operating profit</b>		<b>4,744,592</b>	<b>4,539,366</b>
Profit on sale of investment properties		7,552	6,774
Dividends receivable		928,962	901,606
Other interest receivable and similar income	4	48,974	29,499
Interest payable and similar charges	5	(1,942,054)	(1,939,000)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>3,788,026</b>	<b>3,538,245</b>
Tax on profit on ordinary activities	6	(1,358,653)	(795,377)
		<hr/>	<hr/>
<b>Profit for the financial year</b>	16	<b>2,429,373</b>	<b>2,742,868</b>
		<hr/> <hr/>	<hr/> <hr/>

All results are derived from continuing activities.

There is no difference between the results as stated and their historical cost equivalents.



# Portman Investments (Baker Street) Limited

## Balance sheet

at 31 March 2006

	Note	2006 £	2006 £	Restated (see Note 1) 2005 £	Restated (see Note 1) 2005 £
<b>Fixed assets</b>					
Tangible assets	8		102,481,762		80,498,741
Investment in subsidiary undertakings	9		1,302		1,302
			<u>102,483,064</u>		<u>80,500,043</u>
<b>Current assets</b>					
Debtors	10	16,849,961		18,667,355	
Cash at bank and in hand		158,340		535	
		<u>17,008,301</u>		<u>18,667,890</u>	
<b>Creditors: amounts falling due within one year</b>	11	(2,368,718)		(1,683,955)	
		<u></u>		<u></u>	
<b>Net current assets</b>			<u>14,639,583</u>		<u>16,983,935</u>
<b>Total assets less current liabilities</b>			<u>117,122,647</u>		<u>97,483,978</u>
<b>Creditors: amounts falling due after more than one year</b>	12		(20,000,000)		(20,000,000)
<b>Provisions for liabilities and charges</b>	13		(172,276)		(171,776)
			<u></u>		<u></u>
<b>Net assets</b>			<u><u>96,950,371</u></u>		<u><u>77,312,202</u></u>
<b>Capital and reserves</b>					
Called up share capital	14		51,800		51,800
Revaluation reserve	15		90,471,522		70,492,502
Capital reserve	15		4,926,072		4,926,072
Profit and loss account	16		1,500,977		1,841,828
			<u></u>		<u></u>
<b>Equity Shareholders' funds</b>	19		<u><u>96,950,371</u></u>		<u><u>77,312,202</u></u>

These financial statements were approved by the board of directors on 24 July 2006 and were signed on its behalf by:

R A Rayne  
Director

H R Seaborn  
Director

# Portman Investments (Baker Street) Limited

## Cash flow statement

for the year ended 31 March 2006

	Note	£	2006 £	2005 £
Net cash inflow from operating activities	17		5,348,721	4,325,153
<b>Returns on investments and servicing of finance</b>				
Interest received		78,472	82,237	
Interest paid		(1,942,054)	(1,939,000)	
Net cash outflow from returns on investment and servicing of finance			(1,863,582)	(1,856,763)
Tax paid			(1,254,966)	(934,558)
<b>Capital expenditure and financial investment</b>				
Additions to freehold property		(2,004,001)	(177,605)	
Disposal of leasehold interest		7,552	6,774	
Net cash outflow from capital expenditure and financial investment			(1,996,449)	(170,831)
Equity dividends received		928,962	901,606	
Equity dividends paid		(2,770,224)	(1,025,000)	
			(1,841,262)	(123,394)
Cash (outflow)/ inflow before use of liquid resources and financing			(1,607,538)	1,239,607
<b>Financing</b>				
Decrease/(increase) in loans to group undertaking	18		1,765,343	(1,241,172)
Increase/(decrease) in cash	18		157,805	(1,565)
<b>Reconciliation of net cash flow to movement in net debt</b>				
for the year ended 31 March 2006				
Increase/(decrease) in cash		157,805	(1,565)	
Cash movement from (decrease)/increase in debt financing		(1,765,343)	1,241,172	
Change in net debt resulting from cash flows			(1,607,538)	1,239,607
Movement in net debt in the year			(1,607,538)	1,239,607
Net debt at 31 March 2005			(4,782,598)	(6,022,205)
Net debt at 31 March 2006			(6,390,136)	(4,782,598)

**Portman Investments (Baker Street) Limited**

**Statement of total recognised gains and losses**

*for the year ended 31 March 2006*

	2006 £	2005 £
<b>Profit for the financial year</b>	<b>2,429,373</b>	2,742,868
Unrealised surplus on revaluation of properties	<b>19,979,020</b>	6,284,551
<b>Total recognised gains and losses relating to the financial year</b>	<b>22,408,393</b>	9,027,419

## **Portman Investments (Baker Street) Limited**

### **Notes**

*(forming part of the financial statements)*

#### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date'
- the presentational requirements of FRS 25 'Financial instruments: disclosure and presentation' ; and
- FRS 28 'Corresponding amounts'

FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

The impact of FRS 21 on the comparative figures is to include the final dividend relating to the year ended 31 March 2004 and exclude the final dividend relating to the year 31 March 2005.

This adjustment increases the net assets by £2,770,224 in the comparative year.

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, except for investment properties which are stated at their fair value.

#### **Net rental income**

Rental income is recognised on an accruals basis. Rent increases arising from rent reviews are taken into account when such reviews have been settled with tenants.

#### **Operating lease incentives**

Operating lease incentives include rent free periods and other incentives (such as contributions towards fitting out costs) given to lessees on entering into lease agreements.

In accordance with UITF Abstract 28 'Operating Lease Incentives', rent receivable in the period from lease commencement to the earlier of the first rent review to the prevailing market rate and the lease end date, is spread evenly over that period. The cost of the other incentives is spread on a straight-line basis over a similar period.

## **Portman Investments (Baker Street) Limited**

### **Notes (continued)**

*(forming part of the financial statements)*

#### **Investment properties**

In accordance with SSAP 19 'Accounting for Investment Properties', investment properties are revalued annually at market value determined in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Revaluation surpluses and temporary deficits are included in the revaluation reserve, permanent deficits are being taken through the profit and loss account.

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. This treatment, which is in accordance with SSAP 19, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate.

The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

#### **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### **Interest and other outgoings on property developments**

Interest and other outgoings on vacant properties prior to redevelopment are treated as revenue expenditure and written off as incurred. Interest costs on properties in development are written off as incurred.

#### **Classification of financial instruments issued by the Company**

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

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

## **Portman Investments (Baker Street) Limited**

### **Notes** *(continued)*

*(forming part of the financial statements)*

#### **Classification of financial instruments issued by the Company** *(continued)*

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 Company'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.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

#### **Dividends on shares presented within shareholders' funds**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

# Portman Investments (Baker Street) Limited

## Notes (continued)

### 2 Net rental income from investment properties

	2006 £	2005 £
Gross rental income	5,443,691	5,094,140
Rent payable	(73,846)	(130,702)
Property outgoings less amounts recovered from tenants	(660,461)	(408,797)
	<u>4,709,384</u>	<u>4,554,641</u>

### 3 Administrative expenses

	2006 £	2005 £
Auditors' remuneration :		
Audit fees	10,000	1,763
	<u>10,000</u>	<u>1,763</u>

The Company does not have any employees (2005: nil) and there were no directors' emoluments (200:£nil)

### 4 Other interest receivable and similar income

	2006 £	2005 £
Receivable from group undertakings	44,763	20,010
Short term deposits	4,211	9,489
	<u>48,974</u>	<u>29,499</u>

### 5 Interest payable and similar charges

	2006 £	2005 £
On bank loans and overdrafts	3,054	-
Mortgage interest	1,939,000	1,939,000
	<u>1,942,054</u>	<u>1,939,000</u>

# Portman Investments (Baker Street) Limited

## Notes (continued)

### 6 Tax on profit on ordinary activities

	2006	2005
	£	£
<b>Analysis of charge in the year</b>		
<b>UK Corporation tax</b>		
Current tax on income for the year	1,120,257	788,300
Adjustments in respect of prior periods	237,896	4,385
Taxation on disposal of investment properties	-	2,032
Total current tax	1,358,153	794,717
	£	£
<b>Deferred tax</b>		
Origination/reversal of timing differences	495	660
Adjustment in respect of previous years	5	-
Total deferred tax charge	500	660
Tax charge on profit on ordinary activities	1,358,653	795,377

### Factors affecting the tax charge for the year

The current tax charge for the year is higher (2005: lower) than the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are explained below.

	2006	2005
	£	£
<b>Current tax reconciliation</b>		
Profit on ordinary activities before tax	3,788,026	3,538,245
Current tax at 30% (2005: 30%)	1,136,408	1,061,474
Effects of:		
Capital allowances for year in excess of depreciation	(495)	(660)
Intercompany dividends receivable and not taxable	(278,689)	(270,482)
Adjustments to tax charge in respect of prior periods	237,896	4,385
Items disallowable for tax	26,061	-
Transfer pricing adjustment	236,860	-
Other items	112	-
Current tax charge for the year	1,358,153	794,717



## Portman Investments (Baker Street) Limited

### Notes (continued)

#### 7 Dividends

	2006	2005
	£	£
The aggregate amount of dividends comprises:		
Final dividends paid in respect of prior year but not recognised as liabilities in that year	(2,770,224)	(1,025,000)
Aggregate amount of dividends paid in the financial year	<u>(2,770,224)</u>	<u>(1,025,000)</u>

The aggregate amount of dividends proposed and recognised as liabilities at the year end is £nil (2005: £nil).

# Portman Investments (Baker Street) Limited

## Notes (continued)

### 8 Tangible fixed assets

Investment properties	Freehold £	Long Leasehold £	Short Leasehold £	Total £
<b>Valuation</b>				
At 31 March 2005	1,557,741	76,431,000	2,510,000	80,498,741
Amount included in prepayments under UITF 28	142,259	-	-	142,259
Market value at 31 March 2005	1,700,000	76,431,000	2,510,000	80,641,000
Additions	-	2,004,001	-	2,004,001
Surplus on revaluation	225,000	19,147,499	670,000	20,042,499
Market value	1,925,000	97,582,500	3,180,000	102,687,500
Amount included in prepayments under UITF 28	(205,738)	-	-	(205,738)
At 31 March 2006	1,719,262	97,582,500	3,180,000	102,481,762

### Historical cost of revalued assets

At 31 March 2006	13,047,835
At 31 March 2005	11,043,834

The investment properties have been independently valued by CB Richard Ellis, Chartered Surveyors, of London as at 31 March 2006 on the basis of "Market Value" in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

# Portman Investments (Baker Street) Limited

## Notes (continued)

### 9 Investment in subsidiary undertakings

The investments in subsidiary undertakings are as follows:

Name	Percentage holding	Country of registration	Activity
Portman Investments (Farnham) Limited	100	England and Wales	Property investment
Portman Investments (Gloucester Place) Limited	100	England and Wales	Property investment
<b>Cost</b>		£	
<b>At 31 March 2006</b>		<b>1,302</b>	
<b>At 31 March 2005</b>		<b>1,302</b>	

In the opinion of the directors the investment in the subsidiary undertakings is worth at least the amount shown in these financial statements. The holdings are of ordinary shares.

### 10 Debtors

	2006 £	2005 £
Trade debtors	317,047	242,482
Amounts owed by group undertakings	13,451,625	15,216,968
Amounts owed by shareholder	2,641,500	2,641,500
Other debtors	103,547	314,463
Prepayments and accrued income	336,242	251,942
	<b>16,849,961</b>	<b>18,667,355</b>

# Portman Investments (Baker Street) Limited

## Notes (continued)

### 11 Creditors: amounts falling due within one year

	2006 £	2005 £
Rent received in advance	1,446,399	1,127,730
Amounts owed to group undertakings	101	101
Corporation tax	339,676	236,489
Taxation and social security	135,369	-
Other creditors	254,048	217,480
Accruals and deferred income	193,125	102,155
	<hr/>	<hr/>
	2,368,718	1,683,955
	<hr/>	<hr/>

### 12 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Details of the long term mortgage is as follows:		
9.695% Mortgage 2018	20,000,000	20,000,000
	<hr/>	<hr/>
	20,000,000	20,000,000
	<hr/>	<hr/>

Certain of the Company's properties have been charged to secure this loan.

### 13 Provisions for liabilities and charges

	2006 £	2005 £
<b>Provision for deferred taxation</b>		
At 31 March 2005	171,776	171,116
Charge to the profit and loss for the year	500	660
	<hr/>	<hr/>
At 31 March 2006	172,276	171,776
	<hr/>	<hr/>

## Portman Investments (Baker Street) Limited

### Notes *(continued)*

#### 14 Called up share capital

	2006 £	2005 £
<b>Authorised, allotted, called up and fully paid</b>		
28,490 'A' Ordinary shares of £1 each	<b>28,490</b>	28,490
23,310 'B' Ordinary shares of £1 each	<b>23,310</b>	23,310
	<hr/>	<hr/>
	<b>51,800</b>	51,800
	<hr/>	<hr/>

#### A' and 'B' Ordinary shares

##### Dividends

The 'A' Ordinary and 'B' Ordinary shares rank together pari passu for participation in any distribution of profits in the Company.

##### Voting and Winding Up

The 'A' Ordinary and 'B' Ordinary shares rank together pari passu in all respects save that at General Meetings where a poll is called, the holders of 'A' Ordinary shares shall have three votes for every 'A' Ordinary held and the holders of 'B' Ordinary shares shall have seven votes for every 'B' Ordinary share held.

##### Directors

The holders of 'A' Ordinary and the holders of 'B' Ordinary shares may from time to time each appoint any person to be a director of the Company but not so that more than two directors are thus appointed at any one time. The quorum for a meeting of directors shall be two persons one appointed by the holders of 'A' Ordinary and one by the holders of 'B' Ordinary shares.

# Portman Investments (Baker Street) Limited

## Notes (continued)

### 15 Reserves

	Capital £	Revaluation £
At 31 March 2005	4,926,072	70,492,502
Surplus on revaluation of investment properties	-	20,042,499
UITF 28 adjustment	-	(63,479)
	<hr/>	<hr/>
At 31 March 2006	4,926,072	90,471,522
	<hr/>	<hr/>

### 16 Profit and loss account

	£
Retained profit at 31 March 2005	1,841,828
Profit for the financial year	2,429,373
Dividends paid during the year	(2,770,224)
	<hr/>
Retained profit at 31 March 2006	1,500,977
	<hr/>

### 17 Reconciliation of operating profit to net cash inflow from operating activities

	2006 £	2005 £
Operating profit	4,744,592	4,539,366
Decrease/(increase) in debtors	22,553	(194,791)
Increase/(decrease) in creditors	581,576	(19,422)
	<hr/>	<hr/>
Net cash inflow from operating activities	5,348,721	4,325,153
	<hr/>	<hr/>

# Portman Investments (Baker Street) Limited

## Notes (continued)

### 18 Analysis of net debt

	At 31 March 2005 £	Cash flow £	At 31 March 2006 £
Cash at bank and in hand	535	157,805	158,340
Debt due within one year			
Loans to group undertakings	15,216,867	(1,765,343)	13,451,524
Debt due after more than one year			
Mortgage	(20,000,000)	-	(20,000,000)
	<hr/>	<hr/>	<hr/>
	(4,782,598)	(1,607,538)	(6,390,136)
	<hr/>	<hr/>	<hr/>

### 19 Reconciliation of movements in equity shareholders' funds

	2006 £	2005 £
<b>Profit for the financial year</b>	<b>2,429,373</b>	<b>2,742,868</b>
Dividends on shares classified in shareholders' funds	(2,770,224)	(1,025,000)
	<hr/>	<hr/>
<b>Retained (loss)/profit</b>	<b>(340,851)</b>	<b>1,717,868</b>
Other recognised gains and losses relating to the year (net)	19,979,020	6,284,551
	<hr/>	<hr/>
Net movement in shareholders' funds	19,638,169	8,002,419
Opening shareholders' funds	77,312,202	69,309,783
	<hr/>	<hr/>
Closing shareholders' funds	96,950,371	77,312,202
	<hr/>	<hr/>

## Portman Investments (Baker Street) Limited

### Notes (continued)

#### 20 Contingent liabilities

No provision has been made for any taxes which might become payable in the event of future sales or deemed disposals of properties at their book values. In the opinion of the directors any such contingent liability would be £5,003,714 (2005: £294,000).

#### 21 Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2006 £	2005 £
Contracted	221,804	2,126,879

#### 22 Related party transactions

The Company has given funding to the following subsidiaries:

£10,689,689 to Portman Investments (Farnham) Limited which is a wholly owned subsidiary.

£1,704,877 to British Commercial Property Investment Trust Limited which is a fellow subsidiary.

£1,057,059 to LMS Industrial Finance Limited which is a fellow subsidiary.

The Company has received funding of £101 from Portman Investments (Gloucester Place) Limited which is a wholly owned subsidiary.

The Company, Portman Investments (Farnham) Limited, British Commercial Property Investment Trust Limited, LMS Industrial Finance Limited and Portland Investments (Gloucester Place) Limited are all controlled by London Merchant Securities plc.

All of the balances are payable on demand and non-interest bearing.

The Company paid a property management fee of £136,092 (2005: £127,354) during the year to a fellow subsidiary LMS Services Limited. London Merchant Securities plc is also the ultimate parent company of LMS Services Limited.

#### 23 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of London Merchant Securities plc which is the ultimate parent company incorporated in England and Wales.

No other group financial statements include the results of the Company. The Consolidated financial statements of London Merchant Securities plc may be obtained at the following address:

Carlton House, 33 Robert Adam Street, London W1U 3HR.