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Portman Investments (Baker Street) Limited

Directors' report and financial statements

31 December 2008

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Portman Investments (Baker Street) Limited

Directors' report and financial statements

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Directors

J D Burns
G E Clutton
N T J Groves
R N Lay
C J Odom
M Southern

Secretary and registered office

T J Kite
25 Savile Row
London
W1S 2ER

Company number

806862

Auditors

BDO Stoy Hayward LLP
55 Baker Street
London
W1U 7EU

Portman Investments (Baker Street) Limited

Directors' report

Principal activities and future developments

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

Net assets at 31 December 2008 decreased by 44.3% from the previous year end to £62.9 million (2007: £112.8 million).

This is primarily due to an decrease in value of the property portfolio.

Operating profit for the year was £4.8 million (2007: £4.3 million), while profit after tax was £5.5 million (2007: £2.2 million loss).

The Board uses the following measure to monitor performance of the Company:

Return on Equity – For the purposes of calculating the return on equity the directors have treated the "C" redeemable shares as equity because these were all issued and are currently held by equity owners who it is understood that, notwithstanding the classification as debt for accounting purposes, regard their holdings as part of their equity interest. Therefore, the return on equity is a measure of the growth in 'A' and 'B' shareholders funds, after adjusting for both the ordinary dividend and the 'C' share dividend treated as a finance cost.

In the year ended 31 December 2008, Return on Equity was -15.6%. (2007: 0.9%).

The Company's strategy is the same as the Group's strategy – to deliver an above average annualised total return to shareholders, which is achieved by adding value to buildings and sites through creative planning, imaginative design and enterprising lease management.

The principal risks that the Company faces have been identified as property related (for example fall in asset values, rise in gearing), finance related (for example rise in interest rates) and corporate, social and environmental, including health and safety (for example adverse reputation risk).

Financial review and dividends

The results for the year are set out in the profit and loss account on page 4. The directors do not recommend a payment of a dividend (2007: £nil). For details of dividends paid during the year see note 7.

No political or charitable donations were made during the year (2007: £nil).

Directors

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

J D Burns

G E Clutton (appointed 1 October 2008)

N T J Groves

R N Lay

C J Odom

H R Seaborn (resigned 30 September 2008)

M Southern

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.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office.

Portman Investments (Baker Street) Limited

Directors' report (continued)

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 and applicable law (UK Generally Accepted Accounting Practice).

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 year.

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.

By order of the board



T J Kite
Secretary
25 Savile Row
London
W1S 2ER

16 June 2009

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 December 2008 which comprise the profit and loss account, the balance sheet, cash flow statement, the statement of total recognised gains and losses, note of historical cost profits and losses and the related notes.

These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 judgments 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

London

16 June 2009

Portman Investments (Baker Street) Limited

Profit and loss account

for the year ended 31 December 2008

	Note	2008 £	2007 £
Net rental income from investment properties	2	5,031,344	4,523,403
Administrative expenses		(284,282)	(222,175)
Sundry income		3,193	30
		<hr/>	<hr/>
Operating profit	3	4,750,255	4,301,258
Profit on sale of investment properties		1,447,639	4,397,767
Dividend receivable		19,608,676	-
Write down of investment in subsidiary undertakings		-	(1,199)
Other interest receivable and similar income	4	241,483	368,605
Interest payable and similar charges	5	(19,580,324)	(8,525,653)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		6,467,729	540,778
Tax on profit on ordinary activities	6	(928,848)	(2,780,739)
		<hr/>	<hr/>
Profit/(loss) for the financial year		5,538,881	(2,239,961)
		<hr/>	<hr/>

All amounts relate to continuing activities.

The notes on pages 8 to 17 form part of these financial statements.

Portman Investments (Baker Street) Limited

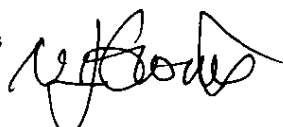
Balance sheet

at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	8		90,686,368		120,891,761
Investments	9		2		2
			<hr/>		<hr/>
			90,686,370		120,891,763
Current assets					
Cash at bank and in hand		1,970,719		1,355,123	
Debtors falling due within one year	10	25,169,331		44,815,588	
Debtors falling due after more than one year	10	310,574		-	
		<hr/>	<hr/>		
		27,450,624		46,170,711	
Creditors: amounts falling due within one year	11	(27,071,869)		(25,963,669)	
		<hr/>	<hr/>		
Net current assets			378,755		20,207,042
			<hr/>		<hr/>
Total assets less current liabilities			91,065,125		141,098,805
Creditors: amounts falling due after more than one year	12	(28,000,000)		(28,000,000)	
Provisions for liabilities and charges	13	(195,038)		(258,470)	
		<hr/>	<hr/>		
Net assets			62,870,087		112,840,335
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	14	220,899		51,800	
Revaluation reserve	15	33,071,032		107,417,587	
Capital reserve	15	-		4,926,072	
Other reserve	15	26,939,852		-	
Profit and loss account	15	2,638,304		444,876	
		<hr/>	<hr/>		
Equity shareholders' funds	18		62,870,087		112,840,335
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 16 June 2009 and were signed on its behalf by:

N T J Groves
Director



J D Burns
Director



The notes on pages 8 to 17 form part of these financial statements.

Portman Investments (Baker Street) Limited

Cash flow statement

for the year ended 31 December 2008

		2008	2008	2007	2007
	Note	£	£	£	£
Net cash inflow from operating activities	16		4,936,006		4,640,968
Returns on investments and servicing of finance					
Interest received		241,483		368,605	
Interest paid		(19,580,324)		(8,525,653)	
Dividend received		19,608,676		-	
Net cash inflow/(outflow) from returns on investment and servicing of finance			269,835		(8,157,048)
Tax paid			(3,161,829)		(387,600)
Capital expenditure and financial investment					
Additions to freehold property		(1,904,290)		(30,844,798)	
Disposal of freehold property		4,937,639		33,797,767	
Amount due from shareholder		28,837,376		(34,895,167)	
Net cash outflow from capital expenditure and financial investment			31,870,725		(31,942,198)
Cash inflow/(outflow) before use of liquid resources and financing			33,914,737		(35,845,878)
Financing					
(Decrease)/increase in loans	17		(22,393,044)		37,206,317
Redemption of 'C' Redeemable shares			(10,199,028)		-
Repayment of non-revolving bank loans			(28,000,000)		-
Drawdown of non-revolving bank loans			28,000,000		-
Increase in cash	17		1,322,665		1,360,439

Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 2008

		2008	2008	2007	2007
		£	£	£	£
Increase in cash		615,596		1,360,439	
Cash movement in debt financing		49,501,994		(29,206,317)	
Cash movement in mortgage		-		20,000,000	
Cash movement in bank loan		-		(28,000,000)	
Change in net debt resulting from cash flows			50,117,590		(35,845,878)
Debt created on issue of 'C' shares			(43,092,300)		-
Movement in net debt in the year			7,025,290		(35,845,878)
Net debt at 1 January			(41,154,787)		(5,308,909)
Net debt at 31 December			(34,129,497)		(41,154,787)

The notes on pages 8 to 17 form part of these financial statements.

Portman Investments (Baker Street) Limited

Statement of total recognised gains and losses

for the year ended 31 December 2008

	2008 £	2007 £
Profit/(loss) for the financial year	5,538,881	(2,239,961)
Unrealised (deficit)/surplus on revaluation of properties	(28,619,683)	3,192,572
Total recognised gains and losses relating to the financial year	(23,080,802)	952,611

Note of historical cost profits and losses

for the year ended 31 December 2008

	2008 £	2007 £
Reported profit on ordinary activities before taxation	6,467,729	540,778
Realisation of property revaluation gains of previous years	1,927,503	3,234,702
Historical cost profit on ordinary activities before taxation	8,395,232	3,775,480
Historical cost profit on ordinary activities after taxation	7,466,384	994,741

The notes on pages 8 to 17 form part of these financial statements.

Portman Investments (Baker Street) Limited

Notes to 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.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, as modified by the revaluation of certain properties and in accordance with the Companies Act 1985.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Net rental income

Rental income is recognised on an accruals basis. Rent increases arising from rent reviews are recognised as income when, either such reviews have been settled with tenants or, based on estimates, it is reasonable to assume they will be received.

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.

Investment properties

Tangible assets consist solely of investment properties and, as defined by SSAP19, are revalued annually by independent valuers in accordance with the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors and are included in the balance sheet on the basis of market value less the UITF28 lease incentive debtor. The aggregate surplus or deficit arising from such revaluation is transferred to the revaluation reserve. However, if on an individual property, a deficit arising from a valuation below cost is expected to be permanent, it is charged to the profit and loss account with any subsequent reversal being credited to the same.

A property in the course of development is stated at its value at the time it was so designated, plus subsequent development costs less any permanent diminution in value. All outgoings, excluding interest, which can be fairly attributed to a development are considered development costs. The property is revalued once the certificate of practical completion has been issued.

Disposal of properties

The disposal of investment properties is accounted for on completion of contract. On disposal, any gain or loss is calculated by reference to the valuation at the last year end plus subsequent additions in the year.

Subsidiary undertakings valuation

The Company's investments in the shares of Group undertakings are stated at cost.

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.

Portman Investments (Baker Street) Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

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.

2 Net rental income from investment properties

	2008 £	2007 £
Gross rental income	6,007,655	5,376,835
Rent payable	(140,291)	(78,815)
Property outgoings less amounts recovered from tenants	(836,020)	(774,617)
	<u>5,031,344</u>	<u>4,523,403</u>

3 Operating profit

	2008 £	2007 £
This is stated after charging:		
Audit fees	35,000	-
	<u>35,000</u>	<u>-</u>

Audit fees were paid by Derwent London plc in 2007.

The Company does not have any employees (2007: nil) and there were no directors' emoluments (2007: £nil).

4 Other interest receivable and similar income

	2008 £	2007 £
Receivable from group undertakings	237,309	327,210
Other	4,174	41,395
	<u>241,483</u>	<u>368,605</u>

5 Interest payable and similar charges

	2008 £	2007 £
On bank loans and overdrafts	1,697,297	1,776,781
Mortgage interest	-	168,919
Redemption premium	-	6,579,953
Intercompany interest	973,104	-
'C' Redeemable share dividend	16,909,923	-
	<u>19,580,324</u>	<u>8,525,653</u>

A premium of £6,579,953 was paid in 2007 to redeem the £20,000,000 9.695% Mortgage.

Portman Investments (Baker Street) Limited

Notes to the financial statements (continued)

6 Tax on profit on ordinary activities

	2008 £	2007 £
Analysis of charge in the year		
UK corporation tax on profits for the year	874,624	2,798,174
Adjustments in respect of previous periods	117,656	(7,655)
	<hr/>	<hr/>
Total current tax	992,280	2,790,519
	<hr/>	<hr/>
Deferred tax		
Origination/reversal of timing differences	(63,432)	(9,780)
	<hr/>	<hr/>
Total deferred tax	(63,432)	(9,780)
	<hr/>	<hr/>
	<hr/>	<hr/>
Total tax	928,848	2,780,739
	<hr/>	<hr/>

Factors affecting the tax charge for the year

The current tax charge for the year is lower (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below.

	2008 £	2007 £
Current tax reconciliation		
Profit on ordinary activities before taxation	6,467,729	540,778
	<hr/>	<hr/>
Current tax at 28.5% (2007: 30%)	1,843,303	162,233
Effects of:		
Accelerated capital allowances / other timing differences	(47,246)	(43,412)
Group dividend	(769,145)	-
REIT conversion charge	-	1,715,258
REIT exempt income	(325,394)	(53,100)
Adjustments to tax charge in respect of previous periods	117,657	(7,655)
Transfer pricing adjustment	384,172	(31,491)
Indexation on chargeable gains	(211,067)	-
Difference between tax and accounting basis on disposal of properties	-	1,048,686
	<hr/>	<hr/>
Current tax charge for the year	992,280	2,790,519
	<hr/>	<hr/>

Portman Investments (Baker Street) Limited

Notes to the financial statements (continued)

7 Dividend

	2008 £	2007 £
Dividend paid - £13.65 per 'A' Ordinary share (2007: £nil)	388,888	-
Dividend paid - £13.65 per 'B' Ordinary share (2007: £nil)	318,181	-
	<u>707,069</u>	<u>-</u>

8 Tangible fixed assets

Investment properties

	Freehold £	Long Leasehold £	Short Leasehold £	Total £
Valuation				
At 1 January 2008	14,909,700	102,799,064	3,182,997	120,891,761
Amount included in prepayments under UITF 28	-	99,536	31,203	130,739
Market value at 1 January 2008	14,909,700	102,898,600	3,214,200	121,022,500
Transfer between freehold and leasehold	(13,269,700)	12,883,900	385,800	-
Additions	-	1,904,290	-	1,904,290
Disposals	(1,640,000)	(1,250,000)	(600,000)	(3,490,000)
Deficit on revaluation	-	(27,556,790)	(800,000)	(28,356,790)
Market value at 31 December 2008	-	88,880,000	2,200,000	91,080,000
Amount included in prepayments under UITF 28	-	(393,632)	-	(393,632)
At 31 December 2008	-	88,486,368	2,200,000	90,686,368

Historical cost of revalued assets

	£
At 31 December 2008	13,815,967
At 31 December 2007	13,474,174

The investment properties have been independently valued by CB Richard Ellis, Chartered Surveyors as at 31 December 2008 on the basis of "Market Value" in accordance with the Appraisal and Valuation Standards of The Royal Institution of Chartered Surveyors.

In their report to the directors, the independent valuers, CB Richard Ellis, whilst not qualifying their opinion of value, have noted that the current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets across the world. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short term.

Portman Investments (Baker Street) Limited

Notes to the financial statements (continued)

9 Investments

£

At 31 December 2008 and 31 December 2007

2

Name	Percentage holding	Country of registration	Activity
Portman Investments (Farnham) Limited	100	England and Wales	Non-trading

Group accounts are not prepared because the Company is a subsidiary of Derwent London plc, which is incorporated in England and Wales.

10 Debtors

	2008 £	2007 £
Trade debtors	974	425,081
Amounts owed by group undertakings	15,907,044	6,290,697
Amounts owed by shareholders	8,699,291	37,536,667
Taxation and social security	-	248,992
Other debtors	345,019	232,651
Prepayments and accrued income	217,003	81,500
	25,169,331	44,815,588
Falling due after more than one year:		
Prepayments and accrued income	310,574	-

11 Creditors: amounts falling due within one year

	2008 £	2007 £
Amounts owed to group undertakings	6,248,803	328,822
Amounts owed to subsidiary undertaking	1,775,108	20,471,785
Taxation and social security	104,134	-
Corporation tax	628,624	2,798,174
Other creditors	237,690	540,836
Accruals and deferred income	2,094,161	1,824,052
'C' Redeemable shares	15,983,349	-
	27,071,869	25,963,669

Portman Investments (Baker Street) Limited

Notes to the financial statements (continued)

11 Creditors: amounts falling due within one year (continued)

On 15th October 2008, the capital structure of the company was altered by the creation of 43,092,300 'C' non-cumulative redeemable preference shares of £1 each ('C' shares)

On 15th October 2008, 23,700,765 'C' shares were allotted to Derwent Valley Limited (formerly British Commercial Property Investment Trust Limited) and 19,391,535 'C' shares allotted to The Portman Estate. Both allotments were by way of a bonus issue of shares, the shares being fully paid up following the capitalisation of £43,092,300 from the company's revaluation reserve. In accordance with FRS 25, these shares are treated as a debt instrument, as distributions are at the discretion of the shareholders rather than the Directors.

Following receipt of an election letter from each of the company's shareholders, 10,199,028 'C' shares were redeemed and a dividend of £1 per share paid on 16,909,923 'C' shares. Under the terms of the 'C' shares, these 16,909,923 shares converted to 'C' deferred shares with a nominal value of one pence once the dividend had been paid, the premium has been taken to other reserves.

12 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Bank loan	28,000,000	28,000,000

Four of the Company's properties have been charged to secure the bank loan.

13 Provisions for liabilities and charges

	2008 £	2007 £
Provision for deferred taxation		
At 1 January	258,470	268,250
Credit to the profit and loss account for the year	(63,432)	(9,780)
At 31 December	195,038	258,470
The deferred tax liability is made up of:	£	£
Capital allowances in excess of depreciation	195,038	258,470

14 Called up share capital

	2008 £	2007 £
Allotted, called up and fully paid		
28,490 'A' Ordinary shares of £1 each	28,490	28,490
23,310 'B' Ordinary shares of £1 each	23,310	23,310
16,909,923 'C' Deferred shares of 1p each	169,099	-
	220,899	51,800

In addition, the creation of the 'C' shares in 2008 as described in note 11 has increased the authorised share capital of the company by 43,092,300 'C' Deferred shares of 1p each (£430,923). The authorised 'A' and 'B' shares does not differ to the number allotted, called up and fully paid.

Portman Investments (Baker Street) Limited

Notes to the financial statements (continued)

14 Called up share capital (continued)

'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.

'C' Redeemable shares

The 'C' Redeemable shares are entitled to a dividend of £1 per share at the request of the shareholders or the Directors. Upon payment of this dividend these shares are cancelled and converted to 1p deferred shares and the nominal amount remains within share capital. These shares no longer qualify for any distribution of profits, and rank after the 'A' and 'B' ordinary shares on winding up. These shares, whether redeemed or not, do not attach any voting rights.

15 Reserves

	Capital Reserve £	Other reserve £	Revaluation reserve £	Profit and loss account £
At 1 January 2008	4,926,072	-	107,417,587	444,876
Profit for the financial year	-	-	-	5,538,881
Dividend paid	-	-	(707,069)	-
Reclassification of capital reserve	(4,926,072)	-	-	4,926,072
Issue of 'C' shares paid out of revaluation reserve	-	-	(43,092,300)	-
Redemption of 'C' shares	-	10,199,028	-	(10,199,028)
Cancellation of 'C' shares	-	16,740,824	-	-
Deficit on revaluation of investment properties	-	-	(28,356,790)	-
Realisation of revaluation surpluses of previous years	-	-	(1,927,503)	1,927,503
UITF 28 adjustment	-	-	(262,893)	-
At 31 December 2008	-	26,939,852	33,071,032	2,638,304

During the year the directors undertook an analysis of the breakdown within the company's capital reserve. Based on this analysis the directors identified a misclassification between the profit and loss account and the capital reserve as at 1 January 2007. This has no effect on the reported results for either this or the previous year and has been corrected by a reserve transfer in the current year of £4,926,072.

Portman Investments (Baker Street) Limited

Notes to the financial statements (continued)

16 Reconciliation of operating profit to net cash inflow from operating activities

	2008 £	2007 £
Operating profit	4,750,255	4,301,258
Increase/(decrease) in debtors	114,654	(541,306)
Increase in creditors	71,097	881,016
	<u>4,936,006</u>	<u>4,640,968</u>

17 Analysis of net debt

	2007 £	Non cash movements £	Cash flow £	2008 £
Cash at bank and in hand	1,355,123	-	615,596	1,970,719
Net amounts due from subsidiary and group undertakings	(14,509,910)	-	22,393,043	7,883,133
Debt due after more than one year				
Bank loan	(28,000,000)	-	-	(28,000,000)
'C' Redeemable shares due within 1 year	-	(43,092,300)	27,108,951	(15,983,349)
	<u>(41,154,787)</u>	<u>(43,092,300)</u>	<u>50,117,590</u>	<u>(34,129,497)</u>

18 Reconciliation of movements in equity shareholders' funds

	2008 £	2007 £
Profit/(loss) for the financial year	5,538,881	(2,239,961)
Dividend paid	(707,069)	-
Other recognised gains and losses relating to the year	(28,619,683)	3,192,572
Creation of 'C' Redeemable shares	(43,092,300)	-
Cancellation of 'C' Redeemable shares	16,909,923	-
	<u>(49,970,248)</u>	<u>952,611</u>
Net movement in shareholders' funds	(49,970,248)	952,611
Opening shareholders' funds	112,840,335	111,887,724
	<u>62,870,087</u>	<u>112,840,335</u>

19 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 £1,011,975 (2007: £3,547,163).

Portman Investments (Baker Street) Limited

Notes to the financial statements (continued)

20 Commitments

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

	2008	2007
	£	£
Contracted	-	1,511,216

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	property 2008	property 2007
	£	£
Operating leases which expire: in over five years	20,600	93,100

21 Related party transactions

The company has given funding to one of its shareholders relating mainly to proceeds received upon the disposal of some of the company's properties. This amount will be offset by distributions to shareholders. At 31 December 2008 this amount was £8,699,291 (2007: £37,536,667)

The Company has given funding to the following group undertakings (fellow subsidiaries) and the amounts receivable as at 31 December 2008 are:

£1,704,877 (2007: £1,704,877) to Derwent Valley Limited (formerly British Commercial Property Investment Trust Limited)
£14,202,167 (2007: £4,585,820) to LMS Industrial Finance Limited

The Company has received funding from the following group undertaking (fellow subsidiaries) and the amount payable as at 31 December 2008 is:

£3,571,232 (2007: £328,822) from Derwent London plc
£2,677,571 (2007: £nil) from Derwent Valley Finance Limited

The Company has given funding to its wholly owned subsidiary and the amount receivable as at 31 December 2008 is:

£1,775,108 (2007: £20,471,785) payable to Portman Investments (Farnham) Limited

All of the balances are payable on demand.

The maximum amounts receivable from the following group undertakings (fellow subsidiaries) during the year were:

£1,704,776 (2007: £1,704,776) from Derwent Valley Limited (formerly British Commercial Property Investment Trust Limited)
£25,717,389 (2007: £39,794,519) from LMS Industrial Finance Limited

The maximum amount payable to the following group undertakings (fellow subsidiaries) during the year was:

£20,861,403 (2007: £175,213) to Derwent Valley Finance Limited
£4,468,535 (2007: £151,366) from Derwent London plc

The maximum amounts payable to the wholly owned subsidiary during the year was:

£20,861,403 (2007: £20,787,995) to Portman Investments (Farnham) Limited

The Company paid a property management fee of £150,191 (2007: £115,209) and £nil (2007: £30,654) during the year to Derwent London plc and L.M.S. Services Limited, respectively.

During the year the company issued bonus shares to its shareholders. Full details of this are included in note 11.

Portman Investments (Baker Street) Limited

Notes to the financial statements (continued)

22 Parent company

The Company's immediate parent undertaking is Derwent Valley Limited (formerly British Commercial Property Investment Trust Limited), a company incorporated in England and Wales.

The Company's ultimate parent company is Derwent London plc, a company incorporated in England and Wales, whose registered office is at 25 Savile Row, London, W1S 2ER. Copies of the consolidated group accounts can be obtained from this address.