

Company number 00806862

**Portman Investments (Baker Street) Limited**  
**Directors' report and financial statements**  
**31 December 2011**



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**Directors**

J D Burns  
W H Moore  
R N Lay  
M Southern  
P M Williams  
D M A Wisniewski

**Secretary and registered office**

T J Kite  
25 Savile Row  
London  
W1S 2ER

**Company number**

806862

**Auditors**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## 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.

### Performance indicators

	2011	2010	% movement
Net assets	120,063,494	103,684,088	15.8
Operating profit	5,625,243	5,347,975	5.2
Profit for the year after tax	3,729,927	4,144,844	(10.0)
Income return on equity (%)	3.11%	4.00%	(22.3)
Total return on equity (%)	13.10%	21.68%	(39.60)

The Board uses the Return on Equity measures to monitor the performance of the Company. This is a measure of growth in Shareholders' funds per share, adding back any current year dividend.

The Company is a subsidiary of Derwent London plc. 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, loss of income), finance related (for example, rise in interest rates, increase in gearing) 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 payment of a dividend (2010: £nil).

### Charitable and political contributions

There were no charitable donations or political contributions in the year (2010: £nil).

### Directors

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

J D Burns

G E Clutton (deceased 28 May 2011)

R N Lay

M Southern

P M Williams

D M A Wisniewski (appointed 1 February 2010)

W H Moore (appointed 29 November 2011)

### 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 LLP have expressed their willingness to continue in office. Under the Companies Act 2006 section 487(2) they will be automatically re-appointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

## 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



T J Kite  
Secretary  
25 Savile Row  
London  
W1S 2ER

25 June 2012

## **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 2011 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### *Respective responsibilities of directors and auditors*

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### *Scope of the audit of the financial statements*

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### *Opinion on financial statements*

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

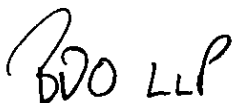
### *Opinion on other matters prescribed by the Companies Act 2006*

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### *Matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.



Richard Kelly (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

25 June 2012

**BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)**

# Portman Investments (Baker Street) Limited

## Profit and loss account

for the year ended 31 December 2011

	Note	2011 £	2010 £
Net property income	3	5,804,207	5,587,389
Administrative expenses	1	(178,964)	(239,414)
		<hr/>	<hr/>
Operating profit		5,625,243	5,347,975
Profit on disposal of investment properties		332,726	291
Interest receivable and similar income	5	723	905,202
Interest payable and similar charges	1, 6	(1,730,715)	(1,421,462)
		<hr/>	<hr/>
Profit on ordinary activities		4,227,977	4,832,006
Tax on ordinary activities	7	(498,550)	(687,162)
		<hr/>	<hr/>
Profit for the year after tax		3,729,427	4,144,844
		<hr/>	<hr/>
All amounts relate to continuing activities			

There are no differences between the results presented above and those on a historic cost basis

The notes on pages 8 to 14 form part of these financial statements


# Portman Investments (Baker Street) Limited

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## Balance sheet at 31 December 2011

	Note	2011 £	2010 £
Non-current assets			
Tangible assets	8	121,073,047	108,418,300
Debtors falling due after more than one year	9	613,290	169,307
		<hr/>	<hr/>
		121,686,337	108,587,607
Current assets			
Cash at bank and in hand		148,081	777,155
Debtors falling due within one year	9	33,911,717	29,423,028
		<hr/>	<hr/>
		34,059,798	30,200,183
Current liabilities			
Creditors falling due within one year	10	(8,389,754)	(7,181,070)
		<hr/>	<hr/>
Net current assets		25,670,044	23,019,113
Non-current liabilities			
Creditors falling due after more than one year	1, 10	(27,933,684)	(27,922,632)
		<hr/>	<hr/>
Net assets		119,422,697	103,684,088
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	16,204,248	16,204,248
Revaluation reserve	12	61,394,977	49,385,795
Other reserves	12	26,939,852	26,939,852
Profit and loss account	12	14,883,620	11,154,193
		<hr/>	<hr/>
Equity shareholders' funds		119,422,697	103,684,088
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 25 June 2012 and were signed on its behalf by



D M A Wisniewski

The notes on pages 8 to 14 form part of these financial statements

# Portman Investments (Baker Street) Limited

## Statement of total recognised gains and losses for the year ended 31 December 2011

	2011 £	2010 £
Profit for the financial year	3,729,427	4,144,844
Unrealised surplus on revaluation of properties	12,009,182	18,334,749
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	15,738,609	22,479,593
	<hr/>	<hr/>

The notes on pages 8 to 14 form part of these financial statements



# Portman Investments (Baker Street) Limited

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## Cash flow statement

for the year ended 31 December 2011

		2011 £	2010 £
<b>Net cash inflow from operating activities</b>	13	<b>3,013,088</b>	<b>3,052,977</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		-	675,044
Interest paid		(1,719,662)	(1,180,250)
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(1,719,662)</b>	<b>(505,206)</b>
<b>Tax paid</b>		<b>(498,550)</b>	<b>(891,675)</b>
<b>Investing activities</b>			
Additions to leasehold property		(645,565)	(1,172,211)
Disposal of leasehold property		332,726	11,325
Advances to shareholder		(1,111,111)	(1,000,000)
<b>Net cash outflow from investing activities</b>		<b>(1,423,950)</b>	<b>(2,160,886)</b>
<b>Decrease in cash</b>		<b>(629,074)</b>	<b>(504,790)</b>
Cash and cash equivalents at start of the year		777,155	1,281,945
<b>Cash and cash equivalents at end of the year</b>		<b>148,081</b>	<b>777,155</b>

# Portman Investments (Baker Street) Limited

## Notes to the financial statements

### 1 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 2006

With effect from 1 January 2010, the amortisation of the loan arrangement costs have been reclassified into finance costs from administrative expenses. In addition, the deferral of the loan arrangement costs, which was previously treated as a prepayment and included within debtors has now been included as a deduction against the carrying amount of the borrowings drawn. There is no impact on the profit before tax or net assets as a result of these changes

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

### 2 Accounting policies

#### 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 SSAP 19, are revalued annually by independent valuers in accordance with the 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 UITF 28 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 impairment. All outgoings, including 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 during the year

#### 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 is capitalised on development projects at the average cost of borrowings for the Group during the period

#### 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

### 3 Net rental income from investment properties

	2011 £	2010 £
Gross rental income	5,994,108	5,656,102
Rent payable	(29,442)	(61,355)
Property outgoings less amounts recovered from tenants	(160,459)	(7,358)
	<u>5,804,207</u>	<u>5,587,389</u>

### 4 Operating profit

	2011 £	2010 £
This is stated after charging		
Audit fees	15,000	-
	<u>15,000</u>	<u>-</u>

The Company does not have any employees (2010 nil) and there were no directors' emoluments (2010 £nil)

### 5 Interest receivable and similar income

	2011 £	2010 £
Other	723	12,405
Receivable from group undertakings	-	892,797
	<u>723</u>	<u>905,202</u>

### 6 Interest payable and similar charges

	2011 £	2010 £
Bank loans and overdraft	1,121,987	1,180,251
Amortisation of loan arrangement costs (see note 1)	11,052	11,053
Payable to group undertakings	597,676	230,158
	<u>1,730,715</u>	<u>1,421,462</u>

### 7 Tax on profit on ordinary activities

	2011 £	2010 £
Analysis of tax in the year		
UK corporation tax and income tax on profits for the year	506,787	711,600
Adjustments in respect of previous periods	(8,237)	(24,438)
	<u>498,550</u>	<u>687,162</u>

## Factors affecting the tax for the year

The current tax charge for the period is lower (2010 lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2011 £	2010 £
Current tax reconciliation		
Profit on ordinary activities before taxation	4,227,977	4,832,006
	<hr/>	<hr/>
Current tax at 26.5% (2010: 28%)	1,120,414	1,352,962
Effects of:		
Differences between expenses and deductions for tax purposes	5,773	(82,665)
REIT exempt income	(619,399)	(553,759)
Adjustments to tax charge in respect of previous periods	(8,238)	(24,438)
Transfer pricing adjustment	-	(4,938)
	<hr/>	<hr/>
Current tax charge for the year	498,550	687,162
	<hr/>	<hr/>

## 8 Tangible Assets

### Investment Properties

	Long leasehold £	Short leasehold £	Total £
<b>Valuation</b>			
Market value at 1 January 2011	106,005,000	2,700,000	108,705,000
Capital expenditure	645,565	-	645,565
Revaluation	12,429,435	50,000	12,479,435
	<hr/>	<hr/>	<hr/>
Market value at 31 December 2011	119,080,000	2,750,000	121,830,000
Amount included in prepayments under UITF 28	(756,953)	-	(756,953)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2011</b>	<b>118,323,047</b>	<b>2,750,000</b>	<b>121,073,047</b>
	<hr/>	<hr/>	<hr/>
<b>Valuation</b>			
Market value at 1 January 2010	87,180,000	2,200,000	89,380,000
Capital expenditure	1,172,211	-	1,172,211
Disposals	(11,034)	-	(11,034)
Revaluation	17,663,823	500,000	18,163,823
	<hr/>	<hr/>	<hr/>
Market value at 31 December 2010	106,005,000	2,700,000	108,705,000
Amount included in prepayments under UITF 28	(286,700)	-	(286,700)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2010</b>	<b>105,718,300</b>	<b>2,700,000</b>	<b>108,418,300</b>
	<hr/>	<hr/>	<hr/>

**Historical cost of revalued assets****£****At 31 December 2011****15,878,701****At 31 December 2010****15,233,136**

The investment properties were revalued at 31 December 2011 by external valuers, CB Richard Ellis Limited, on the basis of market value as defined by the Valuation Standards published by The Royal Institution of Chartered Surveyors

Properties with a value of £93,275,000 (2010 £84,325,000) are secured against borrowings

**9 Debtors**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Falling due within one year		
Amounts due from group undertakings	<b>10,430,077</b>	6,737,436
Trade debtors	-	262,923
Other debtors	<b>189,514</b>	295,944
Prepayments and accrued income (see note 1)	<b>627,035</b>	572,746
Amounts owed from shareholders		
- Derwent Valley Finance	<b>12,465,800</b>	11,854,688
- Portman Secondary Settlement (Fund 02)	<b>10,199,291</b>	9,699,291
	<b>33,911,717</b>	29,423,028
	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Falling due after more than one year		
Prepayments and accrued income	<b>613,290</b>	169,307

**10 Creditors**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Falling due within one year		
Amounts owed to group undertakings	<b>5,587,678</b>	4,983,297
Taxation and social security	<b>31,093</b>	59,461
Other creditors	<b>818,207</b>	93,634
Accruals and deferred income	<b>1,624,892</b>	1,726,757
Corporation tax	<b>327,884</b>	317,921
	<b>8,389,754</b>	7,181,070

	2011 £	2010 £
Falling due after more than one year		
Bank Loan	28,000,000	28,000,000
Amortisation of loan arrangement costs (see note 1)	(66,316)	(77,368)
	<hr/>	<hr/>
	27,933,684	27,922,632
	<hr/>	<hr/>

The bank loan consists of a £28 million ten year term loan expiring June 2018

The loan is secured against four of the company's properties and is fully drawn

At 31 December 2011, the weighted average interest rate for the bank loan was 1.35% (2010: 1.35%) and the weighted average life was 6.5 years (2010: 7.5 years)

The company has entered into £28 million of interest rate swaps in accordance with the terms of the facility expiring on 10 March 2019. At 31 December 2011, the weighted average fixed payment on these swaps was 3.5% (2010: 3.5%) and the weighted average life was 7.2 years (2010: 8.2 years)

#### 11 Called up share capital

##### Allotted, called up and fully paid

28,490 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	169,099
15,983,349 'C' redeemable shares of £1 each	15,983,349	15,983,349
	<hr/>	<hr/>
	16,204,248	16,204,248
	<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

##### 'C' deferred shares

The 'C' deferred shares do not 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

##### 'C' redeemable shares

The 'C' redeemable shares are entitled to a dividend of £1 per share. Upon payment of this dividend these shares are cancelled and converted to 1p 'C' deferred shares and the nominal amount remains within share capital

## 12 Reserves

	Profit and loss account £	Other reserve £	Revaluation reserve £
At 1 January 2011	11,154,193	26,939,852	49,385,795
Profit for the financial year	3,729,427	-	-
Surplus on revaluation of investment properties	-	-	12,479,435
UITF 28 Adjustment	-	-	(470,253)
<b>At 31 December 2011</b>	<b>14,883,620</b>	<b>26,939,852</b>	<b>61,394,977</b>

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

	2011 £	2010 £
Operating profit	5,625,243	5,347,975
Increase in debtors	(3,854,000)	(2,267,468)
Increase/(decrease) in creditors	1,241,845	(27,530)
	<b>3,013,088</b>	<b>3,052,977</b>

## 14 Analysis of net debt

	2010 £	Non cash movements £	Cash flow £	2011 £
Cash at bank and in hand	777,155	-	(629,074)	148,081
Debt due after more than one year-				
Bank loan (see note 1)	(27,922,632)	(11,052)	-	(27,933,684)
	<b>(27,145,477)</b>	<b>(11,052)</b>	<b>(629,074)</b>	<b>(27,785,603)</b>

## 15 Reconciliation of movements in equity shareholders' funds

	2011 £	2010 £
Profit for the financial year	3,729,427	4,144,844
Other recognised gains and losses relating to the year	12,009,182	18,334,749
<b>Net movement in shareholders' funds</b>	<b>15,738,609</b>	<b>22,479,593</b>
Opening shareholders' funds	103,684,088	81,204,495
<b>Closing shareholders' funds</b>	<b>119,422,697</b>	<b>103,684,088</b>

## 16 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 £1,376,239 (2010 £763,404)

## 17 Commitments

### Leasehold property

	2011 £	2010 £
Operating leases which expire		
not later than one year	29,660	29,660
later than one year and not later than five years	118,640	118,640
later than five years	<u>2,049,342</u>	<u>2,078,956</u>
	<u>2,197,642</u>	<u>2,227,256</u>

## 18 Related party transactions

The Company has provided funding to its shareholders through an interest free loan with each shareholder. This amount will be offset by distributions to shareholders. At 31 December 2011 this amount was £22,665,091 (2010 £21,553,979)

The Company has given funding to the following group undertakings (fellow subsidiaries) and the amounts receivable as at 31 December 2011 are

£nil (2010 £1,788,757) to Derwent Valley Limited  
£nil (2010 £14,985,395) to LMS Industrial Finance Limited  
£11,070,876 (2010 £1,817,941) to Derwent Valley Finance Limited

The Company has received funding from the following group undertaking (fellow subsidiaries) and the amounts payable as at 31 December 2011 are

£5,587,678 (2010 £4,968,832) from Derwent London plc

All of the balances are payable on demand

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

£1,788,757 (2010 £1,788,757) Derwent Valley Limited  
£14,985,395 (2010 £15,494,779) from LMS Industrial Finance Limited  
£11,339,216 (2010 £2,525,681) to Derwent Valley Finance Limited

The maximum amounts payable to the following group undertakings (fellow subsidiaries) during the year were

£5,587,678 (2010 £4,968,832) from Derwent London Plc

The Company paid a property management fee of £149,853 (2010 £146,346) to Derwent London Plc

## 19 Parent company

The Company's immediate parent undertaking is Derwent Valley 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