

Company number 00806862

Portman Investments (Baker Street) Limited
Directors' report and financial statements
31 December 2012

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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

Auditor

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

	2012	2011	% movement
Net assets (£)	133,593,122	119,422,697	11.9
Operating profit (£)	5,431,294	5,625,243	(3.4)
Profit for the year after tax (£)	3,495,608	3,729,427	(6.3)
Income return on equity (%)	2.62	3.11	
Total return on equity (%)	10.61	13.10	

The Board uses the above measure, Return on Equity, 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 (2011: £nil).

Charitable and political contributions

There were no charitable donations or political contributions in the year (2011: £nil).

Directors

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

J D Burns

R N Lay

M Southern

P M Williams

D M A Wisniewski

W H Moore

Disclosure of information to the auditor

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

Auditor

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 auditor 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

21 June 2013

Independent auditor's 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 2012 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the cash flow statement, the note of historical cost profits and losses 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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.

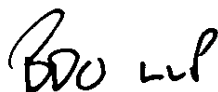
Opinion on other matters prescribed by the Companies Act 2006

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

21 June 2013

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 2012

	Note	2012 £	2011 £
Net property income	3	5,596,468	5,804,207
Other income		10,590	-
Administrative expenses		(175,764)	(178,964)
Operating profit		5,431,294	5,625,243
Profit on disposal of investment properties		242,052	332,726
Interest receivable and similar income	5	35,802	723
Interest payable and similar charges	6	(1,124,376)	(1,730,715)
Profit on ordinary activities		4,584,772	4,227,977
Tax on ordinary activities	7	(1,089,164)	(498,550)
Profit for the year after tax		3,495,608	3,729,427

All amounts relate to continuing activities

The notes on pages 9 to 16 form part of these financial statements

Portman Investments (Baker Street) Limited

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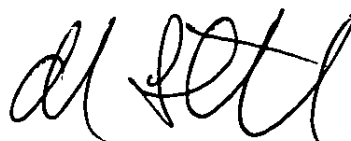
Balance sheet at 31 December 2012

	Note	2012 £	2011 £
Non-current assets			
Tangible assets	8	131,713,406	121,073,047
Debtors falling due after more than one year	9	754,827	613,290
		132,468,233	121,686,337
Current assets			
Cash at bank and in hand		-	148,081
Debtors falling due within one year	9	32,590,535	33,911,717
		32,590,535	34,059,798
Current liabilities			
Creditors falling due within one year	10	(3,520,909)	(8,389,754)
		29,069,626	25,670,044
Non-current liabilities			
Creditors falling due after more than one year	1, 10	(27,944,737)	(27,933,684)
		133,593,122	119,422,697
Net assets			
		133,593,122	119,422,697
Capital and reserves			
Called up share capital	11	16,204,248	16,204,248
Revaluation reserve	12	71,883,241	61,394,977
Other reserves	12	26,939,852	26,939,852
Profit and loss account	12	18,565,781	14,883,620
		133,593,122	119,422,697
Equity shareholders' funds			
		133,593,122	119,422,697

These financial statements were approved by the board of directors on 21 June 2013 and were signed on its behalf by



D M A Wisniewski



M Southern

The notes on pages 9 to 16 form part of these financial statements

Portman Investments (Baker Street) Limited

Statement of total recognised gains and losses
for the year ended 31 December 2012

	2012 £	2011 £
Profit for the financial year	3,495,608	3,729,427
Unrealised surplus on revaluation of properties	10,674,817	12,009,182
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	14,170,425	15,738,609
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The notes on pages 9 to 16 form part of these financial statements

Portman Investments (Baker Street) Limited

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Cash flow statement

for the year ended 31 December 2012

		2012 £	2011 £
Net cash (outflow)/inflow from operating activities	13	(148,081)	3,013,088
Returns on investments and servicing of finance			
Interest paid		-	(1,719,662)
Net cash outflow from returns on investment and servicing of finance		-	(1,719,662)
Tax paid		-	(498,550)
Investing activities			
Additions to leasehold property		-	(645,565)
Disposal of leasehold property		-	332,726
Advances to shareholder		-	(1,111,111)
Net cash outflow from investing activities		-	(1,423,950)
Decrease in cash		(148,081)	(629,074)
Cash and cash equivalents at start of the year		148,081	777,155
Cash and cash equivalents at end of the year		-	148,081

Portman Investments (Baker Street) Limited

Note of historical cost profits and losses for the year ended 31 December 2012

	2012 £	2011 £
Reported profit on ordinary activities before taxation	4,584,772	4,227,977
Realisation of revaluation surpluses of previous years	186,553	-
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	4,771,325	4,227,977
	<hr/>	<hr/>
Historical cost profit on ordinary activities after taxation	3,682,161	3,729,427
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The notes on pages 9 to 16 form part of these financial statements

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

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, reduced rent 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 the same period

Investment properties

Tangible assets consist solely of investment properties, including those that are undergoing development, and, as defined by SSAP 19, are revalued annually by independent valuers 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

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 expenditure and written off in the profit and loss account 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

3 Net rental income from investment properties

	2012 £	2011 £
Gross rental income	5,950,161	5,994,108
Property outgoings less amounts recovered from tenants	(353,693)	(189,901)
	<u>5,596,468</u>	<u>5,804,207</u>

4 Operating profit

	2012 £	2011 £
This is stated after charging		
Audit fees	15,000	15,000
	<u>15,000</u>	<u>15,000</u>

The Company does not have any employees (2011 nil) and there were no directors' emoluments (2011 £nil)

5 Interest receivable and similar income

	2012 £	2011 £
Other	514	723
Receivable from group undertakings	35,288	-
	<u>35,802</u>	<u>723</u>

6 Interest payable and similar charges

	2012 £	2011 £
Bank loans and overdraft	1,113,323	1,121,987
Amortisation of loan arrangement costs	11,053	11,052
Payable to group undertakings	-	597,676
	<u>1,124,376</u>	<u>1,730,715</u>

7. Tax on profit on ordinary activities

	2012 £	2011 £
Analysis of tax in the year		
UK corporation tax and income tax on profits for the year	716,751	506,787
Adjustments in respect of previous periods	372,413	(8,237)
	<u>1,089,164</u>	<u>498,550</u>

Factors affecting the tax for the year

The current tax charge for the period is lower (2011: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2012 £	2011 £
Current tax reconciliation		
Profit on ordinary activities before taxation	4,584,772	4,227,977
Current tax at 24.5% (2011: 26.5%)	1,123,269	1,120,414
Effects of		
Differences between expenses and deductions for tax purposes	(75,833)	5,773
REIT exempt income	(558,419)	(619,399)
Adjustments to tax charge in respect of previous periods	372,413	(8,238)
Transfer pricing adjustment	227,734	-
Current tax charge for the year	1,089,164	498,550

8 Tangible Assets

Investment Properties

	Long leasehold £	Short leasehold £	Total £
Valuation			
Market value at 1 January 2012	119,080,000	2,750,000	121,830,000
Capital expenditure	153,045	-	153,045
Disposals	(187,500)	-	(187,500)
Revaluation	10,534,455	250,000	10,784,455
Market value at 31 December 2012	129,580,000	3,000,000	132,580,000
Amount included in prepayments under UITF 28	(866,594)	-	(866,594)
At 31 December 2012	128,713,406	3,000,000	131,713,406
Valuation			
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
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)
At 31 December 2011	118,323,047	2,750,000	121,073,047

Historical cost of revalued assets**£****At 31 December 2012****16,030,796****At 31 December 2011****15,878,701**

The investment properties were revalued at 31 December 2012 by external valuers, CB Richard Ellis Limited, on the basis of fair value in accordance with the RICS Valuation – Professional Standards (2012). The valuers' opinion was primarily derived using comparable recent market transactions on arm's length terms.

Properties with a value of £101,650,000 (2011: £93,275,000) are secured against borrowings.

9 Debtors

	2012	2011
	£	£
Falling due within one year		
Amounts due from group undertakings	3,476,165	10,430,077
Trade debtors	433,603	-
Other debtors	76,492	189,514
Prepayments and accrued income	661,406	627,035
Amounts owed from shareholders		
- Derwent Valley Finance	15,368,578	12,465,800
- Portman Secondary Settlement (Fund 02)	12,574,291	10,199,291
	32,590,535	33,911,717
	2012	2011
	£	£
Falling due after more than one year		
Prepayments and accrued income	754,827	613,290

10 Creditors

	2012	2011
	£	£
Falling due within one year		
Amounts owed to group undertakings	-	5,587,678
Taxation and social security	95,934	31,093
Other creditors	462,919	818,207
Accruals and deferred income	1,842,475	1,624,892
Corporation tax	1,119,581	327,884
	3,520,909	8,389,754

	2012 £	2011 £
Falling due after more than one year		
Bank Loan	28,000,000	28,000,000
Amortisation of loan arrangement costs	(55,263)	(66,316)
	<hr/>	<hr/>
	27,944,737	27,933,684
	<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 2012, the weighted average interest rate for the bank loan was 1.35% (2011 1.35%) and the weighted average life was 5.5 years (2011 6.5 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 2012, the weighted average fixed payment on these swaps was 3.5% (2011 3.5%) and the weighted average life was 6.2 years (2011 7.2 years)

11 Called up share capital

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	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
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'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 shall confer no right to participate in the profits of the Company, and on winding up, shall rank after the 'A' and 'B' ordinary shares and 'C' Redeemable shares, and be limited to the paid up nominal value only. These shares 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 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

12. Reserves

	Profit and loss account £	Other reserve £	Revaluation reserve £
At 1 January 2012	14,883,620	26,939,852	61,394,977
Profit for the financial year	3,495,608	-	-
Surplus on revaluation of investment properties	-	-	10,784,455
Release of surplus on disposal of investment	186,553	-	(186,553)
UITF 28 Adjustment	-	-	(109,638)
At 31 December 2012	18,565,781	26,939,852	71,883,241

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

	2012 £	2011 £
Operating profit	5,431,294	5,625,243
Increase in debtors	(5,579,375)	(3,854,000)
Increase in creditors	-	1,241,845
	(148,081)	3,013,088

14. Analysis of net debt

	2011 £	Non cash movements £	Cash flow £	2012 £
Cash at bank and in hand	148,081	-	(148,081)	-
Debt due after more than one year- Bank loan	(27,933,684)	(11,053)	-	(27,944,737)
	(27,785,603)	(11,053)	(148,081)	(27,944,737)

15 Reconciliation of movements in equity shareholders' funds

	2012 £	2011 £
Profit for the financial year	3,495,608	3,729,427
Other recognised gains and losses relating to the year	10,674,817	12,009,182
Net movement in shareholders' funds	14,170,425	15,738,609
Opening shareholders' funds	119,422,697	103,684,088
Closing shareholders' funds	133,593,122	119,422,697

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 £1,925,975 (2011 £1,376,239)

17 Commitments

Leasehold property

	2012 £	2011 £
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	2,019,580	2,049,342
	2,167,880	2,197,642

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 2012 this amount was £27,942,869 (2011 £22,665,091)

The Company has given funding to the following group undertakings (fellow subsidiaries) and the amount receivable as at 31 December 2012 is

£3,476,165 (2011 payable of £5,587,678) from Derwent London plc
£nil (2011 £10,430,077) to Derwent Valley Finance Limited

The balance above is payable on demand

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

£5,615,844 (2011 maximum amount payable £5,587,678) from Derwent London Plc
£nil (2011 £1,788,757) Derwent Valley Limited,
£nil (2011 £14,985,395) from LMS Industrial Finance Limited, and
£nil (2011 £11,339,216) to Derwent Valley Finance Limited

The Company paid property management fees during the year of £148,754 (2011 £149,853) 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