

**Portman Investments (Baker Street) Limited**

**Directors' report and financial statements**

**31 December 2009**



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

## **Directors' report and financial statements**

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### **Directors**

J D Burns  
G E Clutton  
R N Lay  
D M A Wisniewski  
P M Williams  
M Southern

### **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

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

Company number 806862

### **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 2009 increased by 29.2% from the previous year end to £81.2 million (2008: £62.9 million). This is primarily due to the reclassification of debt instruments as equity.

Operating profit for the year was £4.8 million (2008: £4.8 million), while profit after tax was £4.4 million (2008: £5.5 million).

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

Return on Equity - this is a measure of growth in Shareholders' funds per share, adding back any current year dividend. In the year ended 31 December 2009, Return on Equity was 29.2% (2008: -15.6%).

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 5. The directors do not recommend the payment of a dividend (2008: £nil).

No political or charitable donations were made during the year (2008: £nil).

#### **Directors**

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

J D Burns  
G E Clutton  
N T J Groves (resigned 14 October 2009)  
R N Lay  
P M Williams (appointed 30 November 2009)  
C J Odom (resigned 1 February 2010)  
M Southern

D M A Wisniewski was appointed as a director on 1 February 2010.

#### **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**

Company number 806862

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

#### **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

18th June 2010

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

*Company number 806862*

### **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 2009 which comprise the profit and loss account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses, 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 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*

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### *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 2009 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.

**Portman Investments (Baker Street) Limited**

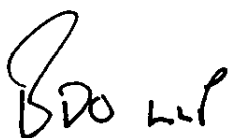
*Company number 806862*

**Independent auditors' report (continued)**

*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

22 June 2010

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

**Portman Investments (Baker Street) Limited***Company number 806862***Profit and loss account***for the year ended 31 December 2009*

	<i>Note</i>	<b>2009</b> £	2008 £
Net rental income from investment properties	2	<b>4,952,013</b>	5,031,344
Administrative expenses		<b>(175,225)</b>	(284,282)
Sundry income		-	3,193
		<hr/>	<hr/>
<b>Operating profit</b>	3	<b>4,776,788</b>	4,750,255
Profit on sale of investment properties		<b>255,800</b>	1,447,639
Dividend receivable		<b>796,393</b>	19,608,676
Loss on disposal of investment in subsidiary undertakings		<b>(2)</b>	-
Other interest receivable and similar income	4	<b>5,617</b>	241,483
Interest payable and similar charges	5	<b>(980,155)</b>	(19,580,324)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>4,854,441</b>	6,467,729
Tax on profit on ordinary activities	6	<b>(483,396)</b>	(928,848)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>4,371,045</b>	5,538,881
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities

The notes on pages 9 to 18 form part of these financial statements

**Portman Investments (Baker Street) Limited**

Company number 806862

**Balance sheet**

at 31 December 2009

	Note	2009 £	2009 £	2008 £	2008 £
<b>Fixed assets</b>					
Tangible assets	8		88,922,374		90,686,368
Investments	9		-		2
			<hr/>		<hr/>
			88,922,374		90,686,370
<b>Current assets</b>					
Cash at bank and in hand		1,281,945		1,970,719	
Debtors falling due within one year	10	26,080,092		25,169,331	
Debtors falling due after more than one year	10	333,196		310,574	
		<hr/>	<hr/>	<hr/>	<hr/>
		27,695,233		27,450,624	
<b>Creditors</b> amounts falling due within one year	11	(7,413,112)		(27,071,869)	
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net current assets</b>			20,282,121		378,755
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			109,204,495		91,065,125
<b>Creditors</b> amounts falling due after more than one year	12		(28,000,000)		(28,000,000)
<b>Provisions for liabilities and charges</b>	13		-		(195,038)
			<hr/>		<hr/>
<b>Net assets</b>			81,204,495		62,870,087
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	14		16,204,248		220,899
Revaluation reserve	15		31,051,046		33,071,032
Other reserve	15		26,939,852		26,939,852
Profit and loss account	15		7,009,349		2,638,304
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>	18		81,204,495		62,870,087
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 18th June 2010 and were signed on its behalf by

D M A Wisniewski  
DirectorJ D Burps  
Director

The notes on pages 9 to 18 form part of these financial statements

# Portman Investments (Baker Street) Limited

Company number 806862

## Cash flow statement

for the year ended 31 December 2009

	Note	2009 £	2009 £	2008 £	2008 £
<b>Net cash inflow from operating activities</b>	16		274,187		4,936,006
<b>Returns on investments and servicing of finance</b>					
Interest received		5,617		241,483	
Interest paid		(980,155)		(19,580,324)	
Dividend received		796,393		19,608,676	
<b>Net cash (outflow)/inflow from returns on investment and servicing of finance</b>			(178,145)		269,835
<b>Tax paid</b>			(784,624)		(3,161,829)
<b>Capital expenditure and financial investment</b>					
Additions to freehold property		(255,992)		(1,904,290)	
Disposal of freehold property		255,800		4,937,639	
Amount due from shareholder		-		28,837,376	
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>			(192)		31,870,725
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>			(688,774)		33,914,737
<b>Financing</b>					
Decrease in loans			-		(22,393,044)
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
<b>(Decrease)/increase in cash</b>	17		(688,774)		1,322,665

## Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 2009

	2009 £	2009 £	2008 £	2008 £
(Decrease)/increase in cash	(688,774)		615,596	
Cash movement in debt financing	-		49,501,994	
<b>Change in net debt resulting from cash flows</b>		(688,774)		50,117,590
Debt created on issue of 'C' shares		-		(43,092,300)
<b>Movement in net debt in the year</b>		(688,774)		7,025,290
<b>Net debt at 1 January</b>		(34,129,497)		(41,154,787)
<b>Net debt at 31 December</b>		(34,818,271)		(34,129,497)

The notes on pages 9 to 18 form part of these financial statements

**Portman Investments (Baker Street) Limited***Company number 806862***Statement of total recognised gains and losses***for the year ended 31 December 2009*

	2009 £	2008 £
<b>Profit for the financial year</b>	<b>4,371,045</b>	<b>5,538,881</b>
Unrealised deficit on revaluation of properties	(2,019,986)	(28,619,683)
<b>Total recognised gains and losses relating to the financial year</b>	<b>2,351,059</b>	<b>(23,080,802)</b>

**Note of historical cost profits and losses***for the year ended 31 December 2009*

	2009 £	2008 £
<b>Reported profit on ordinary activities before taxation</b>	<b>4,854,441</b>	<b>6,467,729</b>
Realisation of property revaluation gains of previous years	-	1,927,503
<b>Historical cost profit on ordinary activities before taxation</b>	<b>4,854,441</b>	<b>8,395,232</b>
<b>Historical cost profit on ordinary activities after taxation</b>	<b>4,371,045</b>	<b>7,466,384</b>

The notes on pages 9 to 18 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 2006

#### **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, 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

	2009 £	2008 £
Gross rental income	5,484,513	6,007,655
Rent payable	(21,063)	(140,291)
Property outgoings less amounts recovered from tenants	(511,437)	(836,020)
	<u>4,952,013</u>	<u>5,031,344</u>

### 3 Operating profit

	2009 £	2008 £
This is stated after charging		
Audit fees	15,000	35,000
	<u>15,000</u>	<u>35,000</u>

The Company does not have any employees (2008 nil) and there were no directors' emoluments (2008 £nil)

### 4 Other interest receivable and similar income

	2009 £	2008 £
Receivable from group undertakings	-	237,309
Other	5,617	4,174
	<u>5,617</u>	<u>241,483</u>

### 5 Interest payable and similar charges

	2009 £	2008 £
On bank loans and overdrafts	875,781	1,697,297
Intercompany interest	104,374	973,104
'C' Redeemable share dividend	-	16,909,923
	<u>980,155</u>	<u>19,580,324</u>

# Portman Investments (Baker Street) Limited

## Notes to the financial statements (continued)

### 6 Tax on profit on ordinary activities

	2009 £	2008 £
<b>Analysis of charge in the year</b>		
UK corporation tax on profits for the year	674,244	874,624
Adjustments in respect of previous periods	4,190	117,656
	<hr/>	<hr/>
Total current tax	678,434	992,280
	<hr/>	<hr/>
<b>Deferred tax</b>		
Origination/reversal of timing differences	(195,038)	(63,432)
	<hr/>	<hr/>
Total deferred tax	(195,038)	(63,432)
	<hr/>	<hr/>
	<hr/>	<hr/>
Total tax	483,396	928,848
	<hr/>	<hr/>

### Factors affecting the tax charge for the year

The current tax charge for the year is lower (2008 lower) than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009 £	2008 £
<b>Current tax reconciliation</b>		
Profit on ordinary activities before taxation	4,854,441	6,467,729
	<hr/>	<hr/>
Current tax at 28% (2008 28.5%)	1,359,243	1,843,303
Effects of		
Accelerated capital allowances / other timing differences	-	(47,246)
Differences between expenses and deductions for tax purposes	(81,074)	-
Group dividend	(222,990)	(769,145)
REIT exempt income	(487,715)	(325,394)
Adjustments to tax charge in respect of previous periods	4,190	117,656
Transfer pricing adjustment	145,862	384,173
Indexation on chargeable gains	(39,082)	(211,067)
	<hr/>	<hr/>
Current tax charge for the year	678,434	992,280
	<hr/>	<hr/>

# Portman Investments (Baker Street) Limited

## Notes to the financial statements (continued)

### 7 Dividend

	2009 £	2008 £
Dividend paid - £nil (2008 £13.65 per 'A' Ordinary share)	-	388,888
Dividend paid - £nil (2008 £13.65 per 'B' Ordinary share)	-	318,181
	-	707,069

### 8 Tangible fixed assets

#### Investment properties

	Freehold £	Long Leasehold £	Short Leasehold £	Total £
<b>Valuation</b>				
Market value at 1 January 2009	-	88,880,000	2,200,000	91,080,000
Additions	-	255,992	-	255,992
Disposals	-	-	-	-
Deficit on revaluation	-	(1,955,992)	-	(1,955,992)
Market value at 31 December 2009	-	87,180,000	2,200,000	89,380,000
Amount included in prepayments under UITF 28	-	(457,626)	-	(457,626)
<b>At 31 December 2009</b>	<b>-</b>	<b>86,722,374</b>	<b>2,200,000</b>	<b>88,922,374</b>
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)
<b>At 31 December 2008</b>	<b>-</b>	<b>88,486,368</b>	<b>2,200,000</b>	<b>90,686,368</b>

Disposals consist of the granting of a long lease during the year for £255,800. This asset had a nil valuation.

# Portman Investments (Baker Street) Limited

## Notes to the financial statements (continued)

### 8 Tangible fixed assets (continued)

Historical cost of revalued assets	£
At 31 December 2009	14,071,959
At 31 December 2008	13,815,967

The investment properties have been independently valued by CB Richard Ellis, Chartered Surveyors as at 31 December 2009 on the basis of "Market Value" in accordance with the Valuation Standards of The Royal Institution of Chartered Surveyors

Properties with a value of £71,550,000 (2008 £69,650,000) are secured against the company's bank borrowings

### 9 Investments

	2009	2008
At 31 December 2009 and 31 December 2008	-	2

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

During the year Portman Investments (Farnham) Limited entered voluntary liquidation

### 10 Debtors

	2009 £	2008 £
Trade debtors	-	974
Amounts owed by group undertakings	16,329,198	15,907,044
Amounts owed by shareholders	8,699,291	8,699,291
Other debtors	295,557	345,019
Prepayments and accrued income	756,046	217,003
	26,080,092	25,169,331
Falling due after more than one year		
Prepayments and accrued income	333,196	310,574

# Portman Investments (Baker Street) Limited

## Notes to the financial statements (continued)

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

	2009 £	2008 £
Amounts owed to group undertakings	4,518,522	6,248,803
Amounts owed to subsidiary undertaking	-	1,775,108
Taxation and social security	431,468	104,134
Corporation tax	522,434	628,624
Other creditors	275,680	237,690
Accruals and deferred income	1,665,008	2,094,161
'C' Redeemable shares	-	15,983,349
	<b>7,413,112</b>	<b>27,071,869</b>

The 'C' Redeemable shares were transferred to equity during the year. See further narrative in note 14.

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

	2009 £	2008 £
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

	2009 £	2008 £
<b>Provision for deferred taxation</b>		
At 1 January	195,038	258,470
Credit to the profit and loss account for the year	(195,038)	(63,432)
<b>At 31 December</b>	<b>-</b>	<b>195,038</b>
<b>The deferred tax liability is made up of</b>	<b>£</b>	<b>£</b>
Capital allowances in excess of depreciation	-	195,038

## Portman Investments (Baker Street) Limited

### Notes to the financial statements (continued)

#### 14 Called up share capital

	2009 £	2008 £
<b>Allotted, called up and fully paid</b>		
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	-
	<hr/>	<hr/>
	16,204,248	220,899
	<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' 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

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 were 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

At 31st December 2008 the holders of the 'C' Redeemable shares were entitled to call for a dividend and, therefore, the outstanding balance was classified as debt in accordance with FRS 26.2 This entitlement has now been removed and the outstanding shares have been re-classified to equity

# Portman Investments (Baker Street) Limited

## Notes to the financial statements (continued)

### 15 Reserves

	Other reserve £	Revaluation reserve £	Profit and loss account £
At 1 January 2009	26,939,852	33,071,032	2,638,304
Profit for the financial year	-	-	4,371,045
Deficit on revaluation of investment properties	-	(1,955,992)	-
UITF 28 adjustment	-	(63,994)	-
	<hr/>	<hr/>	<hr/>
At 31 December 2009	26,939,852	31,051,046	7,009,349
	<hr/>	<hr/>	<hr/>

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

	2009 £	2008 £
Operating profit	4,776,788	4,750,255
(Increase)/decrease in debtors	(933,383)	114,654
(Decrease)/increase in creditors	(3,569,218)	71,097
	<hr/>	<hr/>
	274,187	4,936,006
	<hr/>	<hr/>

### 17 Analysis of net debt

	2008 £	Non cash movements £	Cash flow £	2009 £
Cash at bank and in hand	1,970,719	-	(688,774)	1,281,945
Debt due after more than one year				
Bank loan	(28,000,000)	-	-	(28,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	(26,029,281)	-	(688,774)	(26,718,055)
	<hr/>	<hr/>	<hr/>	<hr/>

## Portman Investments (Baker Street) Limited

### Notes to the financial statements (continued)

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

	2009 £	2008 £
<b>Profit for the financial year</b>	<b>4,371,045</b>	5,538,881
Dividend paid	-	(707,069)
Other recognised gains and losses relating to the year	<b>(2,019,986)</b>	(28,619,683)
Creation of 'C' Redeemable shares	-	(43,092,300)
Transfer of 'C' Redeemable shares	<b>15,983,349</b>	-
Cancellation of 'C' Redeemable shares	-	16,909,923
	<hr/>	<hr/>
Net movement in shareholders' funds	<b>18,334,408</b>	(49,970,248)
Opening shareholders' funds	<b>62,870,087</b>	112,840,335
	<hr/>	<hr/>
Closing shareholders' funds	<b>81,204,495</b>	62,870,087
	<hr/>	<hr/>

#### 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 £761,739 (2008 £1,011,975)

#### 20 Commitments

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

	Leasehold property 2009 £	Leasehold property 2008 £
Operating leases which expire in over five years	<b>19,000</b>	20,600
	<hr/>	<hr/>

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

### **Notes to the financial statements (continued)**

#### **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 2009 this amount was £nil (2008 £8,699,291)

The Company has given funding to the following group undertakings (fellow subsidiaries) and the amounts receivable as at 31 December 2009 are

£1,704,877 (2008 £1,704,877) to Derwent Valley Limited  
£14,260,338 (2008 £14,202,167) to LMS Industrial Finance Limited  
£363,983 (2008 £nil) 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 2009 are

£4,518,053 (2008 £3,571,232) from Derwent London plc  
£nil (2008 £2,677,571) from Derwent Valley Finance Limited  
£469 (2008 £nil) from LMS Properties Limited

The Company has given funding to its wholly owned subsidiary and the amount receivable as at 31 December 2009 is

£933,329 (2008 £1,775,108) 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)

£14,260,338 (2008 £25,717,389) from LMS Industrial Finance Limited  
£363,983 (2008 £nil) to Derwent Valley Finance Limited

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

£4,518,053 (2008 £20,861,403) to Derwent Valley Finance Limited  
£nil (2008 £4,468,535) from Derwent London plc  
£469 (2008 £nil) from LMS Properties Limited

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

£933,329 (2008 £20,861,403) to Portman Investments (Farnham) Limited

The Company paid a property management fee of £139,352 (2008 £150,191) and £nil (2008 £nil) during the year to Derwent London plc and L M S Services Limited, respectively

#### **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