

Company number 00806862

Portman Investments (Baker Street) Limited
Directors' report and financial statements
31 December 2013

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Contents	Page
Directors' report	1
Independent auditor's report	3
Profit and loss account	4
Balance sheet	5
Statement of total recognised gains and losses	6
Cash flow statement	7
Note of historical cost profits and losses	8
Notes to the financial statements	9 - 15

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.

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 (2012: £nil).

Charitable and political contributions

There were no charitable donations or political contributions in the year (2012: £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

None of the above directors has an interest in the ordinary share capital of the company other than as a trustee for the parent company.

The interests of the directors in the share capital of Derwent London plc, the company's parent company, are disclosed in the accounts of that company.

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.

Business review exemption

This report has been prepared in accordance with the special provisions for small companies under Part 15 and section 417(1) of the Companies Act 2006.

Auditor

BDO LLP served as auditor of the Company during the year

PricewaterhouseCoopers LLP was appointed as auditor to Derwent London plc, the Company's ultimate parent company, at its annual general meeting on 16 May 2014 and it is intended that PricewaterhouseCoopers LLP will also be appointed as auditor to the Company during 2014

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



F. J. Kite
Secretary
25 Savile Row
London
W1S 2ER

26 June 2014

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 2013 which comprise the profit and loss account, the balance sheet, 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 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 Financial Reporting Council's (FRC'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 FRC'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 2013 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.

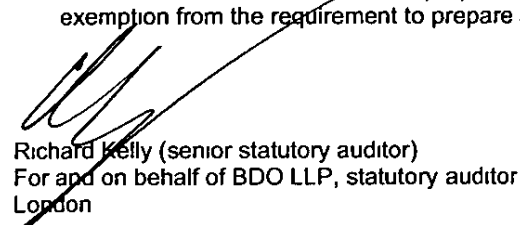
Opinion on other matters prescribed by the Companies Act 2006

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
- the directors were not entitled to prepare the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.



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

26 June 2014

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 2013

	Note	2013 £	2012 £
Net property income	3	6,188,806	5,596,468
Other income		12,626	10,590
Administrative expenses		(181,639)	(175,764)
Operating profit		6,019,793	5,431,294
Profit on disposal of investment properties		260,900	242,052
Interest receivable and similar income	5	41,594	35,802
Interest payable and similar charges	6	(1,245,694)	(1,124,376)
Profit on ordinary activities		5,076,593	4,584,772
Tax on ordinary activities	7	(830,496)	(1,089,164)
Profit for the year after tax		4,246,097	3,495,608

All amounts relate to continuing activities

The notes on pages 9 to 15 form part of these financial statements

Portman Investments (Baker Street) Limited

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Balance sheet at 31 December 2013

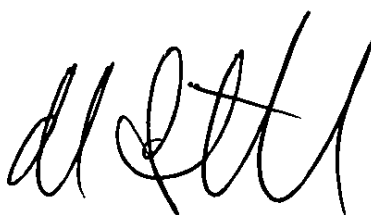
	Note	2013 £	2012 (Restated) £
Non-current assets			
Tangible assets	8	145,795,161	131,713,406
Debtors falling due after more than one year	9	766,241	754,827
		<u>146,561,402</u>	<u>132,468,233</u>
Current assets			
Debtors falling due within one year	9	37,814,048	32,590,535
Current liabilities			
Creditors falling due within one year	10	(3,926,161)	(3,520,909)
		<u>33,887,887</u>	<u>29,069,626</u>
Net current assets			
Non-current liabilities			
Creditors falling due after more than one year	10	(27,955,789)	(27,944,737)
		<u>152,493,500</u>	<u>133,593,122</u>
Net assets			
Capital and reserves			
Called up share capital	11	32,945,072	32,945,072
Revaluation reserve	12	86,497,441	72,590,310
Other reserves	12	10,199,028	10,199,028
Profit and loss account	12	22,851,959	17,858,712
		<u>152,493,500</u>	<u>133,593,122</u>
Equity shareholders' funds			

These financial statements were approved by the board of directors on 26 June 2014 and were signed on its behalf by



D M A Wisniewski

M Southern



The notes on pages 9 to 15 form part of these financial statements

Portman Investments (Baker Street) Limited

Statement of total recognised gains and losses for the year ended 31 December 2013

	2013 £	2012 £
Profit for the financial year	4,246,097	3,495,608
Unrealised surplus on revaluation of properties	14,654,281	10,674,817
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	18,900,378	14,170,425
	<hr/>	<hr/>

The notes on pages 9 to 15 form part of these financial statements

Portman Investments (Baker Street) Limited

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Cash flow statement for the year ended 31 December 2013

		2013 £	2012 £
Net cash outflow from operating activities	13	-	(148,081)
Decrease in cash		-	(148,081)
Cash and cash equivalents at start of the year		-	148,081
Cash and cash equivalents at end of the year		-	-

The notes on pages 9 to 15 form part of these financial statements

Portman Investments (Baker Street) Limited

Note of historical cost profits and losses for the year ended 31 December 2013

	2013 £	2012 £
Reported profit on ordinary activities before taxation	5,076,593	4,584,772
Realisation of revaluation surpluses of previous years	747,150	186,553
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	5,823,743	4,771,325
	<hr/>	<hr/>
Historical cost profit on ordinary activities after taxation	4,993,247	3,682,161
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The notes on pages 9 to 15 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

Prior year restatement

In 2008, the Company paid a dividend of £707,069 which was deducted from the revaluation reserve rather than the profit and loss account, with the effect that the revaluation reserve was understated by £707,069 and the profit and loss account overstated by the same amount. This has been corrected by the restatement of the revaluation reserve and profit and loss account at 31 December 2012.

Also in 2008, a dividend of £1 per share was paid on 16,909,923 'C' shares, after which these shares converted to 'C' deferred shares. The shares were cancelled as a result of the dividend being paid and the nominal value was stated as £0.01 or 1 pence per share, with the premium being taken to reserves. It has since been noted that the appropriate Board approval for the cancellation and transfer was not obtained at the time with the result that the share capital has been understated by £16,740,824 and the other reserve overstated by the same amount since 31 December 2008. This has been corrected by the restatement of the share capital and other reserve at 31 December 2012.

Neither restatement has affected net assets or the profit for the year for any of the prior periods.

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

	2013 £	2012 £
Gross rental income	6,682,706	5,950,161
Dilapidations received	3,294	-
Property outgoings less amounts recovered from tenants	(497,194)	(353,693)
	<u>6,188,806</u>	<u>5,596,468</u>

4. Operating profit

	2013 £	2012 £
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 (2012 nil) and there were no directors' emoluments (2012 £nil)

5. Interest receivable and similar income

	2013 £	2012 £
Other	5	514
Receivable from group undertakings	41,589	35,288
	<u>41,594</u>	<u>35,802</u>

6 Interest payable and similar charges

	2013 £	2012 £
Bank loans and overdraft	1,221,584	1,113,323
Amortisation of loan arrangement costs	11,052	11,053
Other	13,058	-
	<u>1,245,694</u>	<u>1,124,376</u>

7 Tax on profit on ordinary activities

	2013 £	2012 £
Analysis of tax in the year		
UK corporation tax and income tax on profits for the year	834,432	716,751
Adjustments in respect of previous periods	(3,936)	372,413
	<hr/>	<hr/>
Total current tax	830,496	1,089,164
	<hr/>	<hr/>

Factors affecting the tax for the year

The current tax charge for the period is lower (2012 lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2013 £	2012 £
Current tax reconciliation		
Profit on ordinary activities before taxation	5,076,593	4,584,772
	<hr/>	<hr/>
Current tax at 23.25% (2012: 24.5%)	1,180,308	1,123,269
Effects of		
Differences between expenses and deductions for tax purposes	(91,100)	(16,530)
Revenue items capitalised	6,069	-
REIT exempt income	(569,040)	(558,419)
Adjustments to tax charge in respect of previous periods	(3,936)	372,413
Transfer pricing adjustment	-	227,734
Difference in interest rate on intercompany loans for tax purposes	263,192	-
Difference in capital gain for tax purposes	105,662	-
REIT exempt disposal	(60,659)	(59,303)
	<hr/>	<hr/>
Current tax charge for the year	830,496	1,089,164
	<hr/>	<hr/>

8 Tangible assets

Investment properties

	Long leasehold £	Short leasehold £	Total £
Valuation			
Market value at 1 January 2013	129,580,000	3,000,000	132,580,000
Capital expenditure	177,474	-	177,474
Disposals	(750,000)	-	(750,000)
Revaluation	15,172,526	(400,000)	14,772,526
	<hr/>	<hr/>	<hr/>
Market value at 31 December 2013	144,180,000	2,600,000	146,780,000
Amount included in prepayments under UITF 28	(984,839)	-	(984,839)
	<hr/>	<hr/>	<hr/>
At 31 December 2013	143,195,161	2,600,000	145,795,161
	<hr/>	<hr/>	<hr/>

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
	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	128,713,406	3,000,000	131,713,406
	<hr/>	<hr/>	<hr/>

Historical cost of revalued assets

	£
At 31 December 2013	16,205,420
	<hr/>
At 31 December 2012	16,030,796
	<hr/>

The investment properties were revalued at 31 December 2013 by external valuers, CBRE 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 £112,000,000 (2012: £101,650,000) are secured against borrowings.

9 Debtors

	2013 £	2012 £
Falling due within one year		
Amounts due from group undertakings	2,556,997	3,476,165
Trade debtors	864,945	433,603
Other debtors	23,134	76,492
Taxation and social security	305,222	-
Prepayments and accrued income	565,326	661,406
Amounts owed from shareholders		
- L M S Industrial Finance Limited	18,424,133	15,368,578
- Portman Secondary Settlement (Fund 02)	15,074,291	12,574,291
	<hr/>	<hr/>
	37,814,048	32,590,535
	<hr/>	<hr/>
	2013 £	2012 £
Falling due after more than one year		
Prepayments and accrued income	766,241	754,827
	<hr/>	<hr/>

10. Creditors

	2013 £	2012 £
Falling due within one year		
Taxation and social security	-	95,934
Trade creditors	58,494	-
Other creditors	866,347	462,919
Accruals and deferred income	2,324,610	1,842,475
Corporation tax	676,710	1,119,581
	<u>3,926,161</u>	<u>3,520,909</u>
	2013 £	2012 £
Falling due after more than one year		
Bank loan	28,000,000	28,000,000
Amortisation of loan arrangement costs	(44,211)	(55,263)
	<u>27,955,789</u>	<u>27,944,737</u>

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 2013, the weighted average interest rate for the bank loan was 1.35% (2012 1.35%) and the weighted average life was 4.5 years (2012 5.5 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 2013, the weighted average fixed payment on these swaps was 3.5% (2012 3.5%) and the weighted average life was 5.2 years (2012 6.2 years)

11 Called up share capital

	2013 £	2012 (Restated) £
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 £1 each	16,909,923	16,909,923
15,983,349 'C' redeemable shares of £1 each	15,983,349	15,983,349
	<u>32,945,072</u>	<u>32,945,072</u>

'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 'C' shares become C deferred shares. The company can at any time redeem all C deferred shares issued, on payment of 1p. 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.

'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.

12 Reserves

	Profit and loss account £	Other reserve £	Revaluation reserve £
At 1 January 2013 as previously reported	18,565,781	26,939,852	71,883,241
Prior year adjustment (note 2)	(707,069)	(16,740,824)	707,069
At 1 January 2013 (restated)	17,858,712	10,199,028	72,590,310
Profit for the financial year	4,246,097	-	-
Surplus on revaluation of investment properties	-	-	14,772,526
Release of surplus on disposal of investment properties	747,150	-	(747,150)
UITF 28 Adjustment	-	-	(118,245)
At 31 December 2013	22,851,959	10,199,028	86,497,441

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

	2013 £	2012 £
Operating profit	6,019,793	5,431,294
Increase in debtors	(6,963,851)	(5,579,375)
Increase in creditors	944,058	-
	-	(148,081)

14 Analysis of net debt

	2012 £	Non-cash movements £	Cash flow £	2013 £
Debt due after more than one year- Bank loan	(27,944,737)	(11,052)	-	(27,955,789)
	(27,944,737)	(11,052)	-	(27,955,789)

15 Reconciliation of movements in equity shareholders' funds

	2013 £	2012 £
Profit for the financial year	4,246,097	3,495,608
Other recognised gains and losses relating to the year	14,654,281	10,674,817
Net movement in shareholders' funds	18,900,378	14,170,425
Opening shareholders' funds	133,593,122	119,422,697
Closing shareholders' funds	152,493,500	133,593,122

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 £2,792,445 (2012 £1,925,975)

17 Commitments

Leasehold property

	2013 £	2012 £
Operating leases which expire		
not later than one year	32,000	29,660
later than one year and not later than five years	128,000	118,640
later than five years	2,157,940	2,019,580
	2,317,940	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 2013 this amount was £33,498,424 (2012 £27,942,869)

The Company has given funding to the following group undertaking and the amount receivable as at 31 December 2013 is £2,556,996 (2012 £3,476,165) from Derwent London plc

The balance above is payable on demand

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

£4,147,492 (2012 £5,615,844) from Derwent London plc and
£18,424,133 (2012 £15,368,578) from LMS Industrial Finance Limited

The Company paid property management fees during the year of £167,296 (2012 £148,754) 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