Company number: 00806862

Portman Investments (Baker Street) Limited

Directors' report and financial statements

31 December 2014

Contents

Contents	Page
Strategic report	1
Directors' report	2
Independent auditor's report	4
Statement of comprehensive income	6
Balance sheet	7
Statement of changes in equity	8
Notes to the financial statements	9 - 22

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
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Portman Investments (Baker Street) Limited

Strategic report

Review of the business

Demand for the Company's office space remained strong and investor appetite for London's commercial real estate remains high. Letting and asset management initiatives are also reflected in the results.

Principal risks and uncertainties

The principal risks and uncertainties 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).

Performance and position of the business

Net assets have decreased by 4.5% from 31 December 2013, largely due to the fact that the dividends paid in the year more than offset the impact of the increase in property valuations in the London market as a result of economic growth.

Performance indicators:

	2014	2013	% movement
Net assets (£)	141,076,179	147,755,841	(4.5)
Operating profit (£)	31,209,925	20,916,326	49.2
Profit and total comprehensive income for the year (£)	26,818,762	20,178,231	32.9
Total return (%)	14.1	15.8	n/a

The Board uses the above measure, Total return, 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.

For more information also see the Derwent London plc group annual report.

By order of the board

TJ Kite
Secretary
25 Savile Row
London
W1S 2ER

26 June 2015

Portman Investments (Baker Street) Limited

Directors' report

Principal activities and future developments

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

Financial review and dividends

The results for the year are set out in the statement of comprehensive income on page 6. In October 2014, the Company paid interim dividends of £17,515,075 on the 'A' and 'B' Ordinary Shares and of £9,983,349 on the 'C' Redeemable Shares. The directors do not recommend payment of a final dividend (2013: £nil).

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Political contributions

There were no political contributions in the year (2013: £nil).

Directors

The directors who held office during the year and up to the date of signing 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. 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.

Portman Investments (Baker Street) Limited

Auditor

PricewaterhouseCoopers LLP was appointed as auditor to the Company during 2014 and has expressed its willingness to continue in office. Under the Companies Act 2006 section 487(2) it 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 its re-appointment.

Strategic report

The Company has included a Strategic report in its accounts for the year ended 31 December 2014 and information on the principal risks and uncertainties and a review of the business can be found there.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework", 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 these 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework", 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

26 June 2015

Portman Investments (Baker Street) Limited

Independent auditor's report to the members of Portman Investments (Baker Street) Limited

Report on the financial statements

Our opinion

In our opinion, Portman Investments (Baker Street) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

What we have audited

Portman Investments (Baker Street) Limited's financial statements comprise:

- the Balance sheet as at 31 December 2014;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 3, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Craig Hughes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 June 2015

Portman Investments (Baker Street) Limited

Statement of comprehensive income
for the year ended 31 December 2014

	Note	2014	2013
		£	£
Gross property income	3	**6,863,551**	6,706,970
Net property income	3	**6,591,118**	6,233,575
Other income		**34,794**	12,626
Administrative expenses		**(207,683)**	(181,639)
Revaluation surplus		**24,816,913**	14,590,864
(Loss)/profit on disposal of investment properties		**(25,217)**	260,900
Operating profit	4	**31,209,925**	20,916,326
Interest receivable and similar income	5	**65,660**	41,594
Interest payable and similar charges	6	**(1,235,855)**	(1,253,148)
Movement in fair value of derivative financial instruments		**(584,169)**	2,170,424
Profit on ordinary activities before tax		**29,455,561**	21,875,196
Tax charge	7	**(2,636,799)**	(1,696,965)
Profit and total comprehensive income for the year		**26,818,762**	20,178,231

All amounts relate to continuing activities

The notes on pages 9 to 22 form part of these financial statements.

Portman Investments (Baker Street) Limited

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Balance sheet
at 31 December 2014

	Note	2014	2013	2012
		£	£	£
Non-current assets				
Investment properties	9	**170,511,890**	145,603,967	131,585,675
		170,511,890	145,603,967	131,585,675
Current assets				
Debtors falling due within one year	10	**8,613,037**	37,803,262	32,592,372
Debtors falling due after more than one year	10	**885,925**	1,127,573	1,066,221
		9,498,962	38,930,835	33,658,593
Current liabilities				
Creditors falling due within one year	11	**(3,645,607)**	(3,926,161)	(3,520,909)
Net current assets		**5,853,355**	35,004,674	30,137,684
Non-current liabilities				
Creditors falling due after more than one year	11	**(30,655,528)**	(30,060,355)	(32,219,773)
Deferred tax	12	**(4,633,538)**	(2,792,445)	(1,925,976)
		(35,289,066)	(32,852,800)	(34,145,749)
Net assets		**141,076,179**	147,755,841	127,577,610
Capital and reserves				
Called up share capital	13	**51,800**	32,945,072	32,945,072
Other reserves		-	10,199,028	10,199,028
Retained earnings		**141,024,379**	104,611,741	84,433,510
Equity shareholders' funds		**141,076,179**	147,755,841	127,577,610

These financial statements were approved by the board of directors on 26 June 2015 and were signed on its behalf by:

D M A Wisniewski

M Southern

The notes on pages 9 to 22 form part of these financial statements.

Portman Investments (Baker Street) Limited

Statement of changes in equity
for the year ended 31 December 2014

	Share capital	Other reserves	Retained earnings	Total equity
	£	£	£	£
At 1 January 2014	32,945,072	10,199,028	104,611,741	147,755,841
Total comprehensive income for the year	-	-	26,818,762	26,818,762
Redemption of 'C' Redeemable Shares	(6,000,000)	6,000,000	(6,000,000)	(6,000,000)
Redemption of 'C' Deferred Shares	(26,893,272)	26,893,272	-	-
Capital reduction		(43,092,300)	43,092,300	-
Dividends paid	-	-	(27,498,424)	(27,498,424)
At 31 December 2014	**51,800**	**-**	**141,024,379**	**141,076,179**
At 1 January 2013	32,945,072	10,199,028	84,433,510	127,577,610
Total comprehensive income for the year	-	-	20,178,231	20,178,231
At 31 December 2013	32,945,072	10,199,028	104,611,741	147,755,841

The notes on pages 9 to 22 form part of these financial statements.

Portman Investments (Baker Street) Limited

Notes to the financial statements

1. Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with the Companies Act 2006 (the Act) and United Kingdom Accounting Standards. Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) has been adopted early by the Company and sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard. This addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 17 gives details of the Company's ultimate parent company and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 1 January 2013. FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

Note 18 gives details of the impact of these amendments to the Company's previously adopted accounting policies in accordance with previous UK GAAP and a reconciliation of: (i) shareholders' equity determined in accordance with previous UK GAAP to shareholders' equity determined in accordance with FRS 101 as at 1 January 2013 and 31 December 2013; and (ii) profit or loss determined in accordance with previous UK GAAP to profit or loss determined in accordance with FRS 101 for the year ended 31 December 2013.

The preparation of financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The Company's significant accounting policies are stated in note 2. Not all of these accounting policies require management to make difficult, subjective or complex judgements or estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements.

Trade receivables
The Company is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the debtor entity and the nature of any disputed amounts.

Property portfolio valuation
The Company uses the valuation carried out by its independent valuers as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties.

Outstanding rent reviews
Where the outcome of an outstanding rent review is reasonably certain, rent is accrued from the rent review date based upon an estimated annual rent. This estimate is derived from knowledge of market rents.

2. Accounting policies

Gross property income

Gross property income arises from two main sources:

(i) Rental income – This arises from operating leases granted to tenants. An operating lease is a lease other than a finance lease. A finance lease is one whereby substantially all the risks and rewards of ownership are passed to the lessee.

Rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease in accordance with SIC 15 Operating Leases - Incentives and IAS 17 Leases. This includes the effect of lease incentives given to tenants, which are normally in the form of rent free or half rent periods or capital contributions in lieu of rent free periods, and the effect of contracted rent uplifts and payments received from tenants on the grant of leases.

For income from property leased out under a finance lease, a lease receivable asset is recognised in the balance sheet at an amount equal to the net investment in the lease, as defined in IAS 17 Leases. Minimum lease payments receivable, again defined in IAS 17, are apportioned between finance income and the reduction of the outstanding lease receivable so as to produce a constant periodic rate of return on the remaining net investment in the lease. Contingent rents, being the difference between the rent currently receivable and the minimum lease payments when the net investment in the lease was originally calculated, are recognised in property income in the years in which they are receivable.

(ii) Surrender premiums – Payments received from tenants to surrender their lease obligations are recognised immediately in the statement of comprehensive income.

Expenses

(i) Lease payments – Where investment properties are held under operating leases, the leasehold interest is classified as if it were held under a finance lease, which is recognised at its fair value on the balance sheet, within the investment property carrying value. Upon initial recognition, a corresponding liability is included as a finance lease liability. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining finance lease liability. Contingent rents payable, being the difference between the rent currently payable and the minimum lease payments when the lease liability was originally calculated, are charged as expenses within property expenditure in the years in which they are payable.

(ii) Dilapidations – Dilapidations monies received from tenants in respect of their lease obligations are recognised immediately in the statement of comprehensive income, unless they relate to future capital expenditure. In the latter case, where the costs are considered to be recoverable they are capitalised as part of the carrying value of the property.

(iii) Reverse surrender premiums – Payments made to tenants to surrender their lease obligations are charged directly to the statement of comprehensive income unless the payment is to enable the probable redevelopment of a property. In the latter case, where the costs are considered to be recoverable, they are capitalised as part of the carrying value of the property.

(iv) Other property expenditure – Vacant property costs and other property costs are expensed in the year to which they relate, with the exception of the initial direct costs incurred in negotiating and arranging leases which are, in accordance with IAS 17 Leases, added to the carrying value of the relevant property and recognised as an expense over the lease term on the same basis as the lease income.

Investment property

(i) Valuation – Investment properties are those that are held either to earn rental income or for capital appreciation or both, including those that are undergoing redevelopment. Investment properties are measured initially at cost, including related transaction costs. After initial recognition, they are carried in the Company balance sheet at fair value adjusted for the carrying value of leasehold interests and lease incentive and letting cost receivables. Fair value is the price that would be received to sell an investment property in an orderly transaction between market participants at the measurement date. The valuation is undertaken by independent valuers who hold recognised and relevant professional qualifications and have recent experience in the locations and categories of properties being valued.

Surpluses or deficits resulting from changes in the fair value of investment property are reported in the statement of comprehensive income in the year in which they arise.

(ii) Capital expenditure – Capital expenditure, being costs directly attributable to the redevelopment or refurbishment of an investment property, up to the point of it being completed for its intended use, are capitalised in the carrying value of that property. In addition, in accordance with IAS 23 Borrowing Costs, finance costs that are directly attributable to such expenditure are capitalised using the Group average cost of borrowings during each quarter.

(iii) Disposal – Properties are treated as disposed when the Company transfers the significant risks and rewards of ownership to the buyer. Generally this would occur on completion of contract. On disposal, any gain or loss is calculated as the difference between the net disposal proceeds and the carrying value at the last year end plus subsequent capitalised expenditure during the year. Where the net disposal proceeds have yet to be finalised at the balance sheet date, the proceeds recognised reflect the Directors' best estimate of the amounts expected to be received. Any contingent consideration is recognised at fair value at the balance sheet date. The fair value is calculated using future discounted cash flows based on expected outcomes with estimated probabilities taking account of the risk and uncertainty of each input.

(iv) Development – When the Company begins to redevelop an existing investment property for continued use as an investment property or acquires a property with the subsequent intention of developing as an investment property, the property is classified as an investment property and is accounted for as such. When the Company begins to redevelop an existing investment property with a view to sale, the property is transferred to trading properties and held as a current asset. The property is remeasured to fair value as at the date of transfer with any gain or loss being taken to the statement of comprehensive income. The remeasured amount becomes the deemed cost at which the property is then carried in trading properties.

Financial assets

(i) Trade receivables – Trade receivables are recognised and carried at the original transaction value. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables concerned.

Financial liabilities

(i) Trade payables – Trade payables are recognised and carried at the original transaction value.

(ii) Finance lease liabilities – Finance lease liabilities arise for those investment properties held under a leasehold interest and accounted for as investment property. The liability is initially calculated as the present value of the minimum lease payments, reducing in subsequent years by the apportionment of payments to the lessor, as described above under the heading for lease payments.

(iii) Interest rate derivatives – The Company uses derivative financial instruments to manage the interest rate risk associated with the financing of the Company's business. No trading in financial instruments is undertaken.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Dividends

Dividends payable on the ordinary share capital are recognised in the year in which they are declared.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

3. Property income

	£	£
Gross rental income	**6,863,551**	6,706,970
Gross property income	**6,863,551**	6,706,970
Property outgoings less amounts recovered from tenants	**(344,183)**	(476,689)
Dilapidations received	**71,750**	3,294
Net property income	**6,591,118**	6,233,575

4. Operating profit

	2014 £	2013 £
This is stated after charging:		
Audit fees	**15,000**	15,000

The Company does not have any employees (2013: nil) and there were no directors' emoluments (2013: £nil).

5. Interest receivable and similar income

	2014 £	2013 £
Other	**40**	5
Receivable from group undertakings	**65,620**	41,589
	65,660	41,594

6. Interest payable and similar charges

	2014 £	2013 £
Bank loans and overdraft	**1,214,942**	1,221,584
Amortisation of loan arrangement costs	**11,053**	11,052
Finance Leases	**7,451**	7,454
Other	**2,409**	13,058
	1,235,855	1,253,148

7. Tax charge

	2014	2013
	£	£
Analysis of tax in the year		
Corporation tax		
UK corporation tax and income tax on profits for the year	**771,961**	834,432
Adjustments in respect of previous periods	**23,745**	(3,936)
Corporation tax charge	**795,706**	830,496
Deferred tax		
Origination/reversal of timing differences	**1,841,093**	866,469
Deferred tax charge	**1,841,093**	866,469
Tax charge	**2,636,799**	1,696,965

Factors affecting the tax for the year

The effective rate of tax for the year is lower (2013: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2014	2013
	£	£
Current tax reconciliation		
Profit before tax	**29,455,561**	21,875,196
Current tax at 21.5% (2013: 23.25%)	**6,332,946**	5,085,983
Effects of:		
Differences between expenses and deductions for tax purposes	**(28,581)**	(91,100)
Revenue items capitalised	**2,806**	6,069
REIT exempt income	**(647,818)**	(569,040)
Adjustments to tax charge in respect of previous periods	**23,745**	(3,936)
Difference in interest rate on intercompany loans for tax purposes	**225,437**	263,192
Difference in capital gain for tax purposes	**16,421**	105,662
Derivative fair value adjustments not allowable for tax purposes	**125,596**	(504,624)
Revaluation surplus attributable to REIT properties	**(5,335,636)**	(3,392,376)
Lease incentives and costs transition to FRS 101	**75,368**	(8,675)
REIT exempt disposal	**5,422**	(60,659)
Origination and reversal of temporary differences	**1,841,093**	866,469
Tax charge for the year	**2,636,799**	1,696,965

The expected tax rate for 2014 has been changed in line with the 2014 Finance Act.

8. Dividend

	2014	2013
	£	£
Dividend paid - £338.13 per 'A' Ordinary Share (2013: £nil)	**9,633,291**	-
Dividend paid - £338.13 per 'B' Ordinary Share (2013: £nil)	**7,881,784**	-
Dividend paid - £1 per 9,983,349 of the 'C' Redeemable Share (2013: £nil)	**9,983,349**	-
	27,498,424	-

9. Investment properties

	Long leasehold	Short leasehold	Total
	£	£	£
Valuation			
Fair value at 1 January 2014	144,180,000	2,600,000	146,780,000
Capital expenditure	282,059	7,000	289,059
Disposals	(198,000)	-	(198,000)
Revaluation	24,415,941	193,000	24,608,941
Fair value at 31 December 2014	168,680,000	2,800,000	171,480,000
Lease incentives and costs included in prepayments	(1,127,414)	-	(1,127,414)
Grossing up of headlease liability	159,304	-	159,304
At 31 December 2014	**167,711,890**	**2,800,000**	**170,511,890**
Valuation			
Fair 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
Fair value at 31 December 2013	144,180,000	2,600,000	146,780,000
Lease incentives and costs included in prepayments	(1,335,386)	-	(1,335,386)
Grossing up of headlease liability	159,353	-	159,353
At 31 December 2013	143,003,967	2,600,000	145,603,967

Historical cost of revalued assets	**£**
At 31 December 2014	**16,493,529**
At 31 December 2013	16,205,420

The investment properties were revalued at 31 December 2014 by external valuers, CBRE Limited, on the basis of fair value in accordance with the RICS Valuation – Professional Standards. The valuers' opinion was primarily derived using comparable recent market transactions on arm's length terms.

Properties with a value of £129,100,000 (2013: £112,000,000) are secured against borrowings.

10. Debtors

	2014	2013
	£	£
Falling due within one year:		
Amounts due from group undertakings	**2,998,612**	2,556,997
Trade debtors	**304,842**	864,945
Other debtors	**-**	23,134
Taxation and social security	**233,392**	305,222
Prepayments and accrued income	**631,747**	554,540
Amounts owed by shareholders		
- L.M.S. Industrial Finance Limited	**2,444,444**	18,424,133
- Portman Secondary Settlement (Fund 02)	**2,000,000**	15,074,291
	8,613,037	37,803,262
Falling due after more than one year:		
Prepayments and accrued income	**885,925**	1,127,573
	9,498,962	38,930,835

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

11. Creditors

	2014	2013
	£	£
Falling due within one year:		
Trade creditors	**56,146**	58,494
Other creditors	**1,166,660**	866,347
Accruals and deferred income	**1,914,840**	2,324,610
Corporation tax	**507,961**	676,710
	3,645,607	3,926,161

	2014	2013
	£	£
Falling due after more than one year:		
Bank loan	**28,000,000**	28,000,000
Amortisation of loan arrangement costs	**(33,158)**	(44,211)
Leasehold liability	**159,304**	159,353
Derivative financial instruments	**2,529,382**	1,945,213
	30,655,528	30,060,355

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 2014, the weighted average interest rate for the bank loan was 1.35% (2013: 1.35%) and the weighted average life was 3.5 years (2013: 4.5 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 2014, the weighted average fixed payment on these swaps was 3.5% (2013: 3.5%) and the weighted average life was 4.2 years (2013: 5.2 years).

12. Deferred Tax

	2014	2013
	£	£
Deferred tax liability		
At 1 January	**2,792,445**	1,925,976
Charged to the income statement	**1,974,067**	1,033,945
Change in tax rates in the income statement	**(132,974)**	(167,476)
At 31 December	**4,633,538**	2,792,445

13. Called up share capital

	2014	2013
	£	£
Authorised		
28,490 (2013: 28,490) 'A' Ordinary Shares of £1 each	**28,490**	28,490
23,310 (2013: 23,310) 'B' Ordinary Shares of £1 each	**23,310**	23,310
Nil (2013: 16,909,923) 'C' Deferred Shares of £1 each	**-**	16,909,923
Nil (2013: 15,983,349) 'C' Redeemable Shares of £1 each	**-**	15,983,349
	51,800	32,945,072

'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 were entitled to a dividend of £1 per share. Upon payment of this dividend, these 'C' Shares became 'C' Deferred Shares. The company could at any time redeem all 'C' Deferred Shares in issue, on payment of 1p in total. These shares would no longer qualify for any distribution of profits, and would rank after the 'A' and 'B' Ordinary Shares on winding up. These shares, whether redeemed or not, did not attach any voting rights.

On 17 October 2014, the Company paid a dividend of £1 per share on 9,983,349 'C' Redeemable Shares, totalling £9,983,349. Immediately following the payment of the dividend, these 'C' Shares converted into 'C' Deferred Shares. On 17 October 2014, the Company also redeemed the remaining 6,000,000 'C' Redeemable Shares.

'C' Deferred Shares
The 'C' Deferred Shares conferred no right to participate in the profits of the Company, and on winding up, would rank after the 'A' and 'B' Ordinary Shares and 'C' Redeemable Shares, and be limited to the paid up nominal value only. These shares did not attach any voting rights.

On 17 October 2014 all 'C' Deferred shares were redeemed with immediate effect. In accordance with section 733 of the Companies' Act 2006, £26,893,272, being the amount by which the Company's share capital was diminished by the 'C' Deferred Share redemption (that is, the nominal value of the redeemed 'C' Deferred Shares) was transferred to the Company's capital redemption reserve.

14. Analysis of net debt

	2013	Non-cash movements	Cash flow	**2014**
	£	£	£	**£**
Debt due after more than one year-				
Bank loan	(27,955,789)	(11,053)	-	**(27,966,842)**
	(27,955,789)	(11,053)	-	**(27,966,842)**

15. Leases

	2014	2013
	£	£
Operating lease receipts:		
Minimum lease receipts under non-cancellable operating leases to be received:		
not later than one year	**6,926,109**	6,676,243
later than one year and not later than five years	**18,736,195**	21,392,597
later than five years	**7,137,446**	6,754,814
	32,799,750	34,823,654

At the year end the company had finance lease obligations as set out below:

	2014	2013
	£	£
Minimum lease payments under finance leases that fall due:		
not later than one year	**7,500**	7,500
later than one year and not later than five years	**30,000**	30,000
later than five years	**530,938**	538,439
	568,438	575,939
Future contingent rent payable on finance leases	**1,562**	1,562
Future finance charges on finance leases	**(410,696)**	(418,148)
Present value of finance lease liabilities	**159,304**	159,353

Present value of minimum finance lease obligations:		
later than one year and not later than five years	**478**	464
later than five years	**158,826**	158,889
	159,304	159,353

In accordance with IAS 17, Leases, the minimum lease payments are allocated as follows:

Finance charge	**7,451**	7,454
Contingent rent	**49**	46
Total	**7,500**	7,500

16. Related party transactions

The Company has provided funding to its shareholders through an interest free loan with each shareholder. At 31 December 2014 this amount was £4,444,444 (2013: £33,498,424).

The Company has given funding to its ultimate parent company, Derwent London plc, and the amount receivable as at 31 December 2014 was £2,998,612 (2013: £2,556,997). This balance is payable on demand. The maximum amount receivable from Derwent London plc during the year was £6,630,145 (2013: £4,147,492).

The Company paid property management fees during the year of £171,589 (2013: £167,296) to Derwent London plc.

17. 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.

18. Explanation of transition to FRS 101 from previous UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2014 and the comparative information presented in these financial statements for the year ended 31 December 2013.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its previous basis of accounting. An explanation of how the transition to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Key changes
The main differences between FRS 101 and previous UK GAAP are listed below. The adjustment letters refer to the reconciliations on the following pages.

- Revaluation surplus on investment properties is reported in retained earnings and included within the statement of comprehensive income. Previously, this was reported as a movement on the revaluation reserve. These are explained in adjustments (g), (h) and (k).
- Headlease liabilities are capitalised and included within creditors falling due after more than one year, and the carrying value of leasehold investment properties is grossed up. Previously, leasehold investment properties were reported net of the leasehold liability. These are explained in adjustments (a), (e), (j) and (l).
- Lease incentives and costs are amortised over the term of the lease. Previously, these incentives and costs were amortised generally to the first rent review. These are explained in adjustments (a), (c), (d), (h), (i), (j), and (k).
- Deferred tax on the revaluation surplus on investment property is reported in the income statement. These are explained in adjustments (f), (h) and (n).
- Derivative financial instruments are required to be carried at fair value, and movements in fair value over time are reported in the income statement, unless an effective hedging relationship existed, in which case the movement will be carried in equity, i.e.

as a movement in other reserves. Hedge accounting has not been applied and all fair value movements are reported in the income statement. These are explained in adjustments (e), (h) and (m).

Reconciliation of equity

		31 December 2013			1 January 2013		
	Adjustment	Previous UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £	Previous UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £
Fixed assets							
Investment properties	(a)	145,795,161	(191,194)	145,603,967	131,713,406	(127,731)	131,585,675
Debtors falling due after one year	(b)	766,241	(766,241)	-	754,827	(754,827)	-
		146,561,402	(957,435)	145,603,967	132,468,233	(882,558)	131,585,675
Current assets							
Debtors falling due within one year	(c)	37,814,048	(10,786)	37,803,262	32,590,535	1,837	32,592,372
Debtors falling due after one year	(d)	-	1,127,573	1,127,573	-	1,066,221	1,066,221
		37,814,048	1,116,787	38,930,835	32,590,535	1,068,058	33,658,593
Current liabilities							
Creditors falling due within one year		(3,926,161)	-	(3,926,161)	(3,520,909)	-	(3,520,909)
Net current assets		33,887,887	1,116,787	35,004,674	29,069,626	1,068,058	30,137,684
Non-current liabilities							
Creditors falling due after one year	(e)	(27,955,789)	(2,104,566)	(30,060,355)	(27,944,737)	(4,275,036)	(32,219,773)
Deferred tax	(f)	-	(2,792,445)	(2,792,445)	-	(1,925,976)	(1,925,976)
		(27,955,789)	(4,897,011)	(32,852,800)	(27,944,737)	(6,201,012)	(34,145,749)
Net assets		152,493,500	(4,737,659)	147,755,841	133,593,122	(6,015,512)	127,577,610
Capital and reserves							
Called up share capital		32,945,072	-	32,945,072	32,945,072	-	32,945,072
Revaluation reserve	(g)	86,497,441	(86,497,441)	-	72,590,310	(72,590,310)	-
Other reserves		10,199,028	-	10,199,028	10,199,028	-	10,199,028
Retained earnings	(h)	22,851,959	81,759,782	104,611,741	17,858,712	66,574,798	84,433,510
Equity shareholders' funds		152,493,500	(4,737,659)	147,755,841	133,593,122	(6,015,512)	127,577,610

Reconciliation of profit for comparative

	Adjustment	31 December 2013 Previous UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £
Gross property income	(i)	6,682,706	24,264	6,706,970
Net property income	(j)	6,188,806	44,769	6,233,575
Revaluation surplus	(k)	-	14,590,864	14,590,864
Profit on disposal of investment properties		260,900	-	260,900
Other income		12,626	-	12,626
Administrative expenses		(181,639)	-	(181,639)
Operating profit		6,280,693	14,635,633	20,916,326
Interest receivable and similar income		41,594	-	41,594
Interest payable and similar charges	(l)	(1,245,694)	(7,454)	(1,253,148)
Movement in fair value of derivative financial instruments	(m)	-	2,170,424	2,170,424
Profit before tax		5,076,593	16,798,603	21,875,196
Tax expense	(n)	(830,496)	(866,469)	(1,696,965)
Profit and total comprehensive income for the year		4,246,097	15,932,134	20,178,231

Adjustments

	31 December 2013 £	1 January 2013 £
(a) Investment properties		
Lease incentives amortised over period to lease expiry	(350,547)	(287,130)
Grossing up of headlease liabilities	159,353	159,399
	(191,194)	(127,731)
(b) Debtors falling due after one year		
Reclassification of non-current assets	(766,241)	(754,827)
(c) Debtors falling due within one year		
Lease incentives and costs amortised over period to lease expiry	(10,786)	1,837

(d) Debtors falling due after one year		
Reclassification of non-current assets	766,241	754,827
Lease incentives and costs amortised over period to lease expiry	361,332	311,394
	1,127,573	1,066,221
(e) Creditors falling due after one year		
Grossing up of headlease liabilities	(159,353)	(159,399)
Recognition of derivative financial instruments at fair value	(1,945,213)	(4,115,637)
	(2,104,566)	(4,275,036)
(f) Deferred tax		
Recognition of deferred tax liability	(2,792,445)	(1,925,976)
(g) Revaluation reserve		
Revaluation reserve reported in statement of comprehensive income	(86,497,441)	(72,590,310)
(h) Retained earnings		
Revaluation reserve reported in statement of comprehensive income	86,497,441	72,590,310
Lease incentives and costs amortised over period to lease expiry	-	26,101
Recognition of deferred tax on revaluation surplus	(2,792,446)	(1,925,976)
Recognition of derivative financial instruments at fair value	(1,945,213)	(4,115,637)
	81,759,782	66,574,798
(i) Gross property income		
Lease incentives amortised over period to lease expiry	24,264	
(j) Net property income		
Lease incentives and costs amortised over period to lease expiry	37,315	
Grossing up of headlease liabilities	7,454	
	44,769	

(k) Revaluation surplus	
Revaluation reserve reported in statement of comprehensive income	14,628,179
Lease incentives amortised over period to lease expiry	(37,315)
	14,590,864
(l) Interest payable and similar charges	
Grossing up of headlease liabilities	(7,454)
(m) Movement in fair value of derivative financial instruments	
Recognition of derivative financial instruments at fair value	2,170,424
(n) Tax expense	
Recognition of deferred tax on revaluation surplus	(866,469)