

Company number: 00806862

**Portman Investments (Baker Street) Limited**  
**Directors' report and financial statements**  
**31 December 2018**



# Portman Investments (Baker Street) Limited

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## Directors

O B K Fenn-Smith  
N Q George  
Viscount Lifford  
D G Silverman  
M Southern  
J A Whybrow  
P M Williams  
D M A Wisniewski

## Secretary and registered office

D A Lawler  
25 Savile Row  
London  
W1S 2ER

## Company number

00806862

## Independent auditors

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT

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

## **Directors' report**

### **Principal activities and future developments**

Portman Investments (Baker Street) Limited (the 'Company') is a property investment company and is a subsidiary of Derwent London plc (the 'Group'). It invests primarily in central London office space. The Company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 25 Savile Row, London, W1S 2ER. 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 5. In 2018, the Company paid a final dividend of £nil on Ordinary Shares (2017: £2,600,000). The Directors are proposing to pay a final dividend of £1,100,000 (2017: £nil).

### **Political contributions**

There were no political contributions in the year (2017: £nil).

### **Directors**

The Directors who held office during the year and up to the date of signing were as follows:

J D Burns (Resigned on 10 April 2019)  
O B K Fenn-Smith (Appointed on 22 May 2018)  
N Q George (Appointed on 10 April 2019)  
Viscount Lifford  
W H Moore (Resigned on 22 May 2018)  
D G Silverman (Appointed on 10 April 2019)  
M Southern  
J A Whybrow (Appointed on 10 April 2019)  
P M Williams  
D M A Wisniewski

None of the above Directors has a beneficial 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 financial statements of that company.

### **Disclosure of information to the 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.

### **Independent Auditors**

PricewaterhouseCoopers LLP have expressed a 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 financial statements are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

# Portman Investments (Baker Street) Limited

## Directors' report - continued

### Statement of Directors' responsibilities

The Directors are responsible for preparing the accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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. The Directors 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.

### Small companies' exemption

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

By order of the Board



D A Lawler  
Secretary  
25 Savile Row  
London  
W1S 2ER

5 June 2019

# ***Independent auditors' report to the members of Portman Investments (Baker Street) Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2018; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

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## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

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.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

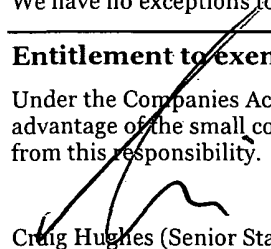
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

  
Craig Hughes (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
5 June 2019

# Portman Investments (Baker Street) Limited

## Statement of comprehensive income for the year ended 31 December

	Note	2018 £	2017 £
Gross property and other income	3	7,778,029	8,478,544
Net property and other income	3	6,020,218	7,328,715
Administrative expenses		(202,441)	(257,229)
Revaluation deficit		(12,977,872)	(9,954,144)
Operating loss	4	(7,160,095)	(2,882,658)
Interest receivable and similar income	5	99,228	71,491
Interest payable and similar expenses	6	(902,197)	(1,137,054)
Movement in fair value of derivative financial instruments		989,450	868,199
Financial derivative termination costs		(600,000)	-
Loss before taxation		(7,573,614)	(3,080,022)
Tax on loss	7	39,819	863,266
Loss and total comprehensive expense for the financial year		(7,533,795)	(2,216,756)

All amounts relate to continuing activities

The notes on pages 8 to 20 form part of these financial statements.


# Portman Investments (Baker Street) Limited


Company no. 00806862

## Balance sheet as at 31 December

	Note	2018 £	2017 £
Non-current assets			
Investment properties	9	156,922,376	167,650,784
		<u>156,922,376</u>	<u>167,650,784</u>
Current assets			
Debtors: amounts falling due within one year	10	13,654,047	11,720,368
Debtors: amounts falling due after more than one year	10	458,700	683,668
		<u>14,112,747</u>	<u>12,404,036</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(4,491,740)	(4,557,134)
		<u>9,621,007</u>	<u>7,846,902</u>
Net current assets			
		9,621,007	7,846,902
Non-current liabilities			
Creditors: amounts falling due after more than one year	11	(27,874,618)	(28,726,844)
Deferred tax	12	(1,976,705)	(2,544,987)
		<u>136,692,060</u>	<u>144,225,855</u>
Net assets			
		136,692,060	144,225,855
Capital and reserves			
Called up share capital	13	51,800	51,800
Retained earnings		136,640,260	144,174,055
		<u>136,692,060</u>	<u>144,225,855</u>
Total equity			
		136,692,060	144,225,855

The financial statements on pages 5 to 20 were approved by the Board of Directors on 5 June 2019 and were signed on its behalf by:

  
M Southern

  
D M A Wisniewski

The notes on pages 8 to 20 form part of these financial statements.



# Portman Investments (Baker Street) Limited

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

	Note	Called up share capital £	Retained earnings £	Total equity £
At 1 January 2018		51,800	144,174,055	144,225,855
Loss and total comprehensive expense for the financial year		-	(7,533,795)	(7,533,795)
<b>At 31 December 2018</b>		<b>51,800</b>	<b>136,640,260</b>	<b>136,692,060</b>
At 1 January 2017		51,800	148,990,811	149,042,611
Loss and total comprehensive expense for the financial year		-	(2,216,756)	(2,216,756)
Dividends paid	8	-	(2,600,000)	(2,600,000)
<b>At 31 December 2017</b>		<b>51,800</b>	<b>144,174,055</b>	<b>144,225,855</b>

The notes on pages 8 to 20 form part of these financial statements.

# Portman Investments (Baker Street) Limited

## Notes to the financial statements

### 1. Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements of Portman Investments (Baker Street) Limited have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and owner-occupied property and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The Company is a qualifying entity for the purpose of FRS 101. Note 18 gives details of the Company's ultimate parent company and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

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

### 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.

### Changes in accounting policies

#### New standards adopted during the year

The following standards, amendments and interpretations endorsed by the EU were effective for the first time for the Company's 31 December 2018 year end and had no material impact on the financial statements.

IFRS 2 (amended) – Share Based Payments;  
IFRS 4 (amended) – Insurance Contracts;  
IAS 40 (amended) – Investment Property;  
IFRIC 22 – Foreign Currency Transactions and Advance Consideration;  
Annual Improvements to IFRSs (2014 – 2016 cycle).

#### IFRS 9 Financial Instruments (effective from 1 January 2018)

This standard applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. Management's assessment of IFRS 9 determined that the main area of potential impact was impairment provisioning on trade receivables, given the requirement to use a forward-looking expected credit loss model. However, management concludes that this has no material impact on its financial statements.

#### IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)

IFRS 15 combines a number of previous standards, setting out a five step model for the recognition of revenue and establishing principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue. The standard is applicable to service charge income, facilities management income, investment property disposals and trading property disposals, but excludes rent receivable, which is within the scope of IFRS 16. Management has completed its assessment of IFRS 15 and concludes that its adoption has no material impact on the financial statements.

# Portman Investments (Baker Street) Limited

## Notes to the financial statements - continued

### 1. Basis of preparation - continued

#### Standards and interpretations in issue but not yet effective

The following standards, amendments and interpretations were in issue at the date of approval of these financial statements but were not yet effective for the current accounting year and have not been adopted early. Based on the Company's current circumstances the Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Company.

IFRS 9 (amended) – Prepayment Features with Negative Compensation;  
IFRS 17 – Insurance Contracts;  
IFRIC 23 – Uncertainty over Income Tax Treatments;  
IAS 28 (amended) – Long-term interest in Associates and Joint Ventures;  
IAS 19 (amended) – Plan Amendment, Curtailment of Settlement;  
Annual Improvements to IFRSs (2015 – 2017 cycle).

#### IFRS 16 Leases (effective 1 January 2019)

This standard does not substantially affect the accounting for rental income earned by the Company as lessor. The main impact of the standard is the removal of the distinction between operating and finance leases for lessees, which will result in almost all leases being recognised on the balance sheet. As the Company does not hold any material operating leases as lessee, the impact of the standard is not expected to be material to the financial statements.

#### Significant judgements, key assumptions and estimates

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its 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.

#### Key sources of estimation uncertainty: 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, property yields, 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.

#### Financial risks

The Company faces financial risks, in particular, that it becomes unable to meet its financial obligations or finance the business appropriately. The Company has identified increasing interest rates as its key financial risk. An increase in interest rates can lead to higher property yields which would cause property values to fall, having an adverse effect on loan-to-value ratios, total return and total property return.

The Group controls and mitigates this risk by regularly monitoring the impact of yield changes on performance as part of its quarterly management accounting process. In addition, project appraisals are regularly reviewed and updated in order to monitor the effect of yield changes.

# Portman Investments (Baker Street) Limited

## Notes to the financial statements – continued

### 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.

# Portman Investments (Baker Street) Limited

## Notes to the financial statements – continued

### 2. Accounting policies – continued

- (iii) Disposal – Properties are treated as disposed when the Company transfers control and 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) Cash and cash equivalents – Cash comprises cash in hand and on-demand deposits less overdrafts. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- (ii) Trade receivables – Trade receivables are recognised and carried at the original transaction value. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

#### Financial liabilities

- (i) Bank loans – Bank loans are included as financial liabilities on the balance sheet at the amounts drawn on the particular facilities. Interest payable is expensed as a finance cost in the year to which it relates.
- (ii) Trade payables – Trade payables are recognised and carried at the original transaction value.
- (iii) 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.
- (iv) 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. At each reporting date, these interest rate derivatives are measured at fair value, being the estimated amount that the Company would receive or pay to terminate the agreement at the balance sheet date, taking into account current interest rates and the current credit rating of the counterparties. The gain or loss at each fair value remeasurement is recognised in the Company income statement because the Company does not apply hedge accounting.

#### 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period, based on Finance Acts substantially enacted at the year end, when the liability is settled or the asset is realised. Deferred tax is included in profit or loss for the period, except when it relates to items recognised in other comprehensive income or directly in equity.

#### Dividends

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

# Portman Investments (Baker Street) Limited

## Notes to the financial statements – continued

### 3. Property and other income

	2018 £	2017 £
Gross rental income	6,859,947	7,732,659
Surrender premiums received	11,250	-
	<hr/>	<hr/>
Gross property income	6,871,197	7,732,659
Service charge income	906,832	743,328
Other income	-	2,557
	<hr/>	<hr/>
Gross property and other income	7,778,029	8,478,544
Property outgoings	(1,817,148)	(1,182,960)
Dilapidations received	59,337	33,131
	<hr/>	<hr/>
Net property and other income	6,020,218	7,328,715
	<hr/>	<hr/>

Service charge income and service charge expense were previously shown as a net amount within property outgoings. In line with IFRS 15, service charge income has now been shown separately.

### 4. Operating loss

	2018 £	2017 £
This is stated after charging:		
Rent payable under property leases	24,563	24,559
Audit fees	15,000	15,000
	<hr/>	<hr/>
	39,563	39,559
	<hr/>	<hr/>

The Company has no employees. Group employees are held in and remunerated by other Group companies.

The Company's Directors were not remunerated for their services to the Company. The Directors employed by other Group companies received emoluments from those companies and no apportionment is possible.

# Portman Investments (Baker Street) Limited

## Notes to the financial statements – continued

### 5. Interest receivable and similar income

	2018 £	2017 £
Receivable from Group undertakings	99,143	71,309
Other	85	182
	<u>99,228</u>	<u>71,491</u>

### 6. Interest payable and similar expenses

	2018 £	2017 £
Bank loans and overdraft	1,084,340	1,326,909
Amortisation of loan arrangement costs	94,826	52,939
Write-off of loan arrangement costs	-	5,526
Finance leases	7,437	7,441
Other	6,730	-
Interest capitalised	(291,136)	(255,761)
	<u>902,197</u>	<u>1,137,054</u>

### 7. Tax on loss

	2018 £	2017 £
<b>Corporation tax</b>		
UK corporation tax and income tax on losses for the year	521,346	583,744
Adjustments in respect of previous periods	7,117	(5,342)
	<u>528,463</u>	<u>578,402</u>
Corporation tax charge		
<b>Deferred tax</b>		
Originating and reversal of timing differences	(568,282)	(1,441,668)
	<u>(39,819)</u>	<u>(863,266)</u>

# Portman Investments (Baker Street) Limited

## Notes to the financial statements – continued

### 7. Tax on loss – continued

#### Factors affecting the tax for the year

The effective tax rate for the year is higher (2017: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2018 £	2017 £
Loss before taxation	(7,573,614)	(3,080,022)
Current tax at 19% (2017: 19.25%)	(1,438,987)	(592,904)
Effects of:		
Differences between expenses and deductions for tax purposes	191,729	(9,245)
REIT exempt income	(537,738)	(604,220)
Revenue items capitalised	(52,836)	(46,722)
Revaluation deficit attributable to REIT properties	2,465,796	1,916,173
Difference in interest rate on intercompany loans for tax purposes	81,378	87,790
Fair value movements disregarded	(187,996)	(167,128)
Origination and reversal of temporary differences	(568,282)	(1,441,668)
Adjustments to tax in respect of prior periods	7,117	(5,342)
Tax on loss	(39,819)	(863,266)

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and the Finance Bill 2016 (on 7 September 2016). These include reducing the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using the expected enacted tax rate and this is reflected in these financial statements.

### 8. Dividend

	2018 £	2017 £
Dividend paid - £nil per 'A' ordinary shares (2017: £50.19)	-	1,430,000
Dividend paid - £nil per 'B' ordinary shares (2017: £50.19)	-	1,170,000
	-	2,600,000



# Portman Investments (Baker Street) Limited

## Notes to the financial statements – continued

### 9. Investment properties

	Long leasehold £	Short leasehold £	Total £
<b>Valuation</b>			
Fair value at 1 January 2018	165,180,000	3,350,000	168,530,000
Capital expenditure	2,249,526	-	2,249,526
Revaluation	(12,999,526)	(300,000)	(13,299,526)
Fair value at 31 December 2018	154,430,000	3,050,000	157,480,000
Lease incentives and costs included in prepayments	(716,720)	-	(716,720)
Grossing up of headlease liability	159,096	-	159,096
<b>At 31 December 2018</b>	<b>153,872,376</b>	<b>3,050,000</b>	<b>156,922,376</b>
<b>Valuation</b>			
Fair value at 1 January 2017	173,680,000	-	173,680,000
Acquisitions	-	3,350,000	3,350,000
Capital expenditure	1,139,777	-	1,139,777
Revaluation	(9,639,777)	-	(9,639,777)
Fair value at 31 December 2017	165,180,000	3,350,000	168,530,000
Lease incentives and costs included in prepayments	(1,038,375)	-	(1,038,375)
Grossing up of headlease liability	159,159	-	159,159
<b>At 31 December 2017</b>	<b>164,300,784</b>	<b>3,350,000</b>	<b>167,650,784</b>
<b>Historical cost of revalued assets</b>			
<b>At 31 December 2018</b>	<b>25,379,220</b>	<b>3,750</b>	<b>25,382,970</b>
<b>At 31 December 2017</b>	<b>23,129,694</b>	<b>3,750</b>	<b>23,133,444</b>

The property portfolio is subject to semi-annual external valuations and was revalued at 31 December 2018 by external valuers on the basis of fair value in accordance with The RICS Valuation – Professional Standards, which takes account of the properties' highest and best use. When considering the highest and best use of a property, the external valuers will consider its existing and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the external valuers will consider the costs and the likelihood of achieving and implementing this change in arriving at the property valuation.

Properties with a value of £112,350,000 (2017: £122,050,000) are secured against borrowings.

# Portman Investments (Baker Street) Limited

## Notes to the financial statements – continued

### 10. Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Amounts due from Group undertakings	7,232,534	5,628,759
Trade debtors	834,057	439,856
Other debtors	4	4
Taxation and social security	527,370	615,914
Prepayments and accrued income	615,638	591,391
Amounts owed by shareholders		
- Derwent Valley Limited	2,444,444	2,444,444
- Seymour Street Nominees Limited	2,000,000	2,000,000
	<b>13,654,047</b>	<b>11,720,368</b>
	2018 £	2017 £
Amounts falling due after more than one year:		
Prepayments and accrued income	416,239	683,668
Derivative financial instruments	42,461	-
	<b>458,700</b>	<b>683,668</b>

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at Base Rate plus 1%. Amounts owed by shareholders are unsecured, have no fixed date of repayment and are repayable on demand. The amounts are provided through an interest free loan with each shareholder.

### 11. Creditors

	2018 £	2017 £
Amounts falling due within one year:		
Amounts owed to Group undertakings	-	202,521
Trade creditors	62,716	69,297
Other creditors	1,327,575	1,216,465
Accruals and deferred income	2,141,571	2,227,684
Corporation tax creditor	959,878	841,167
	<b>4,491,740</b>	<b>4,557,134</b>

# Portman Investments (Baker Street) Limited

## Notes to the financial statements – continued

### 11. Creditors – continued

	2018 £	2017 £
Amounts falling due after more than one year:		
Bank loan	28,000,000	28,000,000
Amortisation of loan arrangement costs	(284,478)	(379,304)
Leasehold liability	159,096	159,159
Derivative financial instruments	-	946,989
	<u>27,874,618</u>	<u>28,726,844</u>

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at Base Rate plus 1%.

During 2017, the £28m bank loan which was due for repayment in June 2018 was refinanced with a new 5 year £28m loan facility. The loan is secured against four of the Company's properties and is fully drawn.

At 31 December 2018, the weighted average interest rate for the bank loan was 2.62% (2017: 2.23%) and the weighted average life was 3.6 years (2017: 4.6 years).

The Company has entered into £28 million of interest rate swaps in accordance with the terms of the facility expiring on 9 March 2019. At 31 December 2018, the weighted average fixed payment on these swaps was 0.88% (2017: 3.53%) and the weighted average life was 1.2 years (2017: 1.2 years).

### 12. Deferred tax

	2018 £	2017 £
Deferred tax liability		
At 1 January	2,544,987	3,986,655
Deferred taxation on movement in revaluation	(568,282)	(1,441,668)
	<u>1,976,705</u>	<u>2,544,987</u>
At 31 December		

# Portman Investments (Baker Street) Limited

## Notes to the financial statements – continued

### 13. Called up share capital

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
28,490 (2017: 28,490) 'A' ordinary shares of £1 each	28,490	28,490
23,310 (2017: 23,310) 'B' ordinary shares of £1 each	23,310	23,310
	<hr/>	<hr/>
	51,800	51,800
	<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 nine votes for every 'A' Ordinary held and the holders of 'B' Ordinary Shares shall have eleven 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.

### 14. Analysis of net debt

	2018 £	2017 £
Debt due after more than one year		
At 1 January	(27,620,696)	(27,988,947)
Arrangement fees on loan refinance	-	426,716
Non-cash movements	(94,826)	(58,465)
	<hr/>	<hr/>
At 31 December	(27,715,522)	(27,620,696)
	<hr/>	<hr/>

### 15. Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2018 £	2017 £
Contracted	-	1,509
	<hr/>	<hr/>

# Portman Investments (Baker Street) Limited

## Notes to the financial statements – continued

### 16. Leases

	2018 £	2017 £
Operating lease receipts:		
Minimum lease receipts under non-cancellable operating leases to be received:		
not later than one year	5,977,356	7,032,448
later than one year and not later than five years	8,351,840	13,851,702
later than five years	2,887,677	3,209,412
	<u>17,216,873</u>	<u>24,093,562</u>
At the year end the Company had finance lease obligations as set out below:		
	2018 £	2017 £
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	500,918	508,418
	<u>538,418</u>	<u>545,918</u>
Future contingent rent on finance leases	46,994	46,994
Future finance charges on finance leases	(426,316)	(433,753)
	<u>159,096</u>	<u>159,159</u>
Present value of finance lease liabilities		
	159,096	159,159
Present value of minimum finance lease obligations:		
no later than one year	46	63
later than one year and not later than five years	291	272
later than five years	158,759	158,824
	<u>159,096</u>	<u>159,159</u>
In accordance with IAS 17, Leases, the minimum lease payments are allocated as follows:		
Finance charge	7,437	7,441
Contingent rent	63	59
	<u>7,500</u>	<u>7,500</u>
Total		
	<u>7,500</u>	<u>7,500</u>

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

## **Notes to the financial statements – continued**

### **17. Related party transactions**

The Company has provided funding to its shareholders through an interest free loan with each shareholder. At 31 December 2018 this amount was £4,444,444 (2017: £4,444,444).

The Company has given funding to its ultimate parent company, Derwent London plc, and the amount receivable as at 31 December 2018 was £7,232,534 (2017: £5,628,759). This balance is payable on demand. The maximum amount receivable from Derwent London plc during the year was £7,267,499 (2017: £7,648,676).

The Company paid property management fees during the year of £169,908 (2017: £193,164) to Derwent London plc.

### **18. 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 financial statements can be obtained from this address.