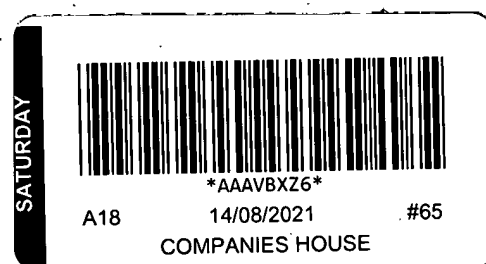


Company number: 00806862

Portman Investments (Baker Street) Limited
Annual report and financial statements
31 December 2020



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 6.

The Directors do not recommend payment of a final 2020 dividend (2019: £nil).

Going concern

The Directors believe that it is appropriate to prepare the financial statements on a going concern basis notwithstanding the net current liabilities on the Company's balance sheet, in view of the financial position of both the ultimate parent company and non-controlling shareholder.

Political contributions

There were no political contributions in the year (2019: £nil).

Directors

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

Viscount Lifford	(Alternating chairman)
P M Williams	(Alternating chairman)
M Southern	
D M A Wisniewski	
O B K Fenn-Smith	
N Q George	
D G Silverman (i)	
J A Whybrow (ii)	

(i) David Silverman is an alternate director for Nigel George

(ii) Jennifer Whybrow is an alternate director for Damian 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.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and continues to be in place. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

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 they ought to have taken as a director to make themselves 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 from preparing a strategic report as provided by section 415A of the Companies Act 2006.

The Directors' report has been approved by the Board of Directors and signed by order of the Board:

DocuSigned by:

David Lawler

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D A Lawler

Secretary

25 Savile Row

London

W1S 2ER

29 June 2021

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

Report on the audit of the financial statements

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 2020 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 2020; the Statement of comprehensive income and 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.

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.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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.

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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of investment properties. Audit procedures performed by the engagement team included:

- Discussions with management, including the Company Secretary, over their consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Understanding and evaluating management's controls designed to prevent and detect irregularities;
- Discussion with and review of the reports made by internal audit;

- Assessment of matters reported on the company's whistleblowing helpline and the results of management's investigation of such matters where relevant;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Review of tax compliance with the involvement of our tax specialists in the audit;
- Identifying and testing journal entries meeting certain risk criteria, in particular any journal entries posted with unusual account combinations, journal entries containing unusual words and any journals posted by senior management; and
- Challenging assumptions made by management in relation to areas of judgment and significant accounting estimates, including involving PwC valuation specialists to challenge the assumptions used in the valuation of investment property.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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.

Other required reporting

Companies Act 2006 exception reporting

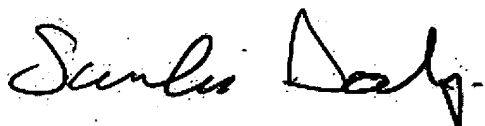
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained 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.

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.



Sandra Dowling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2021

Portman Investments (Baker Street) Limited

Statement of comprehensive income for the year ended 31 December

	Note	2020 £	2019 £
Gross property and other income	3	6,971,359	8,035,395
Net property and other income	3	3,399,088	5,927,063
Administrative expenses		(185,947)	(218,948)
Revaluation deficit	10	(11,450,141)	(16,841,398)
Profit on disposal of investment properties	5	-	54,873
Operating loss	4	(8,237,000)	(11,078,410)
Interest receivable and similar income	6	28,391	98,426
Interest payable and similar expenses	7	(177,655)	(481,734)
Movement in fair value of derivative financial instruments		5,157	(47,618)
Loss before taxation		(8,381,107)	(11,509,336)
Tax on loss	8	(122,579)	(215,779)
Loss and total comprehensive expense for the financial year		(8,503,686)	(11,725,115)

All amounts relate to continuing activities.

The notes on pages 9 to 21 form part of these financial statements.

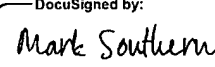
Portman Investments (Baker Street) Limited

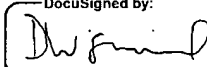
Company no. 00806862

Balance sheet
as at 31 December

	Note	2020 £	2019 £
Non-current assets			
Investment properties	10	142,697,488	147,238,439
Investments	11	6,000,000	-
		148,697,488	147,238,439
Current assets			
Debtors: amounts falling due within one year	12	9,354,424	9,758,390
Debtors: amounts falling due after more than one year	12	364,798	133,310
		9,719,222	9,891,700
Current liabilities			
Creditors: amounts falling due within one year	13	(13,328,086)	(3,536,989)
		(3,608,864)	6,354,711
Net current (liabilities)/assets			
		(3,608,864)	6,354,711
Non-current liabilities			
Creditors: amounts falling due after more than one year	13	(28,064,154)	(27,969,398)
Deferred tax	14	(1,661,211)	(1,756,807)
		115,363,259	123,866,945
Net assets			
		115,363,259	123,866,945
Capital and reserves			
Called up share capital	15	51,800	51,800
Retained earnings		115,311,459	123,815,145
		115,363,259	123,866,945
Total equity			
		115,363,259	123,866,945

The financial statements on pages 6 to 21 were approved by the Board of Directors on 29 June 2021 and were signed on its behalf by:

DocuSigned by:

 8D254069456248D...
 M Southern

DocuSigned by:

 9DF30E275065457...
 D M A Wisniewski

The notes on pages 9 to 21 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 2020		51,800	123,815,145	123,866,945
Loss and total comprehensive expense for the financial year		-	(8,503,686)	(8,503,686)
At 31 December 2020		51,800	115,311,459	115,363,259
At 1 January 2019		51,800	136,640,260	136,692,060
Loss and total comprehensive expense for the financial year		-	(11,725,115)	(11,725,115)
Dividends paid	9	-	(1,100,000)	(1,100,000)
At 31 December 2019		51,800	123,815,145	123,866,945

The notes on pages 9 to 21 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 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 international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS'), may be obtained.

FRS 101 sets out amendments to international accounting standards in conformity with the requirements of the Companies Act 2006 ('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

The Company's shareholders, Derwent Valley London Limited and Seymour Street Nominees Limited, have provided the Company with an undertaking that they will provide such financial support as the Company requires for its continued operations for 12 months from the date of approval of these financial statements.

Based on this understanding, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis notwithstanding the net current liabilities on the Company's balance sheet. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Changes in accounting policies

New standards adopted during the year

The following standards, amendments and interpretations were effective for the first time for the Company's 31 December 2020 year end and had no material impact on the financial statements.

References to Conceptual Framework in IFRSs (amended);
IAS 1 and IAS 8 (amended) – Definition of Material;
IFRS 3 (amended) – Definition of a Business;
IFRS 16 (amended) – Covid-19-Related Rent Concessions.

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 17 – Insurance Contracts;

IAS 1 (amended) – Classification of liabilities as current or non-current;

IFRS 10 and IAS 28 (amended) – Sale or Contribution of Assets between an investor and its Associate or Joint Venture;

IFRS 3 (amended) – Reference to the Conceptual Framework;

IAS 16 (amended) – Property, Plant and Equipment: Proceeds before Intended Use.

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.

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 external valuers also make reference to market evidence of transaction prices for similar properties. Against the backdrop of the Covid-19 pandemic, the valuers have also considered the impact of additional rent free periods granted on the valuation, as well as the impact of occupiers from sectors deemed highest risk.

Impairment testing of trade receivables and other financial assets

Trade receivables and accrued rental income recognised in advance of receipt are subject to impairment testing. This accrued rental income arises due to the spreading of rent free and reduced rent periods, capital contributions and contracted rent uplifts in accordance with IFRS 16 Leases. Covid-19 and the resulting economic and social disruption have brought unforeseen challenges to London, the UK and the wider global economy and has given rise to higher estimated probabilities of default for some occupiers.

Financial risks

The Company faces financial risks, in particular, that it becomes unable to meet its financial obligations or finance the business appropriately.

Under the £28m bank facility, which matures on 28 July 2022, four properties are subject to a bank charge and banking covenants. The Company has identified a fall in rental income as its key financial risk, as a fall in rental income will lead to lower interest cover under the banking covenants.

The Group controls and mitigates this risk by regularly monitoring and forecasting rental income levels and the impact of any rent concessions or tenant defaults. In addition, rent reviews and lease variations are subject to credit committee approval in order to monitor the effect of any 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 IFRS 16 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 IFRS 16 Leases. Minimum lease payments receivable, again defined in IFRS 16, 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 – The leasehold interest in investment properties 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 IFRS 16 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.

Subsidiary undertakings valuation

Investments in subsidiaries undertakings are included in the Company's balance sheet at the lower of cost and recoverable amount. Any impairment is recognised immediately in the statement of comprehensive income.

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

	2020 £	2019 £
Gross rental income	4,886,832	6,299,785
Surrender premiums received	781,750	-
Gross property income	5,668,582	6,299,785
Service charge income	1,302,777	1,735,585
Other income	-	25
Gross property and other income	6,971,359	8,035,395
Property outgoings	(2,632,045)	(2,108,332)
Write-off/impairment of receivables	(940,226)	-
Net property and other income	3,399,088	5,927,063

A 10% increase/decrease to the absolute probability rates of tenant default in the year would result in a £134,619 increase and £157,021 decrease respectively, in the Company's loss for the year.

4. Operating loss

	2020 £	2019 £
This is stated after charging:		
Rent payable under property leases	22,851	24,546
Audit fees	15,000	15,000
	37,851	39,546

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. Profit on disposal of investment properties

	2020 £	2019 £
Gross disposal proceeds	-	55,373
Costs of disposal	-	(500)
Net disposal proceeds	-	54,873
Profit on disposal of investment properties	-	54,873

6. Interest receivable and similar income

	2020 £	2019 £
Receivable from Group undertakings	28,280	97,901
Other	111	525
	28,391	98,426

7. Interest payable and similar expenses

	2020 £	2019 £
Bank loans and overdraft	632,221	751,621
Amounts payable to Group undertakings	28,536	-
Amortisation of loan arrangement costs	94,826	94,826
Finance leases	7,430	7,454
Other	6,000	693
Interest capitalised	(591,358)	(372,860)
	177,655	481,734

Portman Investments (Baker Street) Limited

Notes to the financial statements – continued

8. Tax on loss

	2020 £	2019 £
Corporation tax		
UK corporation tax and income tax on losses for the year	232,914	483,730
Adjustments in respect of previous periods	(14,739)	(48,053)
	<hr/>	<hr/>
Corporation tax charge	218,175	435,677
Deferred tax		
Originating and reversal of timing differences	(95,596)	(219,898)
	<hr/>	<hr/>
Tax charge	122,579	215,779
	<hr/>	<hr/>

Factors affecting the tax for the year

The effective tax rate for the year is lower (2019: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2020 £	2019 £
Loss before taxation	(8,381,107)	(11,509,336)
	<hr/>	<hr/>
Current tax at 19% (2019: 19%)	(1,592,410)	(2,186,774)
Effects of:		
Differences between expenses and deductions for tax purposes	(219,174)	(84,313)
REIT exempt income	(156,042)	(474,287)
Revenue items capitalised	(162,919)	(56,684)
REIT exempt disposal	-	(10,426)
Revaluation deficit attributable to REIT properties	2,175,527	3,199,866
Difference in interest rate on intercompany loans for tax purposes	55,680	83,034
Difference in capital gain for tax purposes	133,679	4,267
Fair value movements disregarded	(1,427)	9,047
Origination and reversal of temporary differences	(95,596)	(219,898)
Adjustments to tax in respect of prior periods	(14,739)	(48,053)
	<hr/>	<hr/>
Tax on loss	122,579	215,779
	<hr/>	<hr/>

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and include reducing the main rate to 19%. The reduction to 17% from 1 April 2020 enacted as part of the Finance Bill 2016 was cancelled as announced in the Budget on 11 March 2020, maintaining the rate of corporation tax at 19%.

Deferred taxes at the balance sheet date have been measured using the expected enacted tax rates that were in place at the year end and this is reflected in these financial statements.

Portman Investments (Baker Street) Limited

Notes to the financial statements – continued

9. Dividend

	2020 £	2019 £
Dividend paid - £nil per 'A' ordinary shares (2019: £21.24)	-	605,000
Dividend paid - £nil per 'B' ordinary shares (2019: £21.24)	-	495,000
	-	1,100,000

10. Investment properties

	Long leasehold £	Short leasehold £	Total £
Valuation			
Fair value at 1 January 2020	144,780,000	3,050,000	147,830,000
Capital expenditure	6,910,791	-	6,910,791
Revaluation	(11,410,791)	(400,000)	(11,810,791)
Fair value at 31 December 2020	140,280,000	2,650,000	142,930,000
Lease incentives and costs included in prepayments	(389,961)	-	(389,961)
Grossing up of headlease liability	157,449	-	157,449
At 31 December 2020	140,047,488	2,650,000	142,697,488
Valuation			
Fair value at 1 January 2019	154,430,000	3,050,000	157,480,000
Capital expenditure	7,157,507	-	7,157,507
Revaluation	(16,807,507)	-	(16,807,507)
Fair value at 31 December 2019	144,780,000	3,050,000	147,830,000
Lease incentives and costs included in prepayments	(750,611)	-	(750,611)
Grossing up of headlease liability	159,050	-	159,050
At 31 December 2019	144,188,439	3,050,000	147,238,439
Historical cost of revalued assets			
At 31 December 2020			39,451,268
At 31 December 2019			32,540,477

Portman Investments (Baker Street) Limited

Notes to the financial statements – continued

10. Investment properties - continued

The property portfolio is subject to semi-annual external valuations and was revalued at 31 December 2020 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 £105,200,000 (2019: £105,700,000) are secured against borrowings.

11. Investments

	2020 £	2019 £	
At 1 January	-	-	
Additions	6,000,000	-	
At 31 December	6,000,000	-	
Historical cost	6,000,000	-	
Name	Percentage holding	Country of registration	Activity
Derwent London No.1 Limited ¹	100	England and Wales	Dormant

¹ Indicates subsidiary undertakings held directly

The above entity is incorporated and domiciled in England and Wales and registered at 25 Savile Row, London W1S 2ER.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements because it is a subsidiary of Derwent London plc, which is incorporated in England and Wales and prepares consolidated financial statements which are publicly available.

Portman Investments (Baker Street) Limited

Notes to the financial statements – continued

12. Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Amounts due from Group undertakings	3,611,348	3,959,103
Trade debtors	972,511	317,398
Other debtors	35,644	35,605
Taxation and social security	13,474	70,152
Prepayments and accrued income	277,003	931,688
Amounts owed by shareholders		
- Derwent Valley Limited	2,444,444	2,444,444
- Seymour Street Nominees Limited	2,000,000	2,000,000
	9,354,424	9,758,390
	2020 £	2019 £
Amounts falling due after more than one year:		
Prepayments and accrued income	364,798	133,310

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.

The Company has a provision for bad debt as shown below. £723,167 (2019: £nil) is included trade debtors and the remaining £198,236 (2019: £nil) in prepayments and accrued income.

	2020 £	2019 £
Provision for bad debts		
At 1 January	-	-
Lease incentive provision	198,236	-
Trade receivables provision	704,888	-
Service charge provision	18,279	-
	921,403	-
At 31 December		

Portman Investments (Baker Street) Limited

Notes to the financial statements – continued

13. Creditors

	2020 £	2019 £
Amounts falling due within one year:		
Amounts owed to Group undertakings	10,208,883	-
Trade creditors	194,042	91,208
Other creditors	235,107	309,356
Accruals and deferred income	1,594,878	2,254,267
Corporation tax creditor	1,095,176	877,001
Derivative financial instruments	-	5,157
	13,328,086	3,536,989
	2020 £	2019 £
Amounts falling due after more than one year:		
Bank loan	28,000,000	28,000,000
Amortisation of loan arrangement costs	(94,826)	(189,652)
Leasehold liability	158,980	159,050
	28,064,154	27,969,398

Included within amounts owed to Group undertakings is £4,208,883 (2019: £nil) owed to the immediate parent company, Derwent Valley London Limited. This unsecured loan commenced during the latter part of the year and interest is charged at 4.75%. The remaining £6,000,000 (2019: £nil) relates to the initial investment in subsidiary undertaking on which no interest is charged.

At 31 December 2020, the weighted average interest rate for the £28 million bank loan was 1.84% (2019: 2.61%) and the weighted average life was 1.6 years (2019: 2.6 years). The bank loan matures on 28 July 2022.

The Company entered into a £28 million interest rate swap in accordance with the terms of the facility. The interest rate swap expired on 9 March 2020. At 31 December 2019, the weighted average fixed payment on the swap was 0.88%.

14. Deferred tax

	2020 £	2019 £
Deferred tax liability		
At 1 January	1,756,807	1,976,705
Deferred taxation on movement in revaluation	(95,596)	(219,898)
	1,661,211	1,756,807
At 31 December		

Portman Investments (Baker Street) Limited

Notes to the financial statements – continued

15. Called up share capital

	2020 £	2019 £
Allotted, called up and fully paid		
28,490 (2019: 28,490) 'A' ordinary shares of £1 each	28,490	28,490
23,310 (2019: 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. The directors representing both 'A' and 'B' Ordinary shares may each appoint no more than three directors 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.

16. Leases

	2020 £	2019 £
Operating lease receipts:		
Minimum lease receipts under non-cancellable operating leases to be received:		
not later than one year	3,780,631	7,615,666
later than one year and not later than five years	4,262,114	9,995,634
later than five years	1,801,348	5,011,762
	<hr/>	<hr/>
	9,844,093	22,623,062
	<hr/>	<hr/>

Portman Investments (Baker Street) Limited

Notes to the financial statements – continued

16. Leases - continued

At the year end the Company had headlease obligations as set out below:

	2020 £	2019 £
Minimum lease payments under headleases 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	485,897	493,397
	523,397	530,897
Future contingent rent payable on headleases	47,014	47,014
Future finance charges on headleases	(411,431)	(418,862)
	158,980	159,049
Present value of minimum headlease obligations:		
no later than one year	75	69
later than one year and not later than five years	333	312
later than five years	158,572	158,668
	158,980	159,049

17. Related party transactions

The Company has provided funding to its shareholders through an interest free loan with each shareholder. At 31 December 2020, the amount owed by Derwent Valley Limited was £2,444,444 (2019: £2,444,444) and the amount owed by Seymour Street Nominees Limited was £2,000,000 (2019: £2,000,000).

The Company has given funding to its ultimate parent company, Derwent London plc, and the amount receivable as at 31 December 2020 was £3,611,348 (2019: £3,959,103). This balance is payable on demand. The Company received funding from its immediate parent company, Derwent Valley London Limited, and the amount payable as at 31 December 2020 was £4,208,883 (2019: £nil), with the remaining £6,000,000 payable to Derwent London No.1 Limited.

The Company paid property management fees during the year of £141,715 (2019: £157,495) 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.