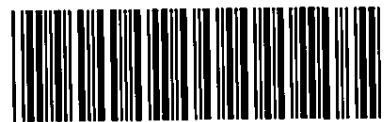


Caledonian Property Investments Limited

Directors' report and financial statements

31 December 2007

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Caledonian Property Investments Limited

Directors' report and financial statements

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Directors

J D Burns
N Q George
C J Odom
S P Silver
P M Williams

Secretary and registered office

T J Kite
25 Savile Row
London
W1S 2ER

Company number

669923

Auditors

BDO Stoy Hayward LLP
55 Baker Street
London
W1U 7EU

Caledonian Property Investments Limited

Directors' report

Principal activities

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

Financial review and dividends

The results for the year are set out in the profit and loss account on page 4. The directors do not recommend the payment of a final dividend (2006: £Nil).

Directors

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

J D Burns (appointed 1 February 2007)
N Q George (appointed 1 February 2007)
C J Odom (appointed 1 February 2007)
S P Silver (appointed 1 February 2007)
P M Williams (appointed 1 February 2007)
N R Friedlos (resigned 18 July 2007)
M A Pexton (resigned 1 February 2007)
The Hon R A Rayne (resigned 1 February 2007)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Business review exemption

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Auditors

During the year KPMG Audit plc resigned as auditor of the Company in accordance with Section 392 of the Companies Act. As a result BDO Stoy Hayward LLP was appointed as auditor to fill the casual vacancy and its appointment until the end of the next period for appointing auditors under section 485(2) of the Companies Act 2006 has been confirmed by way of a written resolution by the eligible members of the Company.

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Caledonian Property Investments Limited

Directors' Report (*continued*)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the board

TJ Kite
Secretary



25 Savile Row
London
W1S 2ER

27 June 2008

Independent auditors' report to the members of Caledonian Property Investments Limited

We have audited the financial statements of Caledonian Property Investments Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
London
27 June 2008

Caledonian Property Investments Limited

Profit and loss account

for the year ended 31 December 2007

	<i>Note</i>	For the year ended 31 December 2007 £	For the 9 months ended 31 December 2006 £
Net rental income from investment properties	2	3,779,071	3,039,941
Other income		23,035	-
Administrative expenses		(55,005)	(11,678)
		<hr/>	<hr/>
Operating profit	3	3,747,101	3,028,263
Loss on sale of investment properties		-	(19,364)
Other interest receivable and similar income	4	11,263	681
		<hr/>	<hr/>
Profit on ordinary activities before taxation		3,758,364	3,009,580
Tax on profit on ordinary activities	5	(1,387,161)	(80,131)
		<hr/>	<hr/>
Profit for the financial period	12	2,371,203	2,929,449
		<hr/>	<hr/>

All amounts relate to continuing activities

There is no difference between the results as stated and their historical cost equivalents

The notes on pages 7 to 14 form part of these financial statements

Caledonian Property Investments Limited


Balance sheet

at 31 December 2007

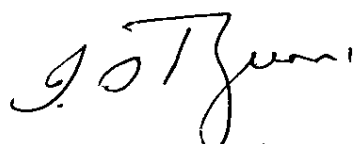
	Note	2007	2007 £	2006	2006 £
Fixed assets					
Tangible assets	6		86,197,142		106,326,163
Other assets	7		1,674		6,655
			<u>86,198,816</u>		<u>106,332,818</u>
Current assets					
Debtors	8	594,655		1,022,898	
Cash at bank and in hand		159,318		(83,717)	
		<u>753,973</u>		<u>939,181</u>	
Creditors amounts falling due within one year	9	(26,721,572)		(29,027,552)	
			<u>(25,967,599)</u>		<u>(28,088,371)</u>
Total assets less current liabilities			<u>60,231,217</u>		<u>78,244,447</u>
Provisions for liabilities and charges	10		-		(511,220)
			<u>60,231,217</u>		<u>77,733,227</u>
Net assets					
Capital and reserves					
Called up share capital	11		50,000		50,000
Revaluation reserve	12		48,241,559		68,114,772
Profit and loss account	12		11,939,658		9,568,455
			<u>60,231,217</u>		<u>77,733,227</u>
Equity shareholders' funds	13		<u>60,231,217</u>		<u>77,733,227</u>

These financial statements were approved by the board of directors on 27 June 2008 and were signed on its behalf by

Director


NIGEL GEORGE

Director


JOHN BOERS

The notes on pages 7 to 14 form part of these financial statements

Caledonian Property Investments Limited

Statement of total recognised gains and losses

for the year ended 31 December 2007

	For the year ended 31 December 2007	For the 9 months ended 31 December 2006
	£	£
Profit for the financial period	2,371,203	2,929,449
Unrealised (deficit)/surplus on revaluation of properties	(19,873,213)	7,901,405
Total recognised gains and losses relating to the financial period	(17,502,010)	10,830,854

The notes on pages 7 to 14 form part of these financial statements

Caledonian Property Investments Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, as modified by the revaluation of certain properties and in accordance with the Companies Act 1985

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

Net rental income

Rental income is recognised on an accruals basis. Rent increases arising from rent reviews are recognised as income when, either such reviews have been settled with tenants or, based on estimates, it is reasonable to assume they will be received

Operating lease incentives

Operating lease incentives include rent free periods and other incentives (such as contributions towards fitting out costs) given to lessees on entering into lease agreements

In accordance with UITF Abstract 28 'Operating Lease Incentives', rent receivable in the period from lease commencement to the earlier of the first rent review to the prevailing market rate and the lease end date, is spread evenly over that period. The cost of the other incentives is spread on a straight-line basis over a similar period

Investment properties

Tangible assets consist solely of investment properties and, as defined by SSAP19, are revalued annually by independent valuers in accordance with the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors and are included in the balance sheet on the basis of market value less the UITF28 lease incentive debtor. The aggregate surplus or deficit arising from such revaluation is transferred to the revaluation reserve. However, if on an individual property, a deficit arising from a valuation below cost is expected to be permanent, it is charged to the profit and loss account with any subsequent reversal being credited to the same

A property in the course of development is stated at its value at the time it was so designated, plus subsequent development costs less any permanent diminution in value. All outgoings, excluding interest, which can be fairly attributed to a development are considered development costs. The property is revalued once the certificate of practical completion has been issued

Caledonian Property Investments Limited

Notes (continued)

(forming part of the financial statements)

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 recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Interest and other outgoings on property developments

Interest and other outgoings on vacant properties prior to redevelopment are treated as revenue expenditure and written off as incurred. Interest costs on properties in development are written off as incurred

Going concern

The company is dependant for its working capital on funds provided to it by Derwent London plc, the ultimate holding company, which has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for repayment. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

Caledonian Property Investments Limited

Notes (continued)

2 Net rental income from investment properties

	For the year ended 31 December 2007 £	For the 9 months ended 31 December 2006 £
Gross rental income	4,492,302	3,380,448
Property outgoings less amounts recovered from tenants	(713,231)	(340,507)
	<u>3,779,071</u>	<u>3,039,941</u>

3 Operating profit

Audit fees have been paid by Derwent London plc. Audit fees were paid by London Merchant Securities Limited for the period ended 31 December 2006

The Company does not have any employees (31 December 2006: nil) and there were no directors' emoluments (31 December 2006: £nil)

	For the year ended 31 December 2007 £	For the 9 months ended 31 December 2006 £
Administrative expenses include		
Depreciation charge	4,961	4,544
Loss on disposal of fixed assets	20	-
	<u></u>	<u></u>

4 Other interest receivable and similar income

	For the year ended 31 December 2007 £	For the 9 months ended 31 December 2006 £
Short term deposits	11,263	681
	<u></u>	<u></u>

Caledonian Property Investments Limited

Notes (continued)

5 Tax on profit on ordinary activities

	For the year ended 31 December 2007	For the 9 months ended 31 December 2006
	£	£
Analysis of charge in the period		
UK corporation tax on profits of the period	1,954,755	-
Group relief	-	80,131
Adjustments in respect of prior periods	(56,374)	-
	<hr/>	<hr/>
Total current tax	1,898,381	80,131
	<hr/>	<hr/>
Deferred tax		
Origination/reversal of timing differences	(511,220)	-
	<hr/>	<hr/>
Total deferred tax	(511,220)	-
	<hr/>	<hr/>
	<hr/>	<hr/>
Total tax	1,387,161	80,131
	<hr/>	<hr/>

Factors affecting the tax charge for the period

The current tax charge for the period is higher (31 December 2006 lower) than the standard rate of corporation tax in the UK of 30% (31 December 2006 30%). The differences are explained below

	For the year ended 31 December 2007	For the 9 months ended 31 December 2006
	£	£
Current tax reconciliation		
Profit on ordinary activities before taxation	3,758,364	3,009,580
	<hr/>	<hr/>
Current tax at 30% (31 December 2006 30%)	1,127,509	902,874
Effects of		
Capital allowances for year in excess of depreciation	(90,291)	-
REIT conversion charge	2,062,520	-
Group relief claimed not paid	(521,700)	-
Adjustments to tax charge in respect of previous periods	(56,374)	-
Loss on disposal of investment properties	-	5,809
Transfer pricing adjustment	(125,700)	(823,911)
Expenses not deductible for tax purposes	(497,583)	2,850
Other items	-	(7,491)
	<hr/>	<hr/>
Current tax charge for the period	1,898,381	80,131
	<hr/>	<hr/>

Caledonian Property Investments Limited

Notes (continued)

6 Tangible fixed assets

	Freehold £
Investment properties	
Valuation	
At 1 January 2007	106,326,163
Amount included in prepayments under UITF 28	899,837
	<hr/>
Market value at 1 January 2007	107,226,000
Additions	(255,808)
Deficit on revaluation	(20,234,192)
	<hr/>
Market Value at 31 December 2007	86,736,000
Amount included in prepayments under UITF 28	(538,858)
	<hr/>
At 31 December 2007	86,197,142
	<hr/> <hr/>

The negative additions relate to the reversal of accrued capital expenditure from the previous period

	£
Historical cost of revalued assets	
At 31 December 2007	38,448,421
	<hr/> <hr/>
At 31 December 2006	38,704,229
	<hr/> <hr/>

The investment properties have been independently valued by CB Richard Ellis, Chartered Surveyors, of London as at 31 December 2007 on the basis of "Market Value" in accordance with the Appraisal and Valuation Standards of The Royal Institution of Chartered Surveyors

7 Other fixed assets

	Total
Office machinery, fixtures and fittings	
Cost	
At 1 January 2007	30,295
Disposals	(344)
	<hr/>
At 31 December 2007	29,951
	<hr/> <hr/>
Depreciation	
At 1 January 2007	23,640
Disposals	(324)
Charge for the year	4,961
	<hr/>
At 31 December 2007	28,277
	<hr/> <hr/>
Net book value	
At 31 December 2007	1,674
	<hr/> <hr/>
At 31 December 2006	6,655
	<hr/> <hr/>

Caledonian Property Investments Limited

Notes (continued)

8 Debtors

	2007	2006
	£	£
Trade debtors	38,453	107,342
Other debtors	6,134	-
UITF 28 Debtor	538,858	899,837
Prepayments and accrued income	11,210	15,719
	<u>594,655</u>	<u>1,022,898</u>

All amounts fall due for payment within one year

9 Creditors amounts falling due within one year

	2007	2006
	£	£
Amounts owed to group undertakings	23,887,290	27,959,061
Group relief payable - current year	23,757	80,131
Other creditors	211,733	10,938
Corporation tax payable	1,954,755	-
Accruals and deferred income	644,037	977,422
	<u>26,721,572</u>	<u>29,027,552</u>

10 Provisions for liabilities and charges

	2007	2006
	£	£
Provision for deferred taxation		
At 1 January	511,220	511,220
Credit to the profit and loss for the period	(511,220)	-
	<u>-</u>	<u>511,220</u>
At 31 December		
	<u>-</u>	<u>511,220</u>
 The deferred tax liability is made up of	£	£
Capital allowances in excess of depreciation	-	511,220
	<u>-</u>	<u>511,220</u>

Caledonian Property Investments Limited

Notes (continued)

11 Called up share capital

	2007 £	2006 £
Authorised, allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000

12 Reserves

	Profit and loss account £	Revaluation reserve £
At 1 January 2007	9,568,455	68,114,772
Profit for the financial year	2,371,203	-
Deficit on revaluation of investment properties	-	(20,234,192)
UITF 28 adjustment	-	360,979
At 31 December 2007	11,939,658	48,241,559

13 Reconciliation of movements in equity shareholders' funds

	2007 £	2006 £
Profit for the financial period	2,371,203	2,929,449
Other recognised gains and losses relating to the period	(19,873,213)	7,901,405
Net movement in shareholders' funds	(17,502,010)	10,830,854
Opening shareholders' funds	77,733,227	66,902,373
Closing shareholders' funds	60,231,217	77,733,227

14 Contingent liabilities

No provision has been made for any taxes which might become payable in the event of future sales or deemed disposals of properties at their book values. In the opinion of the directors any such contingent liability would be £Nil (31 December 2006 £16,396,801)

15 Related party transactions

As a wholly owned subsidiary of Derwent London plc the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related party disclosures" and has therefore not disclosed transactions or balances with entities which form part of the group

Caledonian Property Investments Limited

Notes (continued)

16 Parent company

The Company's immediate parent undertaking is British Commercial Property Investment Trust Limited, a company incorporated in England and Wales

The Company's ultimate parent company is Derwent London plc, a company incorporated in England and Wales, whose registered office is at 25 Savile Row, London, W1S 2ER. Copies of the consolidated group accounts can be obtained from this address