

Caledonian Property Investments Limited

Directors' report and financial statements

31 March 1997

Registered in England and Wales number 669923



Caledonian Property Investments Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1 - 3
Directors' responsibilities statement	4
Auditor's report	5
Profit and loss account	6
Balance sheet	7
Notes	8 - 13

Caledonian Property Investments Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1997.

Financial review

The results for the year are set out in the profit and loss account on page 6. A final dividend of £125,608 (1996:£168,481) is recommended.

Principal activities

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

Properties

The Company's properties were revalued at 31 March 1997 as set out in note 7 to the financial statements.

Interests in subsidiary undertakings

The Company's interests in subsidiary undertakings were revalued at 31 March 1997 as set out in note 8 to the financial statements.

Directors and directors' interests

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

The Lord Rayne
CAJ Beckett
NGE Driver
W Millsom (alternate to NGE Driver)
AM Munro
RFJ Spier
G Wright

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

The interest of The Lord Rayne, Mr NGE Driver, Mr W Millsom and Mr RFJ Spier in the shares of the Company's ultimate holding company and fellow subsidiary undertakings are set out in the financial statements of London Merchant Securities plc, the ultimate holding company.

The interests of the other directors in the shares of the Company's ultimate holding company and fellow subsidiary undertakings are set out on page 3; their interests at the beginning of the year are shown in brackets.

Caledonian Property Investments Limited

Directors' report *(continued)*

Auditor

In accordance with S.385 of the Companies Act 1985, a resolution for the appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



M Waldron
Secretary

Carlton House
33 Robert Adam Street
London
W1M 5AH

16 June 1997

Caledonian Property Investments Limited

Notes to the directors' report

Directors' interests at 31 March 1997

London Merchant Securities plc

	25p Ordinary	25p Deferred Ordinary	Executive 47.25p options	SAYE 27p options	SAYE 54p options
CAJ Beckett	- (-)	12,889 (24,206)	- (-)	- (-)	34,722 (34,722)
AM Munro	299,830 (88,325)	234,428 (208,720)	- (219,176)	- (31,111)	- (-)
G Wright	82,121 (78,837)	21,174 (21,174)	- (-)	- (-)	- (-)

In accordance with the terms of the London Merchant Securities Executive Share Option Scheme options were granted in 1986 to subscribe for 25p Ordinary shares in London Merchant Securities plc at 47.25p per share. The expiry date of these options is 22 December 1996; and

In accordance with the terms of the London Merchant Securities Savings-Related Share Option Scheme:

- i) options were granted in 1990 to subscribe for 25p Deferred Ordinary shares in London Merchant Securities plc at 27p per share. The expiry date of these options is 11 December 1997; and
- ii) options were granted in 1992 to subscribe for 25p Ordinary shares in London Merchant Securities plc at 54p per share. The expiry date of these options is 8 March 1998.

Caledonian Property Investments Limited

Directors' responsibilities statement

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which 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.

Auditor's report to the members of Caledonian Property Investments Limited

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of directors and auditor

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

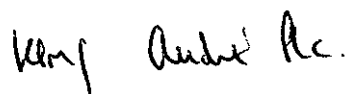
Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of affairs of the Company at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

16 June 1997

Caledonian Property Investments Limited

Profit and loss account

for the year ended 31 March 1997

	Note	1997 £	1996 £
Net rental income from properties	2	2,806,645	2,807,844
Administrative expenses	3	(483)	(393)
Other income	4	21,210	24,932
		<hr/>	<hr/>
Operating profit		2,827,372	2,832,383
Gains and losses on fixed asset investments		-	10,000
		<hr/>	<hr/>
Net finance costs	5	2,828	595
		<hr/>	<hr/>
Profit on ordinary activities before taxation		2,830,200	2,842,978
Tax on profit on ordinary activities	6	(2,704,592)	(2,680,749)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		125,608	162,229
Dividend proposed		(125,608)	(168,481)
Transfer from capital reserve		-	6,252
		<hr/>	<hr/>
Retained for the financial year		-	-
		<hr/> <hr/>	<hr/> <hr/>

All turnover and results are derived from continuing activities.

There were no recognised gains and losses other than the profit for the year.

Caledonian Property Investments Limited

Balance sheet

at 31 March 1997

	Note	1997	1996
		£	£
Fixed assets			
Tangible assets	7	48,091,250	45,600,000
Investment in subsidiary undertakings	8	50,000	50,000
		<u>48,141,250</u>	<u>45,650,000</u>
Current assets			
Debtors	9	990,067	865,480
Cash at bank and in hand		20,607	17,502
		<u>1,010,674</u>	<u>882,982</u>
Creditors: amounts falling due within one year	10	(20,632,350)	(20,501,167)
		<u>(19,621,676)</u>	<u>(19,618,185)</u>
Net current liabilities			
		<u>(19,621,676)</u>	<u>(19,618,185)</u>
Net assets		<u>28,519,574</u>	<u>26,031,815</u>
Capital and reserves			
Called up share capital	11	50,000	50,000
Revaluation reserve	12	26,408,719	23,920,960
Capital reserve	13	2,055,394	2,055,394
General reserve		5,461	5,461
		<u>28,519,574</u>	<u>26,031,815</u>
Equity shareholders' funds		<u>28,519,574</u>	<u>26,031,815</u>

These financial statements were approved by the board of directors on 16th June 1997 and were signed on its behalf by:



RFJ Spier
Director

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 Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Investment properties

In accordance with SSAP 19 (revised) investment properties are revalued annually at open market values determined in accordance with the Guidance Notes on the valuation of assets, issued by the Royal Institution of Chartered Surveyors. Revaluation surpluses and deficits which are not permanent are included in the revaluation reserve, permanent deficits being taken through the profit and loss account.

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 50 years to run.

This treatment, as regards certain of the Company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation and amortisation is only one of the many factors reflected in the annual valuation and the amount which might have otherwise been shown cannot be separately identified or quantified.

Repairs and renewals

No provision is made for future repairs and renewals of fixed assets, all such items being written off as incurred.

Capital reserve

The Articles of Association provide that realised gains resulting from the sale of capital assets are not available for distribution. Accordingly any such gains or losses are taken to capital reserve.

Caledonian Property Investments Limited

Notes (continued)

2 Net rental income from properties	1997	1996
	£	£
Gross rental income	2,875,647	2,841,923
Property outgoings less amounts recovered from tenants	(65,329)	(23,316)
Provision for bad and doubtful debts	(3,673)	(10,763)
	<hr/>	<hr/>
	2,806,645	2,807,844
	<hr/>	<hr/>
3 Administrative expenses		
Audit fees are accounted for on a group basis. The Company does not have any employees and there were no directors' emoluments (1996: nil).		
4 Other income	1997	1996
	£	£
Dividend receivable from subsidiary undertaking	10,360	14,311
Sundry income:		
Insurance rebates	10,063	9,452
Other	787	1,169
	<hr/>	<hr/>
	21,210	24,932
	<hr/>	<hr/>
5 Net finance costs	1997	1996
	£	£
Interest receivable	2,828	595
	<hr/>	<hr/>
	2,828	595
	<hr/>	<hr/>

Caledonian Property Investments Limited

Notes (continued)

6 Tax on profit on ordinary activities	1997 £	1996 £
Corporation tax	2,117	-
Adjustment relating to prior year	2,206	2,272
Group relief payable	2,700,269	2,671,315
Group relief relating to prior year	-	(9,090)
Taxation on sale of investment	-	16,252
	<u>2,704,592</u>	<u>2,680,749</u>

The charge to corporation tax for the year has been relieved by the surrender of losses from other group companies for which payment will be made.

7 Tangible assets	Freehold investment properties £	Long leasehold investment properties £	Total £
<i>Valuation</i>			
At 31 March 1996	34,290,000	11,310,000	45,600,000
Additions	2,437	1,054	3,491
Revaluation surplus	2,288,813	198,946	2,487,759
	<u>36,581,250</u>	<u>11,510,000</u>	<u>48,091,250</u>
<i>Historical cost of revalued assets</i>			
At 31 March 1997	13,415,907	8,266,624	21,682,531
	<u>13,413,470</u>	<u>8,265,570</u>	<u>21,679,040</u>

The investment properties have been independently valued by Daniel Smith, Chartered Surveyors, of London as at 31 March 1997 on the basis of "open market value" in accordance with the Statement of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

Caledonian Property Investments Limited

Notes (continued)

8 Investments in subsidiary undertakings

Details of the Company's interest in its wholly-owned subsidiary undertakings are as follows:

<i>Name</i>	<i>Country of registration</i>	<i>Activity</i>
Caledonian Properties Limited	England	Property trading
St. James Construction Limited	England	Did not trade

Group accounts are not submitted because the Company is itself a wholly owned subsidiary of a company incorporated in Great Britain.

9 Debtors	1997 £	1996 £
Due from tenants	68,839	41,666
Amounts owed by group undertakings:		
Fellow subsidiaries	784,627	656,911
Subsidiaries	133,684	137,109
Group relief receivable	-	9,090
Other debtors	2,791	20,569
Prepayments and accrued income	126	135
	<hr/>	<hr/>
	990,067	865,480
	<hr/> <hr/>	<hr/> <hr/>

10 Creditors: amounts falling due within one year

	1997 £	1996 £
Rents received in advance	350,919	336,403
Amounts owed to group undertakings:		
Fellow subsidiary undertakings	17,330,726	17,072,052
Group relief payable	2,700,269	2,671,315
Proposed dividends	125,608	168,481
Corporation tax	2,117	16,252
Other taxation and social security	114,348	101,734
Other creditors	8,363	134,930
	<hr/>	<hr/>
	20,632,350	20,501,167
	<hr/> <hr/>	<hr/> <hr/>

Caledonian Property Investments Limited

Notes (continued)

11 Called up share capital

	1997 £	1996 £
<i>Authorised, allotted, called up and fully paid</i>		
50,000 Ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>

12 Revaluation reserve

	£
At 31 March 1996	23,920,960
Surplus arising on revaluation of investment properties	2,487,759
	<hr/>
At 31 March 1997	26,408,719
	<hr/>

No provision has been made for any taxes which might become payable in the event of future sales or deemed disposals of these properties at their book values. In the opinion of the directors any such contingent liability would be £6,650,000 (1996:£5,400,000).

13 Capital reserve

	£
At 31st March 1996 and 1997	2,055,394
	<hr/>

Caledonian Property Investments Limited

Notes (continued)

14 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	125,608	162,229
Dividends	(125,608)	(168,481)
Loss on fixed asset investment	-	6,252
Other recognised gains and losses relating to the year (net)	2,487,759	2,183,777
	<hr/>	<hr/>
Net movement in shareholders' funds	2,487,759	2,183,777
Opening shareholders' funds	26,031,815	23,848,038
	<hr/>	<hr/>
Closing shareholders' funds	28,519,574	26,031,815
	<hr/>	<hr/>

15 Ultimate parent company

The Company is a member of the London Merchant Securities Group and the Company's ultimate parent company is London Merchant Securities plc, which is registered in England and Wales. Copies of the accounts of the above company may be obtained at the following address: Carlton House, 33 Robert Adam Street, London W1M 5AH.

16 Cash flow statement

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking.