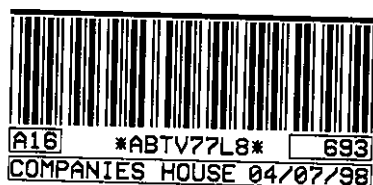


# **Caledonian Property Investments Limited**

## **Directors' report and financial statements**

**31 March 1998**

**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
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Statement of total recognised gains and losses	8
Notes	9 - 14

# **Caledonian Property Investments Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 1998.

## **Financial review**

The results for the year are set out in the profit and loss account on page 6. A final dividend of £102,864 (1997:£125,608) 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 1998 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 1998 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)*

### Auditors

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

By order of the board

*M. Waldron.*

M Waldron  
*Secretary*

Carlton House  
33 Robert Adam Street  
London  
W1M 5AH

16 June 1998

## Caledonian Property Investments Limited

### Notes to the directors' report

#### Directors' interests at 31 March 1998

##### London Merchant Securities plc

	27 18/41p Ordinary	27 18/41p Deferred Ordinary	SAYE 54p options	SAYE 65.25p options
CAJ Beckett	34,722 (-)	14,869 (11,744)	- (34,722)	14,942 (-)
AM Munro	250,179 (273,177)	213,589 (213,589)	- (-)	- (-)
G Wright	74,821 (74,821)	19,291 (19,291)	- (-)	- (-)

On 15 August 1997 the share capital of London Merchant Securities plc was consolidated and the nominal value was increased from 25p to 27 18/41p per share. The interests in the Ordinary and Deferred Ordinary shares shown in brackets have been restated as if the share capital consolidation had taken place at the beginning of the year. The number of options remain unchanged.

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

- i) options were granted in 1992 to subscribe for 27 18/41p Ordinary shares in London Merchant Securities plc at 54p per share. These options were exercised on 1 October 1997; and
- ii) options were granted in 1998 to subscribe for 27 18/41p Deferred Ordinary shares in London Merchant Securities plc at 65.25p per share. The expiry date of these options is 1 October 2001.

## **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.

## Auditors' report to the members of Caledonian Property Investments Limited

We have audited the financial statements on pages 6 to 14.

### *Respective responsibilities of directors and auditors*

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.

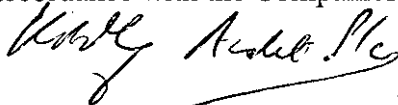
### *Basis of opinion*

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 1998 and of its result 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 1998

# Caledonian Property Investments Limited

## Profit and loss account

for the year ended 31 March 1998

	<i>Note</i>	<b>1998</b> £	<b>1997</b> £
Net rental income from properties	2	3,189,904	2,806,645
Administrative expenses	3	(316)	(483)
Other income	4	21,968	21,210
		<hr/>	<hr/>
<b>Operating profit</b>		<b>3,211,556</b>	<b>2,827,372</b>
Net finance costs	5	14,023	2,828
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>3,225,579</b>	<b>2,830,200</b>
Tax on profit on ordinary activities	6	(3,122,715)	(2,704,592)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		<b>102,864</b>	<b>125,608</b>
Dividend proposed		(102,864)	(125,608)
		<hr/>	<hr/>
<b>Retained for the financial year</b>		<b>-</b>	<b>-</b>
		<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 1998

	Note	1998	1997
		£	£
<b>Fixed assets</b>			
Tangible assets	7	47,220,000	48,091,250
Investment in subsidiary undertakings	8	50,000	50,000
		<u>47,270,000</u>	<u>48,141,250</u>
<b>Current assets</b>			
Debtors	9	4,291,221	990,067
Cash at bank and in hand		9,727	20,607
		<u>4,300,948</u>	<u>1,010,674</u>
<b>Creditors: amounts falling due within one year</b>	10	(23,935,724)	(20,632,350)
		<u>(19,634,776)</u>	<u>(19,621,676)</u>
<b>Net current liabilities</b>			
		<u>(19,634,776)</u>	<u>(19,621,676)</u>
<b>Net assets</b>		<u>27,635,224</u>	<u>28,519,574</u>
<b>Capital and reserves</b>			
Called up share capital	11	50,000	50,000
Revaluation reserve	12	25,524,369	26,408,719
Capital reserve	13	2,055,394	2,055,394
General reserve		5,461	5,461
		<u>27,635,224</u>	<u>28,519,574</u>
Equity shareholders' funds	14	<u>27,635,224</u>	<u>28,519,574</u>

These financial statements were approved by the board of directors on 16th June 1998 and were signed on its behalf by:

  
RFJ Spier  
Director

# **Caledonian Property Investments Limited**

## **Statement of total recognised gains and losses**

*for the year ended 31 March 1998*

	1998 £	1997 £
<b>Profit for the financial year</b>	102,864	125,608
<b>Unrealised (deficit)/surplus on revaluation of investment properties</b>	(884,350)	2,487,759
	<hr/>	<hr/>
<b>Total recognised gains and losses relating to the financial year</b>	<b>(781,486)</b>	<b>2,613,367</b>
	<hr/> <hr/>	<hr/> <hr/>

# **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.

#### ***Interest and outgoings on development properties***

All interest and outgoings incurred in respect of development properties are charged to profit and loss account as incurred.

#### ***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	1998 £	1997 £
	Gross rental income	3,252,133	2,875,647
	Property outgoings less amounts recovered from tenants	(53,196)	(65,329)
	Provision for bad and doubtful debts	(9,033)	(3,673)
		<hr/>	<hr/>
		3,189,904	2,806,645
		<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 (1997: nil).

4	Other income	1998 £	1997 £
	Dividend receivable from subsidiary undertaking	11,762	10,360
	Sundry income:		
	Insurance rebates	9,706	10,063
	Other	500	787
		<hr/>	<hr/>
		21,968	21,210
		<hr/>	<hr/>

5	Net finance costs	1998 £	1997 £
	Interest receivable	14,023	2,828
		<hr/>	<hr/>

# Caledonian Property Investments Limited

## Notes (continued)

6 Tax on profit on ordinary activities	1998 £	1997 £
Corporation tax	2,172	2,117
Adjustment relating to prior year	132	2,206
Group relief payable	3,120,411	2,700,269
	<u>3,122,715</u>	<u>2,704,592</u>

The charge to corporation tax for the year has been relieved in part 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 1997	36,581,250	11,510,000	48,091,250
Additions	12,428	672	13,100
Revaluation (deficit)/surplus	(1,108,678)	224,328	(884,350)
	<u>35,485,000</u>	<u>11,735,000</u>	<u>47,220,000</u>
<i>Historical cost of revalued assets</i>			
At 31 March 1998	13,428,335	8,267,296	21,695,631
	<u>13,415,907</u>	<u>8,266,624</u>	<u>21,682,531</u>

The investment properties have been independently valued by Cluttons Daniel Smith, Chartered Surveyors, of London as at 31 March 1998 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.

<b>Debtors</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Due from tenants	48,261	68,839
Amounts owed by group undertakings:		
Fellow subsidiaries	4,109,627	784,627
Subsidiaries	120,407	133,684
Other debtors	12,796	2,791
Prepayments and accrued income	130	126
	<hr/>	<hr/>
	4,291,221	990,067
	<hr/>	<hr/>

### 10 Creditors: amounts falling due within one year

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Rents received in advance	387,252	350,919
Amounts owed to group undertakings:		
Fellow subsidiary undertakings	20,156,603	17,330,726
Group relief payable	3,120,411	2,700,269
Proposed dividends	102,864	125,608
Corporation tax	2,172	2,117
Other taxation and social security	136,236	114,348
Other creditors	30,186	8,363
	<hr/>	<hr/>
	23,935,724	20,632,350
	<hr/>	<hr/>

**Caledonian Property Investments Limited**

**Notes (continued)**

**11 Called up share capital**

	1998	1997
	£	£
<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 1997	26,408,719
Deficit arising on revaluation of investment properties	(884,350)
	<hr/>
At 31 March 1998	25,524,369
	<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 £5,735,596 (1997:£6,650,000).

**13 Capital reserve**

	£
At 31st March 1998 and 1997	2,055,394
	<hr/>

# Caledonian Property Investments Limited

## Notes (continued)

### 14 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the financial year	102,864	125,608
Dividends	(102,864)	(125,608)
Other recognised gains and losses relating to the year (net)	(884,350)	2,487,759
	<hr/>	<hr/>
Net movement in shareholders' funds	(884,350)	2,487,759
Opening shareholders' funds	28,519,574	26,031,815
	<hr/>	<hr/>
Closing shareholders' funds	27,635,224	28,519,574
	<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.