

Caledonian Property Investments Limited

Directors' report and financial statements

31 March 2001

Registered in England and Wales number 669923



Caledonian Property Investments Limited

Directors' report and financial statements

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Caledonian Property Investments Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2001.

Financial review

The results for the year are set out in the profit and loss account on page 6. A dividend of £64,706 (2000: 89,982) 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 2001 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 2001 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 (resigned on 12 June 2000)
NGE Driver
S Dykes
NTJ Groves
W Millsom (alternate to NGE Driver)
The Hon. RA Rayne (appointed 12 June 2000)
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 interests of Mr NGE Driver and Mr W Millsom 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 remaining 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 or date of appointment, 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 re-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
W1U 3HR

12 June 2001

Caledonian Property Investments Limited

Notes to the directors' report

Directors' interests at 31 March 2001

London Merchant Securities plc

	27 18/41p Ordinary	27 18/41p Deferred Ordinary	Executive 32.25p options	Executive 178.5p options	Executive 131.5p options	SAYE 65.25p options	SAYE 40.5p options
S Dykes	- (-)	2,330 (-)	- (-)	32,496 (-)	- (-)	- (-)	- (-)
NTJ Groves	- (-)	21,341 (19,223)	- (-)	33,337 (-)	- (-)	8,965 (8,965)	24,074 (24,074)
The Hon. RA Rayne	2,180,326 (2,180,326)	924,467 (924,467)	575,000 (575,000)	- (-)	1,235,420 (-)	- (-)	- (-)
G Wright	74,821 (74,821)	19,291 (19,291)	- (-)	- (-)	- (-)	- (-)	- (-)

In accordance with the terms of the London Merchant Securities Executive Share Option Scheme

- i) options were granted in 1992 to subscribe for 27 18/41p Deferred Ordinary shares in London Merchant Securities plc at 32.25p per share. The expiry date of these options is 29 September 2002;
- ii) options were granted in 2000 to subscribe for 27 18/41p Deferred Ordinary shares in London Merchant Securities plc at 178.5p per share. The expiry date of these options is 27 July 2010; and
- iii) options were granted in 2001 to subscribe for 27 18/41p Deferred Ordinary shares in London Merchant Securities plc at 131.5p per share. The expiry date of these options is 4 January 2011.

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

- i) options were granted in 1996 to subscribe for 27 18/41p Deferred Ordinary shares in London Merchant Securities plc at 40.5p per share. The expiry date of these options is 1 October 2003; 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 2005.

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; 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 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 15

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

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 2001 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

12 June 2001

Caledonian Property Investments Limited

Profit and loss account

for the year ended 31 March 2001

	Note	2001 £	2000 £
Net rental income from properties	2	3,502,541	3,808,446
Administrative expenses	3	(774)	(555)
Other income	4	25,867	24,897
		<hr/>	<hr/>
Operating profit		3,527,634	3,832,788
Net finance income	5	607	36,098
		<hr/>	<hr/>
Profit on ordinary activities before taxation		3,528,241	3,868,886
Tax on profit on ordinary activities	6	(3,463,535)	(3,778,904)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		64,706	89,982
Dividends proposed		(64,706)	(89,982)
		<hr/>	<hr/>
Retained for the financial year		-	-
		<hr/>	<hr/>

All turnover and results are derived from continuing activities.

Caledonian Property Investments Limited

Balance sheet

at 31 March 2001

	Note	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	7	51,338,000		51,594,000	
Investment in subsidiary undertakings	8	50,000		50,000	
		<hr/>		<hr/>	
		51,388,000		51,644,000	
Current assets					
Debtors	9	14,918,055	11,428,543		
Cash at bank		10,033	23,492		
		<hr/>	<hr/>		
		14,928,088	11,452,035		
Creditors: amounts falling due within one year	10	(34,604,605)	(31,103,188)		
		<hr/>	<hr/>		
Net current liabilities		(19,676,517)		(19,651,153)	
		<hr/>		<hr/>	
Net assets		31,711,483		31,992,847	
		<hr/>		<hr/>	
Capital and reserves					
Called up share capital	11	50,000		50,000	
Revaluation reserve	12	29,408,195		29,689,559	
Capital reserve	13	2,253,288		2,253,288	
		<hr/>		<hr/>	
Equity shareholders' funds		31,711,483		31,992,847	
		<hr/>		<hr/>	

These financial statements were approved by the board of directors on 12th June 2001 and were signed on its behalf by:



NGE Driver
Director

Caledonian Property Investments Limited

Statement of total recognised gains and losses *for the year ended 31 March 2001*

	2001 £	2000 £
Profit for the financial year	64,706	89,982
Unrealised (deficit)/surplus on revaluation of investment properties	(281,364)	606,874
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	(216,658)	696,856
	<hr/>	<hr/>

Caledonian Property Investments Limited

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules, modified to include the revaluations of investment properties.

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 or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have 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	2001	2000
		£	£
	Gross rental income	3,584,174	3,914,077
	Property outgoings less amounts recovered from tenants	(81,633)	(105,631)
		<hr/>	<hr/>
		3,502,541	3,808,446
		<hr/>	<hr/>

3 Administrative expenses

Audit fees for the year ended 31 March 2001 are accounted for on a group basis (2000: £nil)
The Company does not have any employees and there were no directors' emoluments (2000 : £Nil).

4	Other income	2001	2000
		£	£
	Dividend receivable from subsidiary undertaking	12,278	12,312
	Sundry income:		
	Insurance Commission	11,839	11,306
	Other	1,750	1,279
		<hr/>	<hr/>
		25,867	24,897
		<hr/>	<hr/>

5	Net finance income	2001	2000
		£	£
	Interest receivable	625	39,222
	Interest payable - group undertakings	(18)	(3,124)
		<hr/>	<hr/>
		607	36,098
		<hr/>	<hr/>

Caledonian Property Investments Limited

Notes (continued)

6	Taxation	2001	2000
		£	£
	Corporation Tax	1,935	2,069
	Group relief prior year adjustment	-	(22,673)
	Group relief current year	3,461,600	3,799,508
		<hr/>	<hr/>
		3,463,535	3,778,904
		<hr/>	<hr/>

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	Long	
		investment	leasehold	
		properties	investment	Total
		£	£	£
	Valuation			
	At 31 March 2000	39,219,000	12,375,000	51,594,000
	Additions	8,264	17,100	25,364
	Revaluation surplus/(deficit)	490,736	(772,100)	(281,364)
		<hr/>	<hr/>	<hr/>
	At 31 March 2001	39,718,000	11,620,000	51,338,000
		<hr/>	<hr/>	<hr/>
	Historical cost of revalued assets			
	At 31 March 2001	13,644,713	8,285,092	21,929,805
		<hr/>	<hr/>	<hr/>
	At 31 March 2000	13,636,449	8,267,992	21,904,441
		<hr/>	<hr/>	<hr/>

The investment properties have been independently valued by Cluttons , Chartered Surveyors of London at 31 March 2001 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.

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Notes (continued)

8 Investment 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

	2001 £	2000 £
Due from tenants	22,394	21,572
Amounts owed by group undertakings:		
Fellow Subsidiaries	14,631,183	11,172,455
Subsidiaries	264,327	233,434
Other debtors	-	1,082
Prepayments and accrued income	151	-
	<hr/>	<hr/>
	14,918,055	11,428,543
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	2001 £	2000 £
Rents received in advance	426,504	433,295
Amounts owed to group undertakings:		
Parent company and fellow subsidiaries	30,504,609	26,637,777
Group relief payable	3,461,600	3,776,835
Proposed dividend	64,706	89,982
Corporation tax	1,935	2,069
Other taxes and Social Security	139,903	148,740
Accruals	4,998	11,240
Other creditors	350	3,250
	<hr/>	<hr/>
	34,604,605	31,103,188
	<hr/>	<hr/>

Caledonian Property Investments Limited

Notes (continued)

11	Called up share capital	2001	2000
		£	£
	<i>Authorised, allotted, called up and fully paid</i>		
	50,000 Ordinary shares of £1 each	50,000	50,000
		—	—
12	Revaluation reserve		
			£
	At 31 March 2000		29,689,559
	Deficit arising on revaluation of investment properties		(281,364)
			—
	At 31 March 2001		29,408,195
			—
	<p>No provision has been made for any taxes which might become payable in the event of future sales of deemed disposals of these properties at their book value. In the opinion of the directors any such contingent liability would not exceed £6,155,000 (2000: £6,371,535).</p>		
13	Capital reserve		
			£
	At 31 March 2000 and 31 March 2001		2,253,288
			—

Caledonian Property Investments Limited

Notes (continued)

14 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	64,706	89,982
Dividends	(64,706)	(89,982)
	<hr/>	<hr/>
Net addition to shareholders' funds	-	-
Other recognised gains and losses relating to the year (net)	(281,364)	606,874
	<hr/>	<hr/>
Net movement in shareholders' funds	(281,364)	606,874
Opening shareholders' funds	31,992,847	31,385,973
	<hr/>	<hr/>
Closing shareholders' funds	31,711,483	31,992,847
	<hr/>	<hr/>

15 Capital Commitments

	2001 £	2000 £
Contracted	-	-
Authorised but not contracted	24,936,000	-
	<hr/>	<hr/>
	24,936,000	-
	<hr/>	<hr/>

Caledonian Property Investments Limited

Notes *(continued)*

16 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 Company may be obtained from Carlton House, 33 Robert Adam Street, London W1U 3HR

17 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.