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Blockgrange Limited

Directors' report and financial statements

31 December 2007

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Blockgrange Limited

Directors' report and financial statements

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Directors

J D Burns
C J Odom

Secretary and registered office

T J Kite
25 Savile Row
London
W1S 2ER

Company number

1063658

Auditors

BDO Stoy Hayward LLP
55 Baker Street
London
W1U 7EU

Blockgrange Limited

Directors' report

Principal activities

The Company is an investment holding 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. A dividend of £10,500,000 was paid during the year (2006: £Nil).

Directors

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

J D Burns (appointed 1 February 2007)
C J Odom (appointed 18 July 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 year 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.

Blockgrange 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

T J Kite
Company Secretary



25 Savile Row
London
W1S 2ER

16th July 2008

Independent auditors' report to the shareholders of Blockgrange Limited

We have audited the financial statements of Blockgrange Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet 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 2007 and of its loss 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
Chartered Accountants and Registered Auditors
London

16 July 2008

Blockgrange 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 £ |
|---|-------------|---|--|
| Sundry income | | - | 3,371 |
| Administrative expenses | | (3,370) | (71) |
| | | <hr/> | <hr/> |
| (Loss)/profit on ordinary activities before taxation | 2 | (3,370) | 3,300 |
| Tax on (loss)/profit on ordinary activities | 3 | (128,927) | (148,937) |
| | | <hr/> | <hr/> |
| Loss for the financial period | 9 | (132,297) | (145,637) |
| | | <hr/> | <hr/> |

All amounts relate to continuing activities

There were no recognised gains and losses other than the loss for the period

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

The notes on pages 6 to 10 form part of these financial statements

Blockgrange Limited

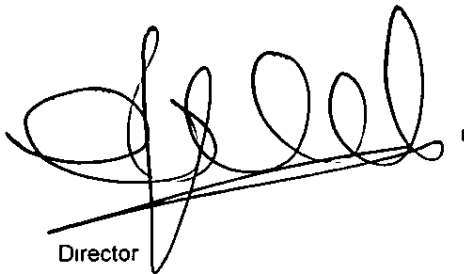
Balance sheet

at 31 December 2007

| | Note | 2007 £ | 2006 £ |
|---|------|-----------|------------|
| Current assets | | | |
| Debtors | 5 | 379,726 | 10,883,096 |
| Creditors amounts falling due within one year | 6 | (277,864) | (148,937) |
| Net current assets | | 101,862 | 10,734,159 |
| Creditors amounts falling due after more than one year | 7 | (7,000) | (7,000) |
| Net assets | | 94,862 | 10,727,159 |
| Capital and reserves | | | |
| Called up share capital | 8 | 1,000 | 1,000 |
| Profit and loss account | 9 | 93,862 | 10,726,159 |
| Equity shareholders' funds | 10 | 94,862 | 10,727,159 |

These financial statements were approved by the board of directors on
signed on its behalf by

16th July 2008 and were


Director
CHRIS ODOM

The notes on pages 6 to 10 form part of these financial statements

Blockgrange 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

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

Blockgrange Limited

Notes (continued)

2 Operating loss

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

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

3 Tax on (loss)/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 | | |
| Current tax | 105,284 | - |
| Group relief | - | 148,937 |
| Adjustments in respect of prior periods | 23,643 | - |
| | <hr/> | <hr/> |
| Total tax on (loss)/profit on ordinary activities | 128,927 | 148,937 |

Factors affecting the tax charge for the period

The current tax charge for the period is higher (2006 higher) than the standard rate of corporation tax in the UK of 30% (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 | | |
| (Loss)/profit on ordinary activities before taxation | (3,370) | 3,300 |
| | <hr/> | <hr/> |
| Current tax at 30% (2006 30%) | (1,011) | 990 |
| Effects of | | |
| Adjustments to tax charge in respect of previous periods | 23,643 | - |
| Transfer pricing adjustment | 105,284 | 147,926 |
| Expenses not deductible for tax purposes | 1,011 | 21 |
| | <hr/> | <hr/> |
| Current tax charge for the period | 128,927 | 148,937 |

4 Dividend

| | For the year ended 31 December 2007 | For the 9 months ended 31 December 2006 |
|--|--|---|
| | £ | £ |
| Dividend in specie - £10,500 per share | 10,500,000 | - |
| | <hr/> | <hr/> |

During the period, the Company assigned a debt of £10,500,000 owed to it by LMS Industrial Finance Limited to British Commercial Property Investment Trust Limited, two group companies, as a dividend in specie

Blockgrange Limited

Notes (continued)

5 Debtors

| | 2007 | 2006 |
|--|----------------|-------------------|
| | £ | £ |
| Amounts due from group undertakings | <u>379,726</u> | <u>10,883,096</u> |
| All amounts fall due for payment within one year | | |

6 Creditors amounts falling due within one year

| | 2007 | 2006 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Corporation tax | 105,284 | - |
| Amounts owed to group undertakings | <u>172,580</u> | <u>148,937</u> |
| | <u>277,864</u> | <u>148,937</u> |

7 Creditors amounts falling due after more than one year

| | 2007 | 2006 |
|-----------------|--------------|--------------|
| | £ | £ |
| Other creditors | <u>7,000</u> | <u>7,000</u> |

Preference shares

Included within other creditors above is £7,000 (2006 £ 7,000) relating to convertible debt payable after more than one year

Dividends

Shareholders of Preference shares are entitled to first payment of any profits distributed in any year of a non-cumulative dividend of 15% on capital paid up or credited to those shares and any balance thereafter having paid up to £10,000 per annum on each 'A' Ordinary and 'B' Ordinary share

Winding up

Preference shares rank before Ordinary shares in a winding-up and assets to be retained shall be distributed first in repaying the amount paid up on or credited to the Preference shares. Any balance remaining shall be distributed amongst all shareholders subject to the proportion of 1/100 of the amounts paid up or credited as paid on the Preference shares subject to a maximum distribution of 1/10 of the amount paid or credited as paid on the Preference shares

Voting

The Preference shareholder only has voting rights at General Meetings of the Company on resolutions that vary the class rights attached to the shares

The holders of Preference shares are not entitled to receive notice, attend or vote at any general meeting unless at the date of the notice covering the meeting the dividend on the Preference shares is six months in arrears or the business of the meeting includes the consideration of resolutions for the reduction in capital in the Company, the winding up of the Company, the sale of the Company or the variation or abrogation of the rights attached to the Preference shares

Blockgrange Limited

Notes (continued)

8 Called up share capital

| | 2007 £ | 2006 £ |
|---|-----------|-----------|
| Authorised, allotted, called up and fully paid | | |
| 600 'A' Ordinary shares of £1 each | 600 | 600 |
| 400 'B' Ordinary shares of £1 each | 400 | 400 |
| 7,000 15% Non cumulative participating preference shares of £1 each | 7,000 | 7,000 |
| | <hr/> | <hr/> |
| | 8,000 | 8,000 |
| | <hr/> | <hr/> |
| Shares classified as liabilities | 7,000 | 7,000 |
| Shares classified in shareholders' funds | 1,000 | 1,000 |
| | <hr/> | <hr/> |
| | 8,000 | 8,000 |
| | <hr/> | <hr/> |

9 Profit and loss account

| | Profit and loss account £ |
|-----------------------------|---------------------------------|
| At 1 January 2007 | 10,726 159 |
| Loss for the financial year | (132,297) |
| Dividend in specie | (10,500,000) |
| | <hr/> |
| At 31 December 2007 | 93,862 |
| | <hr/> |

10 Reconciliation of movements in equity shareholders' funds

| | 2007 £ | 2006 £ |
|--------------------------------------|------------------|------------------|
| Loss for the financial period | (132,297) | (145,637) |
| Dividend in specie | (10,500,000) | - |
| | <hr/> | <hr/> |
| Net movement in shareholders' funds | (10,632,297) | (145,637) |
| Opening shareholders' funds | 10,727,159 | 10,872,796 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 94,862 | 10,727 159 |
| | <hr/> | <hr/> |

Blockgrange Limited

Notes (continued)

11 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

12 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