

Cairnsmore Four Limited

Directors' report and financial statements

Registered number 04089249

31 March 2005



Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of Cairnsmore Four Limited	3
Profit and loss account	4
Balance sheet	5
Statement of total recognised gains and losses	6
Note of historical cost profits and losses	6
Reconciliation of movement in equity shareholders' funds	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the fifteen month period ended 31 March 2005.

Change of accounting reference period

On 18 July 2005 the company extended its accounting reference period to end on 31 March 2005.

Business activities

During the financial period, the company acted as an investment property company.

During the period the legal structure of the group of which the company is a member was revised which resulted in the group's investment property portfolio being transferred from the existing group entities. Following the transfer of these investment properties, the existing group entities, including Cairnsmore Four Limited, ceased trading. As the directors do not intend to acquire a replacement trade they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1 to the financial statements.

Results and dividends

The result for the period is shown in the profit and loss account on page 4. The company paid an interim dividend of £503,188 during the period. The company also declared a dividend in specie of £584,994 to Cairnsmore Investments Limited, its immediate parent, in the period. The directors do not recommend the payment of a final dividend (*year to 31 December 2003: £Nil*).

Directors and directors' interests

The directors of the company are as follows:

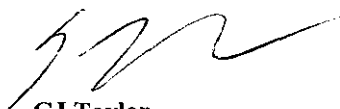
GJ Taylor
LE Ludgate
KA Jones

None of the directors held any notifiable interests in the shares of the company, its ultimate parent company or any of its fellow subsidiaries at the beginning or end of the financial period.

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



GJ Taylor
Secretary

30 January 2006

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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. As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate for the preparation of the financial statements of the company and therefore the financial statements of the company have not been prepared on a going concern basis.

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.



KPMG LLP

191 West George Street
Glasgow
G2 2LJ
United Kingdom

Report of the independent auditors to the members of Cairnsmore Four Limited

We have audited the financial statements on pages 4 to 11 which have not been prepared on a going concern basis for the reason set out in note 1 to the financial statements.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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 the company's affairs as at 31 March 2005 and of its profit for the fifteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

31 January 2006

Profit and loss account

for the fifteen month period ended 31 March 2005

		Discontinued operations	
	Note	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
Turnover	1	203,992	255,104
Administrative expenses		-	(1,250)
Operating profit		203,992	253,854
Loss on sale of investment property		(14,014)	-
Profit on ordinary activities before interest and taxation		189,978	253,854
Interest receivable	3	83,871	-
Profit on ordinary activities before taxation	2	273,849	253,854
Taxation	4	(69,211)	(75,906)
Profit on ordinary activities after taxation and for the financial period/year		204,638	177,948
Dividends	5	(1,088,182)	-
Balance transferred (from)/to reserves	12	(883,544)	177,948

A statement of movement on reserves is included in note 12.

Balance sheet
at 31 March 2005

	<i>Note</i>	31 March 2005		31 December 2003	
		£	£	£	£
Fixed assets					
Investment properties	6		-		3,664,014
Current assets					
Debtors	7	10,105		466,972	
Creditors: amounts falling due within one year	8	(5,500)		(221,393)	
Net current assets			<u>4,605</u>		<u>245,579</u>
Total assets less current liabilities			<u>4,605</u>		<u>3,909,593</u>
Creditors: amounts falling due after more than one year	9		-		(3,004,296)
Provisions for liabilities and charges	10		-		(17,148)
Net assets			<u>4,605</u>		<u>888,149</u>
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account	12		4,604		289,140
Revaluation reserve	12		-		599,008
Equity shareholders' funds			<u>4,605</u>		<u>888,149</u>

These financial statements were approved by the board of directors on 30/1/06 and were signed on its behalf by:


LE Ludgate
Director

Statement of total recognised gains and losses
for the fifteen month period ended 31 March 2005

	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
Profit for the financial period/year	204,638	177,948
Surplus on revaluation of investment properties	-	111,014
Total recognised gains and losses for the financial period	204,638	288,962

Note of historical cost profits and losses
for the fifteen month period ended 31 March 2005

	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
Reported profit on ordinary activities before taxation	273,849	253,854
Realisation of property revaluation gains of previous years	599,008	-
Historical cost profit on ordinary activities before taxation	872,857	253,854
Historical cost (loss)/profit for the period after taxation and dividends	(284,536)	177,948

Reconciliation of movement in equity shareholders' funds
for the fifteen month period ended 31 March 2005

	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
Profit for financial period/year	204,638	177,948
Dividends: Interim dividend	(503,188)	-
Dividend in specie	(584,994)	-
Increase in revaluation reserve	(883,544)	177,948
Net (reduction)/increase in shareholders' funds	(883,544)	288,962
Equity shareholders' funds brought forward	888,149	599,187
Equity shareholders' funds carried forward	4,605	888,149

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, modified to include the revaluation of investment properties.

In previous years, the financial statements have been prepared on a going concern basis. However, during the period, the legal structure of the group of which the company is a member was revised which resulted in the group's investment property portfolio being transferred from the existing group entities. Following the transfer of these investment properties, the existing group entities, including Cairnsmore Four Limited, ceased trading. As the directors do not intend to acquire a replacement trade, they have not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company is a small company.

Investment properties

Investment properties are defined as properties held for their investment potential. These properties are held in the balance sheet at their open market value at the balance sheet date on the basis of a directors' valuation.

In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; and (ii) no depreciation or amortisation is provided in respect of investment properties. This 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 financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot separately be identified or quantified.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 required by FRS 19.

Turnover

Turnover represents property rental income. Rental income is accounted for on an accruals basis.

2 Profit on ordinary activities before taxation

In both the current and prior periods the company's audit fee was borne by a fellow subsidiary undertaking.

The directors received no remuneration in respect of their services to the company.

Notes (continued)

3 Interest receivable

	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
On loan notes from group companies	83,871	-

4 Taxation

	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
Corporation tax		
- group relief payable at 30%	86,359	68,557
Current tax charge	86,359	68,557
Deferred tax – current year	-	7,349
– transfer on disposal of property	(17,148)	-
Total tax charge	69,211	75,906

The current tax charge is higher (*year ended 31 December 2003: lower*) than the standard rate in the UK (30%).
The difference is explained below:

	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before tax	273,849	253,854
Current tax at 30%	82,155	76,156
<i>Effects of:</i>		
Capital allowances for the period in excess of depreciation	-	(7,349)
Non taxable loss on disposal of investment property	4,204	-
Other items	-	(250)
Current tax charge	86,359	68,557

Notes (continued)

5 Dividends

	15 month period ended 31 March 2005 £	Year ended 31 December 2003 £
Interim dividend of £503,188 per ordinary share	503,188	-
Dividend in specie of loan notes in accordance with s.276 of the Companies Act 1985 of £584,994 per ordinary share	584,994	-
	<u>1,088,182</u>	<u>-</u>

6 Investment properties

	2005 £
<i>Cost or valuation:</i>	
At beginning of period	3,664,014
Disposals of group undertakings	(3,664,014)
	<u>-</u>
At end of period	<u>-</u>

7 Debtors

	31 March 2005 £	31 December 2003 £
Trade debtors	-	65,750
Amounts due from group undertakings	-	401,222
Other debtors	10,105	-
	<u>10,105</u>	<u>466,972</u>

Amounts due from group undertakings are interest free, unsecured and repayable on demand.

Notes (continued)

8 Creditors: amounts falling due within one year

	31 March 2005 £	31 December 2003 £
Other creditors including other taxes	-	22,811
Accruals and deferred income	2,250	64,427
Corporation tax payable (including group relief of £Nil (2003: £83,265))	-	83,265
Amounts due to group undertakings	3,250	50,890
	<u>5,500</u>	<u>221,393</u>

9 Creditors: amounts falling due after more than one year

	31 March 2005 £	31 December 2003 £
Loan due to group undertakings	-	3,004,296
	<u>-</u>	<u>3,004,296</u>

At 31 December 2003 the loan due to group undertakings was non-interest bearing and was not repayable until such time as the company disposed of its investment property.

10 Provisions for liabilities and charges

	Deferred tax – accelerated capital allowances 2005 £
At beginning of period	17,148
Credit during period (on transfer of properties)	(17,148)
	<u>-</u>
At end of year	<u>-</u>

11 Called up share capital

	Number	£
<i>Authorised</i>		
At beginning and end of period		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
At beginning and end of period	1	1
	<u>1</u>	<u>1</u>

Notes (continued)

12 Reserves

	Profit and loss reserve £	Revaluation reserve £
At beginning of period	289,140	599,008
Transfer	599,008	(599,008)
Deficit for the period	(883,544)	-
	<hr/>	<hr/>
At end of period	4,604	-
	<hr/>	<hr/>

13 Contingent liabilities

Loans due to the LNC Investments Limited group's bankers are secured by way of a fixed and floating charge over all of the assets of the company. The amount outstanding in this respect at 31 March 2005 is £123,314,278 (*at 31 December 2003: £157,535,549*).

14 Related party transactions

Separate disclosure relating to transactions and balances with companies in the LNC Property Group Limited group in terms of Financial Reporting Standard No 8 are not made since the company has taken advantage of the exemption in paragraph 3c of the standard. Accounts of the smallest group into which the company is consolidated can be obtained by writing to 5th Floor, 135 Buchanan Street, Glasgow, G1 2JA.

15 Ultimate parent undertaking

The company's immediate parent undertaking is Cairnsmore Investments Limited which is incorporated in Great Britain and registered in Scotland.

The smallest group into which the company is consolidated is that headed by LNC Property Group Limited, a company incorporated in Great Britain and registered in Scotland.

The company's ultimate parent undertaking is LNC Investments Limited, a company registered in the Isle of Man.