

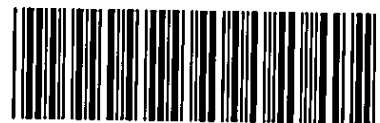
Caledonian Property Investments Limited

Directors' report and financial statements

31 December 2006

Registered in England and Wales number 669923

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Caledonian Property Investments Limited

Directors' report and financial statements

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Caledonian Property Investments Limited

Directors' report

Following the merger of London Merchant Securities plc and Derwent Valley Holdings plc (to form Derwent London plc), the directors have decided to align the Company's accounting reference date to that of Derwent London's, being 31 December

Accordingly, the Company's financial reporting period has been shortened and the directors submit their report for the nine month period 1 April 2006 to 31 December 2006

Principal activities

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

Financial review and dividends

The results for the period are set out in the profit and loss account on page 4 The directors do not recommend the payment of a final dividend (31 March 2006 £Nil)

Properties

The Company's properties were revalued at 31 December 2006 as set out in note 6 to the financial statements

Directors

The directors who held office during the period were as follows

N R Friedlos
M A Pexton
The Hon R A Rayne

The interests of the above directors in the shares of the Company's then ultimate holding company and fellow subsidiary undertakings are set out in the financial statements of London Merchant Securities Limited (formerly known as London Merchant Securities plc)

On 1 February 2007, the following changes took place
Mr M A Pexton and The Hon R A Rayne resigned as directors Mr J D Burns, Mr N Q George, Mr C J Odom, Mr S P Silver and Mr P M Williams were appointed as directors

Mr S C Mitchley resigned as company secretary and Mr T J Kite was appointed in his stead

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

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

By order of the board

TJ Kite
Secretary



25 Savile Row
London
W1S 2ER

6 July 2007

Caledonian Property Investments Limited

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 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 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

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

Independent auditors' report to the members of Caledonian Property Investments Limited

We have audited the financial statements of Caledonian Property Investments Limited for the period ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Statement of historical cost profits and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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.

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.

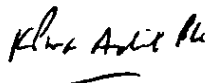
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the period 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.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London



6 July 2007

Caledonian Property Investments Limited

Profit and loss account

for the nine month period ended 31 December 2006

	Note	For the 9 months ended 31 December 2006 £	For the year ended 31 March 2006 £
Net rental income from investment properties	2	3,039,941	4,410,582
Administrative expenses	3	(11,678)	(64,450)
Sundry income		-	34,000
Operating profit		3,028,263	4,380,132
Loss on sale of investment properties		(19,364)	-
Other interest receivable and similar income	4	681	1,720
Profit on ordinary activities before taxation		3,009,580	4,381,852
Tax on profit on ordinary activities	5	(80,131)	(783,158)
Profit for the financial period	12	2,929,449	3,598,694

All results are derived from continuing activities

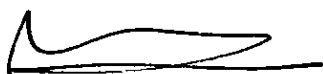
Caledonian Property Investments Limited

Balance sheet

at 31 December 2006

	Note	31 December 2006	31 December 2006 £	31 March 2006	31 March 2006 £
Fixed assets					
Tangible assets	6		106,326,163		98,839,509
Other assets	7		6,655		10,900
			<hr/>		<hr/>
			106,332,818		98,850,409
Current assets					
Debtors	8	1,022,898		1,914,842	
Cash at bank and in hand		(83,717)		22,334	
		<hr/>		<hr/>	
		939,181		1,937,176	
Creditors amounts falling due within one year	9	(29,027,552)		(33,373,992)	
		<hr/>		<hr/>	
Net current liabilities			(28,088,371)		(31,436,816)
			<hr/>		<hr/>
Total assets less current liabilities			78,244,447		67,413,593
Provisions for liabilities and charges	10		(511,220)		(511,220)
			<hr/>		<hr/>
Net assets			77,733,227		66,902,373
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	11		50,000		50,000
Revaluation reserve	12		68,114,772		60,213,367
Profit and loss account	12		9,568,455		6,639,006
			<hr/>		<hr/>
Equity shareholders' funds	13		77,733,227		66,902,373
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 6 July 2007 and were signed on its behalf by



N R Friedlos
Director

Caledonian Property Investments Limited

Statement of total recognised gains and losses

for the nine month period ended 31 December 2006

	For the 9 months ended 31 December 2006 £	For the year ended 31 March 2006 £
Profit for the financial period	2,929,449	3,598,694
Unrealised surplus on revaluation of properties	7,901,405	6,093,470
Total recognised gains and losses relating to the financial period	10,830,854	9,692,164

Note of historical cost profits and losses

for the nine month period ended 31 December 2006

	For the 9 months ended 31 December 2006 £	For the year ended 31 March 2006 £
Reported profit on ordinary activities before taxation	3,009,580	4,381,852
Realisation of subsidiary undertakings revaluation gains of previous years	-	6,927,575
Historical cost profit on ordinary activities before taxation	3,009,580	11,309,427
Historical cost profit on ordinary activities after taxation and dividends	2,929,449	10,526,269

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 financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, except for investment properties which are stated at their fair value

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

Net rental income

Rental income is recognised on an accruals basis. Rent increases arising from rent reviews are taken into account when such reviews have been settled with tenants

Operating lease incentives

Operating lease incentives include rent free periods and other incentives (such as contributions towards fitting out costs) given to lessees on entering into lease agreements

In accordance with UITF Abstract 28 'Operating Lease Incentives', rent receivable in the period from lease commencement to the earlier of the first rent review to the prevailing market rate and the lease end date, is spread evenly over that period. The cost of the other incentives is spread on a straight-line basis over a similar period

Investment properties

In accordance with SSAP 19 'Accounting for Investment Properties', investment properties are revalued annually at market value determined in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Revaluation surpluses and temporary deficits are included in the revaluation reserve, permanent deficits are 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 20 years to run. This treatment, which is in accordance with SSAP 19, 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 be separately identified or quantified

Caledonian Property Investments Limited

Notes (continued)

(forming part of the 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

Interest and other outgoings on property developments

Interest and other outgoings on vacant properties prior to redevelopment are treated as revenue expenditure and written off as incurred. Interest costs on properties in development are written off as incurred.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Going concern

The company is dependant for its working capital on funds provided to it by Derwent London plc, the new ultimate holding company, which has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for repayment. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this understanding the directors believe that it remains appropriate to prepare the financial statements on a going concern basis notwithstanding the net current liabilities on the company's balance sheet. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Caledonian Property Investments Limited

Notes (continued)

2 Net rental income from investment properties

	For the 9 months ended 31 December 2006 £	For the year ended 31 March 2006 £
Gross rental income	3,380,448	4,543,102
Property outgoings less amounts recovered from tenants	(340,507)	(132,520)
	<hr/>	<hr/>
	3,039,941	4,410,582
	<hr/>	<hr/>

3 Administrative expenses

Audit fees have been paid by London Merchant Securities Limited in both periods

The Company does not have any employees (31 March 2006 nil) and there were no directors' emoluments (31 March 2006 £nil)

Administrative expenses include £4,544 (31 March 2006 £8,246) of depreciation expense

4 Other interest receivable and similar income

	For the 9 months ended 31 December 2006 £	For the year ended 31 March 2006 £
Short term deposits	681	1,720
	<hr/>	<hr/>

Caledonian Property Investments Limited

Notes (continued)

5 Tax on profit on ordinary activities

	For the 9 months ended 31 December 2006	For the year ended 31 March 2006
	£	£
Analysis of charge in the period/year		
Group relief - current year	80,131	921,684
Adjustments in respect of prior periods	-	(142,837)
	<hr/>	<hr/>
Total current tax	80,131	778,847
	<hr/>	<hr/>
Deferred tax		
Origination/reversal of timing differences	-	85,045
Adjustments in respect of prior periods	-	(80,734)
	<hr/>	<hr/>
Total deferred tax	-	4,311
	<hr/>	<hr/>
Total tax	80,131	783,158
	<hr/>	<hr/>

Factors affecting the tax charge for the period

The current tax charge for the period is lower (31 March 2006 lower) than the standard rate of corporation tax in the UK of 30% (31 March 2006 30%) The differences are explained below

	For the 9 months ended 31 December 2006	For the year ended 31 March 2006
	£	£
Current tax reconciliation		
Profit on ordinary activities before taxation	3,009,580	4,381,852
	<hr/>	<hr/>
Current tax at 30% (31 March 2006 30%)	902,874	1,314,555
Effects of		
Capital allowances for year in excess of depreciation	-	(85,045)
Adjustments to tax charge in respect of previous periods	-	(142,837)
Loss on disposal of investment properties	5,809	-
Transfer pricing adjustment	(823,911)	(308,726)
Disallowable items for tax	2,850	900
Other items	(7,491)	-
	<hr/>	<hr/>
Current tax charge for the period/year	80,131	778,847
	<hr/>	<hr/>

Caledonian Property Investments Limited

Notes (continued)

6 Tangible fixed assets

	Freehold £
Investment properties	
Valuation	
At 1 April 2006	98,839,509
Amount included in prepayments under UITF 28	1,172,491
	<hr/>
Market value at 1 April 2006	100,012,000
Additions	3,320,249
Disposals	(3,735,000)
Surplus on revaluation	7,628,751
	<hr/>
Market Value at 31 December 2006	107,226,000
Amount included in prepayments under UITF 28	(899,837)
	<hr/>
At 31 December 2006	106,326,163
	<hr/> <hr/>
Historical cost of revalued assets	£
At 31 December 2006	38,704,229
	<hr/> <hr/>
At 31 March 2006	39,118,980
	<hr/> <hr/>

The investment properties have been independently valued by CB Richard Ellis, Chartered Surveyors, of London as at 31 December 2006 on the basis of "Market Value" in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered

7 Tangible fixed assets

	Total
Office machinery, fixtures and fittings	
Cost	
At 1 April 2006	29,996
Additions	299
	<hr/>
At 31 December 2006	30,295
	<hr/> <hr/>
Depreciation	
At 1 April 2006	19,096
Charge for the year	4,544
	<hr/>
At 31 December 2006	23,640
	<hr/> <hr/>
Net book value	
At 31 December 2006	6,655
	<hr/> <hr/>
At 31 March 2006	10,900
	<hr/> <hr/>

Caledonian Property Investments Limited

Notes (continued)

8 Debtors

	31 December 2006	31 March 2006
	£	£
Trade debtors	107,342	45,799
Amounts owed by group undertakings	-	328,503
Group relief receivable - prior year	-	142,837
Other debtors	-	183,118
Prepayments and accrued income	915,556	1,214,585
	<hr/>	<hr/>
	1,022,898	1,914,842
	<hr/>	<hr/>

9 Creditors amounts falling due within one year

	31 December 2006	31 March 2006
	£	£
Bank loans and overdrafts	-	17,598
Rent received in advance	399,247	595,103
Amounts owed to group undertakings	27,959,061	30,675,104
Group relief payable - current year	80,131	921,684
Other creditors	10,938	1,144,149
Accruals and deferred income	578,175	20,354
	<hr/>	<hr/>
	29,027,552	33,373,992
	<hr/>	<hr/>

10 Provisions for liabilities and charges

	31 December 2006	31 March 2006
	£	£
Provision for deferred taxation		
At 1 April 2006	511,220	506,909
Charge to the profit and loss for the period/year	-	4,311
	<hr/>	<hr/>
At 31 December 2006	511,220	511,220
	<hr/>	<hr/>
The deferred tax liability is made up of	£	£
Capital allowances in excess of depreciation	511,220	511,220
	<hr/>	<hr/>

Caledonian Property Investments Limited

Notes (continued)

11 Called up share capital

	31 December 2006 £	31 March 2006 £
Authorised		
50,000 Ordinary shares of £1 each	50,000	50,000

12 Reserves

	Profit and loss account £	Revaluation reserve £
At 1 April 2006	6,639,006	60,213,367
Profit for the financial period	2,929,449	-
Surplus on revaluation of investment properties	-	7,628,751
UITF 28 adjustment	-	272,654
At 31 December 2006	9,568,455	68,114,772

13 Reconciliation of movements in equity shareholders' funds

	31 December 2006 £	31 March 2006 £
Profit for the financial period	2,929,449	3,598,694
Dividends on shares classified in shareholders' funds	-	(6,977,575)
Retained profit	2,929,449	(3,378,881)
Other recognised gains and losses relating to the period (net)	7,901,405	6,093,470
Net movement in shareholders' funds	10,830,854	2,714,589
Opening shareholders' funds	66,902,373	64,187,784
Closing shareholders' funds	77,733,227	66,902,373

14 Contingent liabilities

No provision has been made for any taxes which might become payable in the event of future sales or deemed disposals of properties at their book values. In the opinion of the directors any such contingent liability would be £16,396,801 (31 March 2006 £14,479,534)

Caledonian Property Investments Limited

Notes (continued)

15 Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows

	31 December 2006 £	31 March 2006 £
Contracted	-	2,574,917

16 Related party transactions

The Company is controlled by British Commercial Property Investment Trust Limited, the Company's immediate parent company

At 31 December 2006, the ultimate controlling party was London Merchant Securities plc (now known as London Merchant Securities Limited), the Company's ultimate holding company

As a wholly owned subsidiary of London Merchant Securities 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

17 Subsequent events

London Merchant Securities Limited, the Company's ultimate parent company, merged with Derwent London plc on 1 February 2007

The Company's ultimate parent company is Derwent London plc, subsequent to the merger

18 Ultimate parent company and parent undertaking of larger group of which the company is a member

At 31 December 2006, the Company was a subsidiary undertaking of London Merchant Securities plc (now known as London Merchant Securities Limited), which was the ultimate holding company

London Merchant Securities plc is incorporated in England and Wales

No other group financial statements include the results of the Company. The consolidated financial statements of London Merchant Securities Limited may be obtained at the following address
25 Savile Row, London W1S 2ER

On 1 February 2007, Derwent London plc became the ultimate holding company (see 'Subsequent events' note)