

Caledonian Property Investments Limited

Directors' report and financial statements

31 December 2008

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Caledonian Property Investments Limited

Directors' report and financial statements

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Directors

J D Burns
N Q George
C J Odom
S P Silver
D G Silverman
P M Williams

Secretary and registered office

T J Kite
25 Savile Row
London
W1S 2ER

Company number

669923

Auditors

BDO Stoy Hayward LLP
55 Baker Street
London
W1U 7EU

Caledonian Property Investments Limited

Directors' report

Principal activities and future developments

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 year are set out in the profit and loss account on page 4. The directors do not recommend a payment of a dividend (2007: £nil).

No political or charitable donations were made during the year (2007: £nil).

Directors

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

J D Burns
N Q George
C J Odom
S P Silver
D G Silverman (appointed 16 June 2008)
P M Williams

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 and section 417(1) of the Companies Act 2006 relating to small companies.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office.

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.

Caledonian Property Investments Limited

Directors' report (continued)

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.

By order of the board



T J Kite
Secretary
25 Savile Row
London
W1S 2ER

16 June 2009

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

We have audited the financial statements of Caledonian Property Investments Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, note of historical cost profits and losses 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 2008 and of its profit 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

Caledonian Property Investments Limited

Profit and loss account

for the year ended 31 December 2008

| | Note | 2008 £ | 2007 £ |
|--|------|------------------|------------------|
| Net rental income from investment properties | 2 | 3,797,490 | 3,779,071 |
| Other income | | 19,505 | 23,035 |
| Administrative expenses | | (31,387) | (55,005) |
| | | <hr/> | <hr/> |
| Operating profit | 3 | 3,785,608 | 3,747,101 |
| Other interest receivable and similar income | 4 | 6,751 | 11,263 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 3,792,359 | 3,758,364 |
| Tax on profit on ordinary activities | 5 | (107,765) | (1,387,161) |
| | | <hr/> | <hr/> |
| Profit for the financial year | 12 | 3,684,594 | 2,371,203 |
| | | <hr/> <hr/> | <hr/> <hr/> |

All amounts relate to continuing activities.

Caledonian Property Investments Limited

Balance sheet

at 31 December 2008

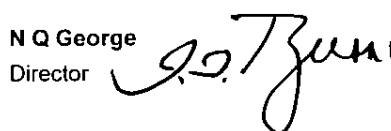
| | Note | 2008 £ | 2008 £ | 2007 £ | 2007 £ |
|---|------|--------------|--------------|--------------|--------------|
| Fixed assets | | | | | |
| Tangible assets | 6 | | 64,938,279 | | 86,197,142 |
| Other assets | 7 | | 427 | | 1,674 |
| | | | <hr/> | | <hr/> |
| | | | 64,938,706 | | 86,198,816 |
| Current assets | | | | | |
| Cash at bank and in hand | | 173,638 | | 159,318 | |
| Debtors falling due within one year | 8 | 5,996,981 | | 594,655 | |
| Debtors falling due after more than one year | | 728,300 | | - | |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | 6,898,919 | | 753,973 | |
| Creditors: amounts falling due within one year | 9 | (29,491,566) | | (26,721,572) | |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net current liabilities | | | (22,592,647) | | (25,967,599) |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 42,346,059 | | 60,231,217 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 11 | | 50,000 | | 50,000 |
| Revaluation reserve | 12 | | 24,227,547 | | 48,241,559 |
| Profit and loss account | 12 | | 18,068,512 | | 11,939,658 |
| | | | <hr/> | | <hr/> |
| Equity shareholders' funds | 13 | | 42,346,059 | | 60,231,217 |
| | | | <hr/> | | <hr/> |

These financial statements were approved by the board of directors on 16 June 2009 and were signed on its behalf by:

J D Burns
Director



N Q George
Director



The notes on pages 7 to 12 form part of these financial statements.

Caledonian Property Investments Limited

Statement of total recognised gains and losses

for the year ended 31 December 2008

| | 2008 £ | 2007 £ |
|---|---------------------|---------------------|
| Profit for the financial year | 3,684,594 | 2,371,203 |
| Unrealised deficit on revaluation of properties | (21,569,752) | (19,873,213) |
| Total recognised gains and losses relating to the financial year | (17,885,158) | (17,502,010) |

Note of historical cost profits and losses

for the year ended 31 December 2008

| | 2008 £ | 2007 £ |
|---|------------------|------------------|
| Reported profit on ordinary activities before taxation | 3,792,359 | 3,758,364 |
| Realisation of revaluation surpluses of previous years | 2,444,260 | - |
| Historical cost profit on ordinary activities before taxation | 6,236,619 | 3,758,364 |
| Historical cost profit on ordinary activities after taxation and dividends | 6,128,854 | 2,371,203 |

Caledonian Property Investments Limited

Notes to 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.

The company's ultimate parent company, Derwent London plc, has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will not seek repayment of the amounts currently owing.

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.

Net rental income

Rental income is recognised on an accruals basis. Rent increases arising from rent reviews are recognised as income when, either such reviews have been settled with tenants or, based on estimates, it is reasonable to assume they will be received.

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

Tangible assets consist solely of investment properties and, as defined by SSAP19, are revalued annually by independent valuers in accordance with the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors and are included in the balance sheet on the basis of market value less the UITF28 lease incentive debtor. The aggregate surplus or deficit arising from such revaluation is transferred to the revaluation reserve. However, if on an individual property, a deficit arising from a valuation below cost is expected to be permanent, it is charged to the profit and loss account with any subsequent reversal being credited to the same.

A property in the course of development is stated at its value at the time it was so designated, plus subsequent development costs less any permanent diminution in value. All outgoings, excluding interest, which can be fairly attributed to a development are considered development costs. The property is revalued once the certificate of practical completion has been issued.

Caledonian Property Investments Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year 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.

2 Net rental income from investment properties

| | 2008 £ | 2007 £ |
|--|------------------|------------------|
| Gross rental income | 4,200,797 | 4,492,302 |
| Property outgoings less amounts recovered from tenants | (403,307) | (713,231) |
| | <u>3,797,490</u> | <u>3,779,071</u> |

3 Operating profit

Audit fees are paid by Derwent London plc.

The Company does not have any employees (2007: nil) and there were no directors' emoluments (2007: £nil).

| | 2008 £ | 2007 £ |
|---|-----------|-----------|
| Administrative expenses include: | | |
| Depreciation charge | 1,247 | 4,961 |
| Loss on disposal of fixed assets | - | 20 |
| | <u></u> | <u></u> |

4 Other interest receivable and similar income

| | 2008 £ | 2007 £ |
|---------------------|-----------|-----------|
| Short term deposits | 6,751 | 11,263 |
| | <u></u> | <u></u> |

Caledonian Property Investments Limited

Notes to the financial statements (continued)

5 Tax on profit on ordinary activities

| | 2008 | 2007 |
|--|---------|-----------|
| | £ | £ |
| Analysis of charge in the year | | |
| UK corporation tax on profits for the year | - | 1,954,755 |
| Adjustments in respect of previous periods | 107,765 | (56,374) |
| | <hr/> | <hr/> |
| Total current tax | 107,765 | 1,898,381 |
| | <hr/> | <hr/> |
| Deferred tax | | |
| Origination/reversal of timing differences | - | (511,220) |
| | <hr/> | <hr/> |
| Total deferred tax | - | (511,220) |
| | <hr/> | <hr/> |
| Total tax | 107,765 | 1,387,161 |
| | <hr/> | <hr/> |

Factors affecting the tax charge for the year

The current tax charge for the year is lower (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below.

| | 2008 | 2007 |
|--|-----------|-----------|
| | £ | £ |
| Current tax reconciliation | | |
| Profit on ordinary activities before taxation | 3,792,359 | 3,758,364 |
| | <hr/> | <hr/> |
| Current tax at 28.5% (2007: 30%) | 1,080,822 | 1,127,509 |
| Effects of: | | |
| Capital allowances for year in excess of depreciation | - | (90,291) |
| REIT conversion charge | - | 2,062,520 |
| REIT exempt income | (444,143) | - |
| Group relief claimed not paid | (41,171) | (521,700) |
| Adjustments to tax charge in respect of previous periods | 107,765 | (56,374) |
| Transfer pricing adjustment | (539,468) | (125,700) |
| Expenses not deductible for tax purposes | (56,040) | (497,583) |
| | <hr/> | <hr/> |
| Current tax charge for the year | 107,765 | 1,898,381 |
| | <hr/> | <hr/> |

Caledonian Property Investments Limited

Notes to the financial statements (continued)

6 Tangible fixed assets

| | Freehold £ |
|--|-------------------|
| Investment properties | |
| Valuation | |
| At 1 January 2008 | 86,197,142 |
| Amount included in prepayments under UITF 28 | 538,858 |
| | <hr/> |
| Market value at 1 January 2008 | 86,736,000 |
| Additions | 310,889 |
| Deficit on revaluation | (21,024,889) |
| | <hr/> |
| Market Value at 31 December 2008 | 66,022,000 |
| Amount included in prepayments under UITF 28 | (1,083,721) |
| | <hr/> |
| At 31 December 2008 | 64,938,279 |
| | <hr/> <hr/> |
| Historical cost of revalued assets | £ |
| At 31 December 2008 | 40,710,732 |
| | <hr/> <hr/> |
| At 31 December 2007 | 40,399,843 |
| | <hr/> <hr/> |

The investment properties have been independently valued by CB Richard Ellis, Chartered Surveyors, as at 31 December 2008 on the basis of "Market Value" in accordance with the Appraisal and Valuation Standards of The Royal Institution of Chartered Surveyors.

In their report to the directors, the independent valuers, CB Richard Ellis, whilst not qualifying their opinion of value, have noted that the current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets across the world. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short term.

7 Other fixed assets

| | Total £ |
|--|---------------|
| Office machinery, fixtures and fittings | |
| Cost | |
| At 31 December 2007 and 31 December 2008 | 29,951 |
| | <hr/> |
| Depreciation | |
| At 1 January 2008 | 28,277 |
| Depreciation charge | 1,247 |
| | <hr/> |
| At 31 December 2008 | 29,524 |
| | <hr/> <hr/> |
| Net book value | |
| At 31 December 2008 | 427 |
| | <hr/> <hr/> |
| At 31 December 2007 | 1,674 |
| | <hr/> <hr/> |

Caledonian Property Investments Limited

Notes to the financial statements (continued)

8 Debtors

| | 2008 £ | 2007 £ |
|---|------------------|----------------|
| Trade debtors | 44,309 | 38,453 |
| Amounts owed by group undertakings | 5,567,233 | - |
| Other debtors | 1,295 | 6,134 |
| Prepayments and accrued income | 384,144 | 550,068 |
| | <u>5,996,981</u> | <u>594,655</u> |
| Falling due after more than one year: Prepayments and accrued income | <u>728,300</u> | <u>-</u> |

9 Creditors: amounts falling due within one year

| | 2008 £ | 2007 £ |
|-------------------------------------|-------------------|-------------------|
| Amounts owed to group undertakings | 28,355,013 | 23,887,290 |
| Group relief payable - current year | - | 23,757 |
| Trade creditors | 22,877 | - |
| Corporation tax payable | - | 1,954,755 |
| Taxation and social security | 188,823 | 211,733 |
| Accruals and deferred income | 924,853 | 644,037 |
| | <u>29,491,566</u> | <u>26,721,572</u> |

10 Provisions for liabilities and charges

| | 2008 £ | 2007 £ |
|--|-----------|-----------|
| Provision for deferred taxation | | |
| At 1 January | - | 511,220 |
| Credit to the profit and loss for the year | - | (511,220) |
| | <u>-</u> | <u>-</u> |
| At 31 December | <u>-</u> | <u>-</u> |

11 Called up share capital

| | 2008 £ | 2007 £ |
|---|---------------|---------------|
| Authorised, allotted, called up and fully paid | | |
| 50,000 Ordinary shares of £1 each | 50,000 | 50,000 |
| | <u>50,000</u> | <u>50,000</u> |

Caledonian Property Investments Limited

Notes to the financial statements (continued)

12 Reserves

| | Profit and loss account £ | Revaluation reserve £ |
|--|---------------------------------|-----------------------------|
| At 1 January 2008 | 11,939,658 | 48,241,559 |
| Profit for the financial year | 3,684,594 | - |
| Deficit on revaluation of investment properties | - | (21,024,889) |
| Realisation of revaluation surpluses of previous years | 2,444,260 | (2,444,260) |
| UITF 28 adjustment | - | (544,863) |
| | <hr/> | <hr/> |
| At 31 December 2008 | 18,068,512 | 24,227,547 |
| | <hr/> | <hr/> |

13 Reconciliation of movements in equity shareholders' funds

| | 2008 £ | 2007 £ |
|--|---------------------|---------------------|
| Profit for the financial year | 3,684,594 | 2,371,203 |
| Other recognised gains and losses relating to the year | (21,569,752) | (19,873,213) |
| | <hr/> | <hr/> |
| Net movement in shareholders' funds | (17,885,158) | (17,502,010) |
| Opening shareholders' funds | 60,231,217 | 77,733,227 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 42,346,059 | 60,231,217 |
| | <hr/> | <hr/> |

14 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.

15 Contingent liabilities

The company is party to cross guarantees securing the loans of certain other group companies.
At 31st December 2008, the maximum liability that could arise from the guarantees amounted to £209,000,000 (2007: £257,071,714).

16 Parent company

The Company's immediate parent undertaking is Derwent Valley Limited (formerly 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.