

LONDON AND CAPITAL PROPERTIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

REGISTERED NUMBER 3806748

FOR THE YEAR ENDED

30 JUNE 2007

WEDNESDAY



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LONDON AND CAPITAL PROPERTIES LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Report and the Audited Financial Statements of the Company for the year ended 30 June 2007

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

London & Capital Properties Limited is a wholly owned subsidiary of London & Capital Group Limited
The company's principal activity is the provision of property investment and management services

There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year. The Directors believe that the Company is well placed to continue its principal activities in the coming year.

The Company continues to provide property investment and management services.

As shown in the profit and loss account on page 5, the Company's turnover has increased by 101% over the prior year and has made a profit.

The balance sheet on page 6 of the financial statements shows that the Company's financial position at the year end, in cash terms, improved due to the profit made in the year. Details of amounts owed to and from Group undertakings are shown in notes 7 and 8 on page 10.

In addition to turnover, profit and loss on ordinary activities before taxation and net assets attributable to shareholders, management's view is that no other performance indicators are relevant to this analysis.

Financial risk management

The company is exposed to financial risk through its financial assets and financial liabilities. The most important components of its financial risk are credit risk and liquidity risk.

- Credit Risk

Credit risk is the risk that the counterparty will be unable to pay amounts in full when due. Management monitors exposure to credit risk through regular review of credit exposure, assessing credit-worthiness of counter parties and prudent estimates of provision for doubtful debts.

Due to the nature of financial assets, the Company believes it is not exposed to any major concentration of credit risk.

- Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial requirements. To guard against this risk, assets are managed with liquidity in mind maintaining a balance of cash and cash equivalents. The maturity profile is monitored to ensure adequate liquidity is maintained.

RESULTS AND DIVIDENDS

The company's results for the year are given in the profit and loss account on page 5.

The Directors do not propose the payment of a dividend (2006 £nil).

LONDON AND CAPITAL PROPERTIES LIMITED

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS

The Directors in office throughout the year were as follows

D K Freedman
R W Leigh

GOING CONCERN

The Directors have received confirmation from the Directors of the Parent Company that they will provide support to ensure that liabilities can be met as they fall due. Accordingly the financial statements have been prepared on a going concern basis.

SUPPLIER PAYMENT POLICY AND PRACTICE

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed with its suppliers, provided that all trading terms and conditions have been complied with.

REGULATION

The Company is authorised and regulated by the Financial Services Authority.

CLOSE COMPANY

The Company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

1) So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

2) The director has taken all the steps that he ought to have taken in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Registered Office

4 Triton Square
Regents Place
London
NW1 3HG

Dated 25 April 2008

BY ORDER OF THE BOARD



A P DRAIN
Secretary

LONDON AND CAPITAL PROPERTIES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LONDON AND CAPITAL PROPERTIES LIMITED

We have audited the financial statements of London and Capital Properties Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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 auditors' 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 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 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2007 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.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom 28.4.08

LONDON AND CAPITAL PROPERTIES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2007

| | | Year ended 30 June 2007 | Year ended 30 June 2006 |
|--|--------------|------------------------------------|------------------------------------|
| | Notes | £ | £ |
| TURNOVER | (2) | 8,342,351 | 4,154,911 |
| Administration expenses | | (8,334,943) | (3,564,121) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | (3) | 7,408 | 590,790 |
| Tax on profit on ordinary activities | (4) | (2,270) | (106,964) |
| PROFIT FOR THE FINANCIAL YEAR | | <u>5,138</u> | <u>483,826</u> |

The above figures include all recognised gains or losses for both the current year and prior year
As a result a statement of total recognised gains and losses is not presented
All of the Company's activities were in respect of continuing operations

The notes on pages 7 to 11 form an integral part of these financial statements

LONDON AND CAPITAL PROPERTIES LIMITED

BALANCE SHEET AS AT 30 JUNE 2007

| | | As at 30 June 2007 | | As at 30 June 2006 | |
|--|--------------|-------------------------------|--------------|-------------------------------|-------------|
| | Notes | £ | £ | £ | £ |
| CURRENT ASSETS | | | | | |
| Debtors | (7) | 13,209,405 | | 5,092,889 | |
| Cash at bank and in hand | | 680,837 | | - | |
| | | <hr/> | | <hr/> | |
| NET CURRENT ASSETS | | | 13,890,242 | | 5,092,889 |
| Creditors amounts falling due within one year | (8) | | (15,015,142) | | (6,222,927) |
| | | | <hr/> | | <hr/> |
| NET LIABILITIES | | | (1,124,900) | | (1,130,038) |
| | | | <hr/> | | <hr/> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | (9) | | 2 | | 2 |
| Profit and loss account | (10) | | (1,124,902) | | (1,130,040) |
| | | | <hr/> | | <hr/> |
| SHAREHOLDERS' DEFICIT | | | (1,124,900) | | (1,130,038) |
| | | | <hr/> | | <hr/> |

The financial statements were approved by the Board and authorised for issue on
and signed on their behalf by

R W LEIGH
Director

The notes on pages 7 to 11 form an integral part of these financial statements

LONDON AND CAPITAL PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1) ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards

The Directors have applied a going concern basis on the grounds that the holding company has provided a letter of financial support for a period of at least 12 months from the date of signing these accounts

The principal accounting policies of the Company have remained unchanged from the previous year

b) Turnover

The Company recognises income for management services on an accruals basis and on transactions when they are substantially completed

Performance fees and fees arising on the sale of client properties to the European & German Real Estate Funds are recognised in the period to which they relate

c) Tangible Fixed Assets

Tangible Fixed Assets are stated at cost, net of depreciation and any provision for impairment

Depreciation has been provided so as to write-off the cost less estimated residual value of tangible fixed assets over their estimated useful lives at the following rates

| | |
|-------------------------------|-------------------------|
| Office and computer equipment | 33% on reducing balance |
| Fixtures and fittings | 15% on reducing balance |

d) Taxation

Current Tax, including United Kingdom corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Full provision is made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. Deferred tax assets are recognised to the extent that they are regarded as recoverable and where it is likely that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted

e) Expenses

Expenses are accounted for on an accruals basis

f) Pension Costs

The Group operates a defined contribution executive pension scheme for directors and key employees working full time for the Company

g) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date. All differences are taken to the profit and loss account

LONDON AND CAPITAL PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007
(continued)

2) TURNOVER

Turnover was derived from the principal activity and is earned wholly within the United Kingdom
The Company has only one class of business and operates in only one geographical segment

**3) PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION**

**Year ended
30 June 2007
£**

**Year ended
30 June 2006
£**

Profit on ordinary activities before taxation is stated after charging

Auditors' remuneration - fees for the audit of the
Company's accounts
Depreciation
Exchange losses

8,000
-
19,368

8,000
16,367
-

4) TAX ON PROFIT ON ORDINARY ACTIVITIES

Current tax
UK Corporation tax on profits of the period
Deferred tax
Tax on profit on ordinary activities

2,270
-
2,270

119,997
(13,033)
106,964

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

Profit on ordinary activities before tax

7,408

590,790

Profit on ordinary activities multiplied by the standard rate
in the UK of 30%

2,223

177,237

Effects of

Expenses not deductible for tax purposes

47

-

Effect of small companies rate

-

7,546

Group relief

-

(77,819)

Accelerated capital allowances and other timing differences

-

13,033

Adjustments to tax charge in respect of previous period

-

-

Current tax charge for the period

2,270

119,997

Deferred tax liabilities have not been discounted

Deferred tax

Deferred tax brought forward

-

(13,033)

Accelerated capital allowances

-

13,033

Deferred tax carried forward

-

-

LONDON AND CAPITAL PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007
(continued)

| | Year ended 30 June 2007 £ | Year ended 30 June 2006 £ |
|--|---------------------------------|---------------------------------|
| 5) DIRECTORS REMUNERATION | | |
| Directors' emoluments | 2,194,895 | 481,746 |
| Company contributions to a defined contribution scheme | - | 1,039,119 |
| | <u>2,194,895</u> | <u>1,520,865</u> |
| Retirement benefits are accruing to the following number of Directors under | | |
| Defined contribution scheme | <u>-</u> | <u>2</u> |
| The emoluments of the highest paid Director amounted to £1,450,904 (2006 £260,662), and Company contributions of £nil (2006 £519,535) were made to a defined contribution scheme on his behalf | | |
| 6) STAFF COSTS | | |
| Particulars of employees (including directors) are as shown below Some of the Directors have contracts of employment with other Group companies | | |
| Wages and salaries | 3,067,769 | 885,390 |
| Social security costs | 367,701 | 116,474 |
| Other pension costs | 439 | 1,039,119 |
| | <u>3,435,909</u> | <u>2,040,983</u> |
| Average number of employees by activity (including executive directors) | | |
| Sales | 8 | 7 |
| Administration | 2 | - |
| | <u>10</u> | <u>7</u> |

LONDON AND CAPITAL PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007
(continued)

| 7) DEBTORS | Year ended 30 June 2007 £ | Year ended 30 June 2006 £ |
|---|---------------------------------|--|
| Amounts falling due within one year | | |
| Trade Debtors | 391,093 | - |
| Amounts owed from Group undertakings | 12,818,312 | 5,089,303 |
| Other debtors | - | 635 |
| Prepayments and accrued income | - | 2,951 |
| | <u>13,209,405</u> | <u>5,092,889</u> |
| 8) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | | |
| Trade Creditors | 7,379 | 3,437 |
| Amounts owed to Group Undertakings | 14,604,304 | 5,897,935 |
| Accruals and Deferred Income | 377,409 | 185,223 |
| Corporation Tax | 2,270 | 119,997 |
| Other | 23,780 | 16,335 |
| | <u>15,015,142</u> | <u>6,222,927</u> |
| 9) SHARE CAPITAL | | |
| Authorised | | |
| 2 Ordinary Shares of £1 each | <u>2</u> | <u>2</u> |
| Allotted, issued and fully paid | | |
| 2 Ordinary Shares of £1 each | <u>2</u> | <u>2</u> |
| 10) RESERVES | | |
| | | Profit and Loss Account £ |
| Opening Balance at 1 July 2006 | | (1,130,040) |
| Profit for the financial year | | 5,138 |
| Closing Balance at 30 June 2007 | | <u>(1,124,902)</u> |

LONDON AND CAPITAL PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007
(continued)

11) RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

| | Year ended 30 June 2007 £ | Year ended 30 June 2006 £ |
|--|---------------------------------|---------------------------------|
| Profit for the financial year | 5,138 | 483,826 |
| Opening shareholders' deficit as previously stated | (1,130,038) | (1,613,864) |
| Closing shareholders' deficit | <u>(1,124,900)</u> | <u>(1,130,038)</u> |

12) CASH FLOW STATEMENT

The Company has relied upon the exemption, given in Financial Reporting Standard 1 Revised, not to disclose a separate cash flow statement on the grounds that it is a wholly-owned subsidiary of a parent undertaking established under the law of an EC member state which includes a consolidated cash flow statement in its financial statements. These consolidated financial statements are publicly available as noted in Note 17.

13) CONTINGENT LIABILITIES

The company had no contingent liabilities at 30 June 2007 or 30 June 2006.

14) CAPITAL COMMITMENTS

The company had no capital commitments at 30 June 2007 or 30 June 2006.

15) CONTINGENT ASSET

There was no contingent asset at 30 June 2007 or 30 June 2006.

16) RELATED PARTY TRANSACTIONS

As at the 30 June 2007 the Company was a wholly-owned subsidiary of London and Capital Group Limited, a company registered in England and Wales. The Company has taken advantage of the exemption under FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group. There are no other related party transactions.

17) ULTIMATE PARENT COMPANY

In the opinion of the directors the ultimate parent Company at 30 June 2007 was London and Capital Group Ltd, a company registered in England and Wales.

A copy of the parent Company's accounts may be obtained from 4 Triton Square, Regents Place, London NW1 3HG.

18) DEFINED CONTRIBUTION PENSION SCHEME

The Company participates in a defined contribution pension scheme. Total contributions for the year amounted to £nil (2006 £1,039,199). There were no contributions outstanding at year end (2006 £nil).