

**REGISTRAR OF
COMPANIES**

4111631

Bankside Developments Limited

Report and Financial Statements

Year Ended

31 December 2006



BDO

BDO Stoy Hayward
Chartered Accountants

Bankside Developments Limited

Annual report and financial statements for the year ended 31 December 2006

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

I G Robinson
G N Lello
A S Wilson

Company secretary

G N Lello

Registered office

Emerald House, East Street, Epsom, Surrey, KT17 1HS

Company number

4111631

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

Bankside Developments Limited

Report of the director for the year ended 31 December 2006

The directors present their report together with the audited financial statements for the year ended 31 December 2006

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the year

Principal activities and review of business

The principal activities of the company are property development and property investment, principally in pubs under lease and tenancy agreements with lessees and tenants

Directors

The directors who served during the year are as follows

I G Robinson

G N Lello Appointed 17 May 2006

A S Wilson Appointed 20 November 2006

During the year I G Robinson and A S Wilson were also directors of the parent company, London Town plc. Their interests in the share capital of that company are shown in its financial statements

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 have

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that are reasonable and prudent, and
- prepared 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 which 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

Bankside Developments Limited

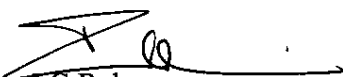
Report of the director for the year ended 31 December 2006 (*Continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board


T G Robinson

Director

25 October 2007

Bankside Developments Limited

Report of the independent auditors

To the shareholders of Bankside Developments Limited

We have audited the financial statements of Bankside Developments Limited for the year ended 31 December 2006 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 and whether the information given in the Directors' Report is consistent with the 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.

Bankside Developments Limited

Report of the independent auditors (*Continued*)

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 2006 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

BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

London

25 October 2007

Bankside Developments Limited**Profit and loss account for the year ended 31 December 2006**

	Note	2006 £	2005 £
Turnover	2	546,686	11,200,000
Cost of sales		(245,342)	(11,200,000)
		<hr/>	<hr/>
Gross profit		301,344	-
Administrative expenses		(36,957)	(174,547)
Other income	4	-	11,170,241
		<hr/>	<hr/>
Operating profit	5	264,387	10,995,694
Interest receivable		-	19,030
Interest payable and similar charges	6	(480,717)	(1,615,519)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before and after taxation	7	(216,330)	9,399,205
		<hr/>	<hr/>

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

There are no movements to reserves other than the (loss)/profit for the year

The notes on pages 7 to 13 form part of these financial statements

Bankside Developments Limited**Balance sheet at 31 December 2006**

	Note	2006 £	2005 £
Fixed assets			
Investment properties	8	37,471,233	-
Investments in subsidiary undertakings	9	216	-
		<hr/>	<hr/>
		37,471,449	-
Current assets			
Stock	10	5,281,741	-
Debtors	11	438,919	-
Cash at bank and in hand		190,604	2,295
		<hr/>	<hr/>
		5,911,264	2,295
Creditors: amounts due within one year	12	1,811,814	2,295
		<hr/>	<hr/>
Net current assets		4,099,450	-
Creditors: amounts due after one year	13	33,383,963	-
		<hr/>	<hr/>
Net assets		8,186,936	-
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	8,405,766	2,500
Profit and loss account		(218,830)	(2,500)
		<hr/>	<hr/>
Shareholders' funds	15	8,186,936	-
		<hr/>	<hr/>

The financial statements were approved by the Board and authorised for issue on 25 October 2007



I G Robinson
Director

The notes on pages 7 to 13 form part of these financial statements

Bankside Developments Limited

Notes forming part of the financial statements for the year ended 31 December 2006

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

Group financial statements

The financial statements contain information about Bankside Development as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by s 228 of the Companies Act 1985 not to produce consolidated financial statements because it is itself a wholly owned subsidiary of its parent undertaking, London Town plc. London Town plc prepares and files consolidated accounts which incorporate the activities of the company and its subsidiary undertakings.

Turnover

Turnover represents proceeds from the sale of development properties, which is recognised on completion of the sale, and revenue from property investment activities, which is earned through a combination of rental income, profit from drink sales, and share of machine income.

All amounts are recorded net of discounts and VAT.

Income from property investment activities is recognised as follows:

- *Rental income* – Rental income is recognised on a straight line basis over the term of the lease.
- *Drink sales* – Revenue from supply of drinks to tied premises is recognised at the point at which the goods are provided, net of any discounts or volume rebates.
- *Machine income* – The company's share of net machine income is recognised in the period to which it relates.

The cost of drink sales is included within cost of sales.

Investment properties

In accordance with SSAP 19, investment properties are revalued annually to open market value and no depreciation is provided. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 1985 has not been quantified because it is impractical and, in the opinion of the directors, would be misleading.

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

Bankside Developments Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

Lessor incentives

Lessor incentives include rent free periods and other incentives given to lessees on entering into lease agreements.

Lessor incentives to new tenants to occupy the company's investment properties are treated as revenue expenditure and initially recognised as prepayments. The payments are then charged to the profit and loss account evenly over the period to the earlier of the first rent review to the prevailing market rate and the lease end date. Where lessor incentives relate to investment properties the properties are carried at open market value less the amount of the unamortised incentive.

Investments

Investments in subsidiary undertakings are stated at cost less provision for any diminution in value.

Finance costs

In accordance with FRS 4, costs of obtaining finance are initially recognised on the balance sheet and are spread evenly over the life of the financial instrument to which they relate. Such items are deducted from the carrying value of the financial instrument.

Work in progress

Stock represents development properties which are valued at the lower of cost and net realisable value. Cost is based on the cost of acquired properties including attributable acquisition costs and costs of conversion.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 (Revised) from presenting a cash flow statement as a consolidated cash flow statement is included in the financial statements of the parent company.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Bankside Developments Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

2 Turnover

Turnover is wholly attributable to the principal activities of the company and arises solely within the United Kingdom

3 Directors

No directors received any remuneration in the current or previous year

Excluding the directors there were no employees during the year

4 Other income

Other income includes £Nil (2005 - £11,170,027) arising on the forgiveness of the deep discount bond and accrued discount due to London Town plc

5 Operating profit

	2006 £	2005 £
This has been arrived at after charging		
Auditors' remuneration	5,705	4,200
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2006 £	2005 £
Bank loan interest	303,407	17,139
Discount on deep discount bond	98,784	1,598,380
Bank interest rate hedging fee	72,624	-
Other interest	5,902	-
	<u> </u>	<u> </u>
	480,717	1,615,519
	<u> </u>	<u> </u>

Bankside Developments Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****7 Taxation on (loss)/profit on ordinary activities**

	2006 £	2005 £
<i>Current tax</i>		
UK corporation tax on (loss)/profit for the year	-	-
	<u> </u>	<u> </u>
Total current tax	-	-
	<u> </u>	<u> </u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below

	2006 £	2005 £
(Loss)/profit on ordinary activities before tax	(216,330)	9,399,205
	<u> </u>	<u> </u>
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 – 30%)	(64,899)	2,819,762
Effects of		
Income not taxable for tax purposes	-	(3,351,008)
Expenses not deductible for tax purposes	29,635	50,400
Group relief	-	329,000
Tax losses carried forward	35,264	151,846
	<u> </u>	<u> </u>
Current tax charge for year	-	-
	<u> </u>	<u> </u>

Deferred tax assets of £3,328,000 (2005 - £3,293,000) have not been recognised on potential trading losses of £11,093,000 (2005 - £10,976,000) due to uncertainty over the timing and quantum of their recovery

8 Investment properties

	Freehold land and buildings £
Cost	
At 1 January 2006	-
Additions	37,471,233
	<u> </u>
At 31 December 2006	37,471,233
	<u> </u>

The investment properties were valued by the directors as at 31 December 2006 on an open market value basis. The directors do not believe that there is a material difference between the open market values of the investment properties and their historical cost

Bankside Developments Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****9 Investments in subsidiary undertakings****£***Cost*

Additions and 31 December 2006

216

The company's investments at the balance sheet date comprise a 100% holding in the ordinary issued share capital of Draught Developments, an unlimited company incorporated in England whose principal activities are property development and property investment

10 Stocks**2006
£****2005
£**

Work in progress

5,281,741

-

11 Debtors**2006
£****2005
£**

Trade debtors

228,377

-

Other debtors

118,296

-

Prepayments and accrued income

92,246

-

438,919

-

12 Creditors: amounts due within one year**2006
£****2005
£**

Amounts due to parent company

873,884

-

Trade creditors

17,340

-

Other creditors

140,813

-

Other taxes and social security

20,186

-

Accruals and deferred income

759,591

2,295

1,811,814

2,295

Bankside Developments Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****13 Creditors: amounts due after one year**

	2006 £	2005 £
Bank loan	31,931,139	-
Financial transaction expense	(330,820)	-
Deep discount bond	1,783,644	-
	<u>33,383,963</u>	<u>-</u>

The bank loan is secured by a fixed charge over the company's freehold property and bears interest at floating rates of three month LIBOR plus 1.65%. The bank loans are for a 5 year term ending on 26 September 2011.

The deep discount bond was issued on 31 May 2006. Discount accrues at 10 per cent per annum and compounds annually. The bond was repaid in April 2007 at a value of £1.83m.

14 Share capital

	Authorised £	Allotted, called up and fully paid £
<i>Ordinary shares of £1 each</i>		
1 January 2006	2,500	2,500
Increase in authorised share capital	119,997,500	-
New shares issued	-	8,403,266
	<u>120,000,000</u>	<u>8,405,766</u>
31 December 2006		

On 29 November 2006 the authorised share capital was increased to 120,000,000 ordinary shares of £1. On the same date, 8,403,266 shares were issued to the company's parent company, London Town plc, at par.

15 Reconciliation of movement in shareholders' funds

	2006 £	2005 £
Opening shareholders' funds	-	(9,399,205)
(Loss)/profit for the year	(216,330)	9,399,205
Issue of share capital	8,403,266	-
	<u>8,186,936</u>	<u>-</u>
Closing shareholders' funds		

Bankside Developments Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

16 Ultimate controlling party

At 31 December 2006, the company's parent company was London Town plc. The ultimate controlling party of the group is The Horizon Charitable Trust, by virtue of its majority shareholding in London Town plc. Copies of the consolidated financial statements of London Town plc are available from Companies House.