


Registered number
4525949

London & Regional Group Holdings Limited

Report and Accounts

30 September 2006

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London & Regional Group Holdings Limited
Report and accounts
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London & Regional Group Holdings Limited
Company Information

Directors

Mr C King

Secretary

Mr R N Luck

Auditors

UHY Hacker Young
168 Church Road
Hove
East Sussex
BN3 2DL

Registered office

St Alphage House
2 Fore Street
London
EC2Y 5DH

Registered number

4525949

London & Regional Group Holdings Limited

Directors' Report

The directors present their report and the group and company accounts for the year ended 30 September 2006

Principal activities

The group's principal activity during the year was property investment and development and investment in hotel and health clubs operations. The company's principal activity is that of a holding company.

Review of the business and future developments

The profit and loss account is set out on page 6 and shows turnover for the year of £350.0 million and a profit after taxation of £710.3 million.

Turnover increased over the previous year due to the acquisition of investment properties and hotel and health club businesses. The latter acquisitions account for the increased cost of sales.

The increase in profit after taxation reflects exceptional items of £680.0 million being profits on the sale of the group's Nordic property investment business, the sale of an interest in a joint venture and the sale of other investment properties above book value.

The investment properties were revalued as at 30 September 2006 by the directors taking independent advice resulting in an uplift of £107.2 million.

Principal risks and uncertainties

The group's income derives from a wide geographical area and tenant base which diversifies the principal risks which arise in the group's business. Similarly the group's investment in hotels and health clubs provides a variation of its existing property investments.

The majority of the group's borrowings are hedged at fixed interest rates.

The group monitors cashflow as part of its day to day control procedures and also monitors credit risks. The directors regularly consider cash flow projections and ensure that appropriate bank facilities and internal resources are available to be drawn upon as necessary.

Policy on payment of creditors

It is a group policy that all suppliers are dealt with in accordance with standard payment practices whereby all outstanding trade accounts are settled within the greater of the settled terms advised by the supplier at the time of the supply and 45 days following the date of purchase.

Results and dividends

The results for the year are set out in the consolidated profit and loss account for the year on page 6. The directors do not recommend the payment of a dividend.

London & Regional Group Holdings Limited

Directors' Report

Directors

The directors who served during the year were

Mr I M Livingstone (resigned 4 April 2007)
Mr C King

The directors had no interest in the ordinary shares of the company at any time during the year

Disabled Employees

The Group gives every consideration to applications from disabled persons where the requirements of the job may be adequately fulfilled by a handicapped or disabled person

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate

Auditors

The Company has passed an Elective Resolution, pursuant to Section 386 of the Companies Act 1985, electing to dispense with the obligation to re-appoint auditors annually. The resolution remains in force.

This report was approved by the board on 28 September 2007



Mr R N Luck
Secretary

London & Regional Group Holdings Limited

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts 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 for that period. In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for maintaining 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 accounts 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

London & Regional Group Holdings Limited

Independent auditors' report to the shareholder of London & Regional Group Holdings Limited

We have audited the accounts of London & Regional Group Holdings Limited for the year ended 30 September 2006 which comprise pages 5 to 24. These accounts have been prepared under the historical cost convention, as modified to include the revaluation of fixed assets, and 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

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

Our responsibility is to audit the accounts 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 accounts 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 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.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and company as at 30 September 2006 and of the group profit for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the accounts for the year ended 30 September 2006.

 28 SEP 2007

UHY Hacker Young
Chartered Accountants and Registered Auditors

168 Church Road
Hove
East Sussex
BN3 2DL

London & Regional Group Holdings Limited
Consolidated Profit and Loss Account
for the year ended 30 September 2006

	Notes	2006 £	2005 £
Turnover group and share of joint ventures	2	350,042,948	242,241,140
Less share of joint ventures' turnover		<u>(13,957,841)</u>	<u>(14,284,046)</u>
Group turnover		336,085,107	227,957,094
Cost of sales		(80,672,061)	(7,743,764)
Gross profit		<u>255,413,046</u>	<u>220,213,330</u>
Administrative expenses		(57,608,616)	(69,852,906)
Other operating income		2,600,244	5,748,388
Operating profit	3	<u>200,404,674</u>	<u>156,108,812</u>
Share of operating profit in joint ventures		10,776,693	18,840,970
Exceptional items	4	680,048,546	49,958,815
		<u>891,229,913</u>	<u>224,908,597</u>
Income from investments		2,064,739	1,688
Interest receivable	6	31,141,178	14,760,206
Interest payable and similar charges	7	(203,662,194)	(189,283,670)
Profit on ordinary activities before taxation		<u>720,773,636</u>	<u>50,386,821</u>
Tax on profit on ordinary activities	9	(10,501,827)	(2,328,132)
Profit on ordinary activities after taxation		<u>710,271,809</u>	<u>48,058,689</u>
Minority interests		(68,042,429)	(2,952,303)
Profit for the financial year	24	<u>642,229,380</u>	<u>45,106,386</u>

All transactions are derived from continuing activities

London & Regional Group Holdings Limited
Consolidated Statement of Total Recognised Gains and Losses
for the year ended 30 September 2006

	Notes	2006 £	2005 £
Profit for the financial year		642,229,380	45,106,386
Unrealised surplus on revaluation of properties	21	107,213,686	143,457,399
Unrealised surplus on revaluation of properties with joint ventures	21	14,988,787	41,361,454
Unrealised loss on re-translation of opening net assets of overseas subsidiaries		(716,846)	(2,795,340)
Unrealised gain on other reserves	23	-	3,689,462
Total recognised gains and losses related to the year		<u>763,715,007</u>	<u>230,819,361</u>

Note of historical cost profits and losses
for the year ended 30 September 2006

	2006 £	2005 £
Profit on ordinary activities before taxation	720,773,636	50,386,821
Realisation of prior year revaluations of investment properties	29,171,129	57,649,505
Historical cost profit on ordinary activities before taxation	<u>749,944,765</u>	<u>108,036,326</u>

London & Regional Group Holdings Limited
Consolidated Balance Sheet
as at 30 September 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible assets	10	53,690,455	-
Tangible assets	11	2,676,473,900	2,867,674,820
<i>Investments in joint ventures</i>	12		
Share of gross assets		199,344,694	239,527,913
Share of gross liabilities		(181,246,220)	(174,535,008)
		18,098,474	64,992,905
Other investments	12	63,045,760	8,699,503
		<u>2,811,308,589</u>	<u>2,941,367,228</u>
Current assets			
Development properties and stocks	13	19,052,084	22,520,108
Debtors	14	443,955,655	90,499,892
Investments held as current assets	15	25,012,754	31,892,978
Cash at bank and in hand		547,696,922	333,402,501
		<u>1,035,717,415</u>	<u>478,315,479</u>
Creditors amounts falling due within one year	16	<u>(363,654,999)</u>	<u>(189,196,785)</u>
Net current assets		672,062,416	289,118,694
Total assets less current liabilities		<u>3,483,371,005</u>	<u>3,230,485,922</u>
Creditors amounts falling due after more than one year	17	(2,049,001,596)	(2,514,252,916)
Provisions for liabilities and charges			
Other provisions	19	(4,917,654)	(2,763,865)
		<u>1,429,451,755</u>	<u>713,469,141</u>
Capital and reserves			
Called up share capital	20	290,714,316	290,714,316
Revaluation reserve	21	407,608,591	365,867,013
Merger reserve	22	(265,982,563)	(279,329,965)
Profit and loss account	24	921,492,838	251,083,025
Other reserve	23	-	60,432,173
Shareholders' funds			
Equity	25	<u>1,353,833,182</u>	<u>688,766,562</u>
Minority interests		75,618,573	24,702,579
		<u>1,429,451,755</u>	<u>713,469,141</u>


Mr C King
Director

Approved by the board on 28 September 2007

London & Regional Group Holdings Limited
Balance Sheet
as at 30 September 2006

	Notes	Company	2006 £	Company	2005 £
Fixed assets					
Investments	12		490,882,845		290,714,315
Current assets					
Debtors	14	223,357,086		80,022,120	
Cash at bank and in hand		-		42,115,032	
		<u>223,357,086</u>		<u>122,137,152</u>	
Creditors amounts falling due within one year	16	<u>(200,168,530)</u>		<u>-</u>	
Net current assets			23,188,556		122,137,152
Total assets less liabilities			<u>514,071,401</u>		<u>412,851,467</u>
			<u>514,071,401</u>		<u>412,851,467</u>
Capital and reserves					
Called up share capital	20		290,714,316		290,714,316
Profit and loss account	24		223,357,085		122,137,151
Shareholders' funds					
Equity			<u>514,071,401</u>		<u>412,851,467</u>
	25		<u>514,071,401</u>		<u>412,851,467</u>



Mr C King
Director

Approved by the board on 28 September 2007

London & Regional Group Holdings Limited
Consolidated Cash Flow Statement
for the year ended 30 September 2006

	Notes	2006 £	2005 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		200,404,674	156,108,812
Depreciation and amortisation charges		1,731,829	960,544
Decrease in stocks		3,468,024	8,701,220
Increase in debtors		(304,977,509)	(930,770)
Decrease in creditors		(96,285,226)	(126,477,548)
Net cash (outflow)/inflow from operating activities		(195,658,208)	38,362,258
CASH FLOW STATEMENT			
Net cash (outflow)/inflow from operating activities		(195,658,208)	38,362,258
Returns on investments and servicing of finance	26	(136,385,824)	(146,754,796)
Taxation		(5,892,106)	(6,009,792)
Acquisitions and disposals	26	870,543,560	(504,506,136)
		532,607,422	(618,908,466)
Management of liquid resources	26	6,880,224	(5,747,202)
Financing	26	(325,094,280)	766,368,253
Increase in cash		214,393,366	141,712,585
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		214,393,366	141,712,585
Decrease/(increase) in debt		314,321,295	(796,793,975)
(Decrease)/increase in liquid resources		(6,880,224)	5,747,202
Translation difference		(11,032,439)	18,231,805
Change in net debt	27	510,801,998	(631,102,383)
Net debt at 1 October		(2,203,979,170)	(1,572,876,787)
Net debt at 30 September		(1,693,177,172)	(2,203,979,170)

London & Regional Group Holdings Limited
Notes to the Accounts
for the year ended 30 September 2006

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention as modified to include the revaluation of fixed assets and in accordance with applicable accounting standards except as explained below in respect of the treatment of negative goodwill

Basis of consolidation

The group accounts consolidate the company and its subsidiaries. Group reconstructions are accounted for under the merger accounting rules. Subsidiaries acquired are accounted for under the acquisition accounting rules. Intra-group transactions have been eliminated.

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company is not presented in these accounts. The profit for the year attributable to the shareholders of the company was £101,219,934 (2005 £82,018,904).

Joint venture undertakings are consolidated under the gross equity method of accounting.

Foreign subsidiaries are translated using the closing rate method under SSAP 20. Exchange differences arising are taken to reserves.

Goodwill

Positive goodwill is the excess of the cost of an acquired entity over the fair values of that entity's identifiable assets and liabilities. Positive goodwill relating to acquisitions made is shown in the balance sheet as an asset, and is amortised evenly over its estimated useful economic life of 20 years. In addition to this regular amortisation, the book value is written down to the recoverable amount when any impairment is identified.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries is included in the statement of total recognised gains and losses and is credited to other reserves, to the extent that it arises on investment properties. This is not in accordance with FRS 10, which requires that negative goodwill should be presented as a negative asset immediately below the goodwill heading on the balance sheet. Since the negative goodwill relates to investment properties, which are neither depreciated nor held for resale, the negative goodwill could remain on the balance sheet as a negative asset indefinitely. The directors consider that the treatment required by FRS 10 would not show a true and fair view, as it would not properly reflect the particular transaction or correctly state the net assets of the group. The treatment adopted is not inconsistent with the requirements of the Companies Act 1985.

Depreciation

Compliance with Statement of Standard Accounting Practice 19 (SSAP 19) "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation for the departure is given below.

Investment properties

In accordance with SSAP 19, investment properties are revalued annually and the surplus or deficit is transferred to the revaluation reserve unless a deficit is expected to be permanent, in which case it is transferred to the profit and loss account. No depreciation is provided in respect of investment properties. This departure from the Companies Act 1985, which requires all properties to be depreciated, is, in the opinion of the directors, necessary for the financial statements to show a true and fair view in accordance with applicable accounting standards.

Investment properties are treated as acquired or sold where there is an unconditional contract for purchase or sale. The profit or loss on sale is treated as an exceptional item in the profit and loss account.

Operational properties

Operational properties are written off on a straight line basis over their useful economic lives less residual value as follows:

- Freehold land is not depreciated
- Freehold buildings are depreciated over periods up to 50 years
- Leasehold properties are depreciated over the shortest of 50 years, or their estimated useful lives, or their remaining lease periods

London & Regional Group Holdings Limited
Notes to the Accounts
for the year ended 30 September 2006

Other tangible assets

Provision is made for depreciation on all other tangible assets at rates calculated to write off the cost of each asset over its useful life as follows

Fixtures & Equipment	6.67% to 20% per annum on straight line basis
Plant & Machinery	25% per annum on straight line basis
Motor Vehicles	20% per annum on straight line basis

Development properties

Development properties represent property held with the intention of resale and work in progress. Development property is included at the lower of cost and net realisable value. Where cost exceeds the value of the property then adjustments are made to write down the value accordingly. Cost represents all costs incurred to the balance sheet date but does not include any interest costs. Sales of development properties are shown as turnover when there is an unconditional contract for sale.

Current asset investments

Current asset investments are stated at the lower of cost and net realisable value.

Pension costs

The pension costs charged in the financial statements represent the contribution payable by the group during the year.

Stocks

Stock is valued at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date that give rise to an obligation to pay more or less tax in the future. Deferred tax is not recognised when fixed assets are revalued unless, by the balance sheet date, there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Deferred tax is measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Turnover

Turnover represents amounts invoiced, net of value added tax, and derived from the group's principal activities.

Finance Costs

Finance costs associated with raising bank loans are amortised over the period of the loan. Unamortised finance costs are deducted from the loan in accordance with FRS4.

Operating leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

2 Turnover

The turnover and profit before tax are attributable to the principal activities of the group.

	2006 £	2005 £
Analysis of turnover by geographical market		
United Kingdom	112,990,025	113,278,634
Scandinavia	187,530,597	120,610,999
Germany	44,280,139	8,351,507
Poland	3,568,531	-
Turks and Caicos	1,673,656	-
	<u>350,042,948</u>	<u>242,241,140</u>

London & Regional Group Holdings Limited
Notes to the Accounts
for the year ended 30 September 2006

	2006	2005
	£	£
Analysis of turnover by investment industry sector or source		
Rental income	262,040,500	231,784,458
Property sales	2,563,124	10,456,682
Hotel operations	74,255,377	-
Health club operations	11,183,947	-
	<u>350,042,948</u>	<u>242,241,140</u>
3 Operating profit	2006	2005
	£	£
This is stated after charging		
Depreciation of owned fixed assets	1,547,921	471,347
Auditors' remuneration		
Parent company auditors	185,250	153,215
Other auditors	129,304	123,804
Amortisation of purchased goodwill	183,908	489,198
Operating lease charges - land and buildings	<u>414,784</u>	<u>205,793</u>
4 Exceptional items	2006	2005
	£	£
Profit on sale of subsidiary undertakings	621,289,616	411,034
Profit/(loss) on sale of investment properties	16,957,365	51,507,487
Profit/(loss) on sale of interests in joint ventures	41,155,811	813,146
Share of joint ventures' profit/(loss) on sale of fixed assets	<u>645,754</u>	<u>(2,772,852)</u>
	<u>680,048,546</u>	<u>49,958,815</u>
5 Staff costs	2006	2005
	£	£
Employee costs including executive directors amounted to		
Wages and salaries	24,642,068	7,144,578
Social security costs	3,702,810	1,061,549
Pension costs (note 8)	<u>2,090,813</u>	<u>496,173</u>
	<u>30,435,691</u>	<u>8,702,300</u>
The average weekly number of employees including executive directors was	Number	Number
Management and administration	<u>897</u>	<u>277</u>
	£	£
Directors' remuneration	<u>294,375</u>	<u>463,750</u>
Highest paid director		
Director's remuneration	<u>244,375</u>	<u>413,750</u>
6 Interest receivable	2006	2005
	£	£
Bank and other interest	30,224,915	11,724,733
Share of joint ventures' bank and other interest	<u>916,263</u>	<u>3,035,473</u>
	<u>31,141,178</u>	<u>14,760,206</u>

London & Regional Group Holdings Limited
Notes to the Accounts
for the year ended 30 September 2006

7 Interest payable and similar charges

	2006	2005
	£	£
Bank loans	168,927,051	134,780,909
Amortisation of finance costs	8,304,973	10,820,957
Swap break costs	5,399,125	27,375,837
Other loans	9,876,756	414,221
Share of joint ventures' loan interest and finance costs	11,154,289	15,891,746
	<u>203,662,194</u>	<u>189,283,670</u>

8 Pension costs

The group operates defined contribution schemes. The schemes and their assets are managed and held by independent managers. The pension charge represents contributions due from the group to the schemes and amount to £2,086,898 (2005 £487,079). In addition, the group has made contributions to employees' personal pension schemes amounting to £3,915 (2005 £9,094).

9 Taxation

	2006	2005
	£	£
UK corporation tax	28,257	57,481
Share of joint ventures' taxation	1,049,696	-
Overseas taxes	9,423,874	2,270,651
	<u>10,501,827</u>	<u>2,328,132</u>

Factors affecting tax charge for period

	2006	2005
	£	£
Profit on ordinary activities before tax	<u>720,773,636</u>	<u>50,386,821</u>
Standard rate of corporation tax in the UK	30%	30%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	216,232,091	15,116,046
Effects of		
Expenses not deductible for tax purposes	530,057	152,060
Capital allowances for period in excess of depreciation	(6,435,472)	(5,916,248)
Realised revaluation gains less adjustments for taxation	3,478,025	10,600,551
Profits of joint ventures and overseas subsidiaries (taxed at a lower rate)	(206,614,532)	-
Share of joint ventures' taxation	1,049,696	-
Overseas taxes	9,423,874	2,270,651
Utilisation of tax losses	(7,161,912)	(19,894,928)
Current tax charge for period	<u>10,501,827</u>	<u>2,328,132</u>

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing properties to their open market value. The directors have no intention of selling the properties, and therefore, at present, it is not envisaged that any tax will become payable in the foreseeable future. The directors consider that it is too onerous to provide an estimate of the tax that would be payable if the properties were sold at the values shown. Such a tax estimate is not considered meaningful as properties are often divested through the sale of companies.

No deferred tax asset has been recognised in the accounts in respect of taxation losses as there is no certainty as to when the group will make sufficient taxable profits to utilise the taxation losses. The group has an unrecognised deferred tax asset of approximately £1 million (2005 £8 million) in this respect.

London & Regional Group Holdings Limited
Notes to the Accounts
for the year ended 30 September 2006

10 Intangible fixed assets

Goodwill	£
Cost	
Acquisition of group companies	12,613,239
Additions	<u>42,306,286</u>
At 30 September 2006	<u>54,919,525</u>
Amortisation	
Acquisition of group companies	1,045,162
Provided during the year	<u>183,908</u>
At 30 September 2006	<u>1,229,070</u>
Net book value	
At 30 September 2006	<u>53,690,455</u>
At 30 September 2005	<u>-</u>

Goodwill relates to the acquisition of subsidiaries in note 29

11 Tangible fixed assets

Investment Properties

Group	Long Leasehold Properties £	Freehold Properties £	Total £
Valuation			
At 1 October 2005	486,041,656	2,376,880,440	2,862,922,096
Currency exchange difference on translation	-	(11,650,340)	(11,650,340)
Acquisition of group companies	-	545,554,645	545,554,645
Additions	35,198,740	50,165,596	85,364,336
Reclassifications	6,124,042	(6,124,042)	-
Surplus on revaluation	17,189,516	89,990,683	107,180,199
Disposals	<u>(1,875,000)</u>	<u>(1,125,521,777)</u>	<u>(1,127,396,777)</u>
At 30 September 2006	<u>542,678,954</u>	<u>1,919,295,205</u>	<u>2,461,974,159</u>
Cost			
At 30 September 2006	<u>382,025,998</u>	<u>1,695,173,127</u>	<u>2,077,199,125</u>

The investment properties were valued on an open market valuation basis as at 30 September 2006 by the directors with the advice of independent valuers

London & Regional Group Holdings Limited
Notes to the Accounts
for the year ended 30 September 2006

Operational Properties

Group	Long Leasehold Properties £	Freehold Properties £	Total £
Cost			
At 1 October 2005	-	-	-
Acquisition of group companies	101,660,093	88,992,165	190,652,258
Additions	217,733	77,237	294,970
At 30 September 2006	<u>101,877,826</u>	<u>89,069,402</u>	<u>190,947,228</u>
Depreciation			
At 1 October 2005	-	-	-
Acquisition of group companies	20,811,072	1,095,789	21,906,861
Charge for the year	115,577	46,173	161,750
At 30 September 2006	<u>20,926,649</u>	<u>1,141,962</u>	<u>22,068,611</u>
Net book value			
At 30 September 2006	<u>80,951,177</u>	<u>87,927,440</u>	<u>168,878,617</u>
At 1 October 2005	<u>-</u>	<u>-</u>	<u>-</u>

Other tangible assets

Group	Fixtures & Equipment £	Motor Vehicles £	Total £
Cost			
At 1 October 2005	5,637,053	244,667	5,881,720
Acquisition of group companies	73,956,001	168,239	74,124,240
Additions	665,105	26,850	691,955
Disposals	(37,411)	-	(37,411)
At 30 September 2006	<u>80,220,748</u>	<u>439,756</u>	<u>80,660,504</u>
Depreciation			
At 1 October 2005	886,330	242,666	1,128,996
Acquisition of group companies	32,503,755	43,279	32,547,034
Charge for the year	1,375,701	10,470	1,386,171
On disposals	(22,821)	-	(22,821)
At 30 September 2006	<u>34,742,965</u>	<u>296,415</u>	<u>35,039,380</u>
Net book value			
At 30 September 2006	<u>45,477,783</u>	<u>143,341</u>	<u>45,621,124</u>
At 1 October 2005	<u>4,750,723</u>	<u>2,001</u>	<u>4,752,724</u>

London & Regional Group Holdings Limited
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12 Investments

Company	Investments in subsidiary undertakings £
Cost	
At 1 October 2005	290,714,315
Additions	200,168,530
At 30 September 2006	<u>490,882,845</u>

The company holds directly 100% of the ordinary share capital of the following companies, all of which are incorporated in England & Wales

Company	Principal activity
London & Regional Investment Holdings Ltd	Holding company
London & Regional Properties Ltd (also owns deferred share capital)	Property management
London & Regional Group Finance Ltd	Treasury
London & Regional Hotel Holdings Ltd	Holding company
London & Regional Overseas Ltd	Holding company
London & Regional Dormant Holdings Ltd	Holding company
London & Regional Commercial Properties Holdings Ltd	Holding company
London & Regional PFI Projects Holdings Ltd	Holding company

The above directly owned subsidiaries hold a number of subsidiaries. Details of these have not been disclosed because disclosure would be too excessive

Other Investments

Group	2006 £	2005 £
Investments in joint ventures	18,098,474	64,992,905
Listed investments	5,420,465	42,675
Unlisted investments	<u>57,625,295</u>	<u>8,656,828</u>
	<u>81,144,234</u>	<u>73,692,408</u>

London & Regional Group Holdings Limited
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Investments in joint ventures

The group's share of the net assets of the joint ventures are as follows

	2006 £	2005 £
<i>Share of assets</i>		
Share of fixed assets	193,448,441	219,008,939
Share of current assets	<u>5,896,253</u>	<u>20,518,974</u>
	<u>199,344,694</u>	<u>239,527,913</u>
<i>Share of liabilities</i>		
Liabilities due within one year	9,292,010	26,933,832
Liabilities due after more than one year	<u>171,954,210</u>	<u>147,601,176</u>
	<u>181,246,220</u>	<u>174,535,008</u>
Share of net assets	<u>18,098,474</u>	<u>64,992,905</u>

The group has the following joint venture investments

Entity	Holding	Principal Activity
WH2001/L&R Holdings Partnership (an investment held by LR Horizon Ltd)	33% of partnership net assets	Property investment
Wesenitz Holding Sarl (Luxembourg registered company, an investment held by London & Regional Overseas Ltd)	50% shareholding	Property investment
Avant Investments Sp Zoo (Poland registered company, an investment held by Wiatk Corporation Sarl)	50% shareholding	Property investment

Listed investments	2006 £	2005 £
Listed investments - market value	<u>4,658,358</u>	<u>78,545</u>

13 Development properties and stocks

	Group 2006 £	2005 £
Properties held for resale	7,858,117	7,137,816
Work in progress	10,672,745	15,382,292
Goods for resale	<u>521,222</u>	<u>-</u>
	<u>19,052,084</u>	<u>22,520,108</u>

14 Debtors

	Group 2006 £	2005 £
Trade debtors	7,591,129	14,765,305
Amounts owed by joint ventures	18,143,605	7,703,448
Other debtors	390,824,946	49,705,687
Prepayments and accrued income	<u>27,395,975</u>	<u>18,325,452</u>
	<u>443,955,655</u>	<u>90,499,892</u>
Amounts due after more than one year included in Other debtors	<u>129,361,140</u>	<u>-</u>

Other debtors include amounts receivable from property sales recognised before the year end

London & Regional Group Holdings Limited
Notes to the Accounts
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	Company 2006 £	2005 £
Amounts owed by group undertakings	223,357,085	80,000,000
Prepayments and accrued income	-	22,119
Other debtors	1	1
	<u>223,357,086</u>	<u>80,022,120</u>

15 Investments held as current assets	Group 2006 £	2005 £
Listed investments	-	31,892,978
Unlisted investments	<u>25,012,754</u>	<u>-</u>
	<u>25,012,754</u>	<u>31,892,978</u>
Valuation		
Listed investments - market value	<u>-</u>	<u>31,892,978</u>

16 Creditors amounts falling due within one year	Group 2006 £	2005 £
Bank loans and overdrafts	188,776,478	36,965,708
Other loan	55,482	-
Trade creditors	12,229,351	9,464,985
Amounts owed to joint ventures	-	16,930,083
Corporation tax	4,720,952	111,231
Other taxes and social security costs	4,470,613	4,689,646
Other creditors	88,438,466	8,436,860
Accruals and deferred income	<u>64,963,657</u>	<u>112,598,272</u>
	<u>363,654,999</u>	<u>189,196,785</u>

	Company 2006 £	2005 £
Amounts owed to group undertakings	<u>200,168,530</u>	<u>-</u>

The bank loans are secured by fixed charges over the investment properties and properties held for resale

17 Creditors amounts falling due after one year	Group 2006 £	2005 £
Bank loans	1,553,022,052	2,495,867,577
Loan notes	490,200,000	-
Other loans	33,832,836	36,441,364
Finance costs	<u>(28,053,292)</u>	<u>(18,056,025)</u>
	<u>2,049,001,596</u>	<u>2,514,252,916</u>

The bank loans and loan notes are secured by fixed charges over the investment properties and properties held for resale

London & Regional Group Holdings Limited
Notes to the Accounts
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18 Loans	Group 2006 £	2005 £
Loans are repayable as follows		
Bank loans and overdrafts	1,741,798,530	2,532,833,285
Loan notes	490,200,000	-
Other loans	33,832,836	36,441,364
	<u>2,265,831,366</u>	<u>2,569,274,649</u>
Analysis of maturity of debt		
Within one year or on demand	185,389,173	36,973,168
Between one and two years	50,849,751	195,523,749
Between two and five years	143,561,702	1,186,970,860
After five years	1,886,030,740	1,149,806,872
	<u>2,265,831,366</u>	<u>2,569,274,649</u>

The bank loans and loan notes are secured by fixed charges over the investment properties and properties held for resale. The bank loans are repayable by instalments from surplus rental income and by bullets on fixed repayment dates. The bank loans and loan notes bear interest at LIBOR plus a margin and, in most cases, the interest rate is effectively fixed through hedging.

19 Provisions for liabilities and charges	Other £	Life Cycle £	Group Total £
At 1 October 2005	94,720	2,669,145	2,763,865
Provisions made during the year	1,921,601	232,188	2,153,789
	<u>2,016,321</u>	<u>2,901,333</u>	<u>4,917,654</u>
At 30 September 2006			

The life cycle provision relates to contractual obligations under PFI project agreements in respect of life cycle replacement programmes.

20 Share capital	Company 2006 £	2005 £
Authorised		
310,000,000 ordinary shares of £1 each	<u>310,000,000</u>	<u>310,000,000</u>
	2006 No	2005 No
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>290,714,316</u>	<u>290,714,316</u>

21 Revaluation reserve	2006 £	2005 £
At 1 October	365,867,013	240,091,840
Currency exchange difference on translation	(50,383)	-
Arising on revaluation of investment properties	107,213,686	143,457,399
Arising on revaluation of investment properties within joint ventures	14,988,787	41,361,454
Realised on disposals of investment properties	(25,008,290)	(57,649,505)
Realised on disposals of investment properties within joint ventures	(4,162,839)	-
Realised on disposal of interest in joint venture	(53,815,121)	-
Acquired by minority interest	2,575,738	(1,394,175)
	<u>407,608,591</u>	<u>365,867,013</u>
At 30 September		

London & Regional Group Holdings Limited
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22 Merger reserve	Group 2006 £	2005 £
At 1 October	(279,329,965)	(274,189,036)
Currency exchange difference on translation	-	(450,803)
Movement during the year	13,347,402	(4,690,126)
At 30 September	<u>(265,982,563)</u>	<u>(279,329,965)</u>

The movement during the year relates to former merged subsidiaries being dissolved or sold in the year

23 Other reserve	Group 2006 £	2005 £
At 1 October	60,432,173	65,414,290
Currency exchange difference on translation	(273,031)	(2,031,418)
Movement in the year	(60,159,142)	3,689,462
Acquired by minority interest	-	(6,640,161)
At 30 September	<u>-</u>	<u>60,432,173</u>

The other reserve arises from negative goodwill in foreign subsidiaries acquired or sold

24 Profit and loss account	Group 2006 £	2005 £
At 1 October	251,083,025	153,398,669
Currency exchange difference on translation	(393,432)	(763,922)
Retained profit	642,229,380	45,106,386
Transfer from revaluation reserve on realisation	29,171,129	57,649,505
Disposal of interest in joint venture	(711,283)	-
Acquired by minority interest	114,019	(4,307,613)
At 30 September	<u>921,492,838</u>	<u>251,083,025</u>

	Company 2006 £	2005 £
At 1 October	122,137,151	40,118,247
Retained profit	101,219,934	82,018,904
At 30 September	<u>223,357,085</u>	<u>122,137,151</u>

London & Regional Group Holdings Limited
Notes to the Accounts
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25 Reconciliation of movement in shareholders' funds

	Group	
	2006	2005
	£	£
At 1 October	688,766,562	475,430,079
Profit for the financial year	642,229,380	45,106,386
Currency exchange difference on translation	(716,846)	(2,795,340)
Unrealised surplus on revaluation of properties	122,202,473	184,818,853
Movement on merger reserve	13,347,402	(5,140,929)
Movement on other reserve	(60,159,142)	3,689,462
Sold/(acquired) by minority interest	2,689,757	(12,341,949)
Disposal of interest in joint venture	(54,526,404)	-
	<hr/>	<hr/>
At 30 September	1,353,833,182	688,766,562

	Company	
	2006	2005
	£	£
At 1 October	412,851,467	330,832,563
Retained profit	101,219,934	82,018,904
	<hr/>	<hr/>
At 30 September	514,071,401	412,851,467

26 Gross cash flows

	2006	2005
	£	£
Returns on investments and servicing of finance		
Dividends received	2,064,739	1,688
Interest received	31,141,178	11,724,733
Distributions from joint venture investments	25,765,480	4,089,750
Interest paid	(195,357,221)	(162,570,967)
	<hr/>	<hr/>
	(136,385,824)	(146,754,796)

Acquisitions and disposals		
Payments to acquire tangible fixed assets	(632,128,966)	(711,306,415)
Payments to acquire investments	(54,346,257)	(8,606,328)
Proceeds on sale of fixed assets	1,189,720,868	408,685,694
Proceeds on sale of subsidiary	520,662,755	411,034
Proceeds on sale of investments	42,666,063	-
Purchase of subsidiaries	(199,891,019)	(118,519,331)
Cash and loans acquired in acquired subsidiaries	3,860,116	(75,170,790)
	<hr/>	<hr/>
	870,543,560	(504,506,136)

Management of liquid resources		
Purchase of current asset investments	(25,012,754)	(5,747,202)
Sale of current asset investments	31,892,978	-
	<hr/>	<hr/>
	6,880,224	(5,747,202)

Financing		
Movement in loans	(303,387,801)	796,793,975
Financing costs incurred	(18,302,240)	(14,208,495)
Translation difference	11,032,439	(18,231,805)
Capital (to)/from minority	(14,436,678)	2,014,578
	<hr/>	<hr/>
	(325,094,280)	766,368,253

London & Regional Group Holdings Limited
Notes to the Accounts
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27 Analysis of changes in net debt

	At 1 October 2005 £	Cashflow £	Exchange rate movement £	At 30 Sept 2006 £
Cash at bank and in hand	333,402,501	214,393,366	(98,945)	547,696,922
Debt due within 1 year	(36,965,708)	(151,862,497)	(3,755)	(188,831,960)
Debt due after 1 year	(2,532,308,941)	466,183,792	(10,929,739)	(2,077,054,888)
		314,321,295	-	
Current asset investments	31,892,978	(6,880,224)	-	25,012,754
Total	(2,203,979,170)	521,834,437	(11,032,439)	(1,693,177,172)

28 Other financial commitments

At the year end the group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2006 £	Land and buildings 2005 £	Other 2006 £	Other 2005 £
Operating leases which expire within one year	-	-	8,000	-
in over five years	4,504,120	303,120	34,000	-
	4,504,120	303,120	42,000	-

29 Purchase of subsidiaries

	Book value 2006 £	Fair value adjustment 2006 £	Fair value 2006 £
Fixed assets	233,774,620	(12,107,000)	221,667,620
Debtors	48,478,253	-	48,478,253
Cash	3,860,116	-	3,860,116
Creditors	(114,481,256)	-	(114,481,256)
Provisions and other liabilities	(1,940,000)	-	(1,940,000)
	169,691,733	(12,107,000)	157,584,733
Purchased goodwill arising		42,306,286	42,306,286
			199,891,019
Satisfied by			
Cash			199,891,019

The fair value adjustment relates to an impairment provision

Next Generation (Holdings) Limited and Waseley Roadside Restaurants Limited were acquired during the year
The subsidiaries acquired have been accounted for under the acquisition method of accounting

London & Regional Group Holdings Limited
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30 Sale of subsidiaries	2006
	£
Fixed assets	773,478,118
Debtors	42,147,745
Cash	47,151,146
Creditors	(111,642,246)
Bank and other loans	(843,668,043)
	(92,533,280)
Less minority interest	(8,093,581)
	(100,626,861)
Profit on sale	621,289,616
Net proceeds of sale	<u>520,662,755</u>
Satisfied by	
Cash	521,382,469
Less disposal costs	(719,714)
	<u>520,662,755</u>

LR Nordic Properties AB sold a number of its subsidiaries during the year

31 Related party transactions

The company has taken advantage of the exemption in FRS8 that transactions do not need to be disclosed with companies 90% or more of whose voting rights are controlled within the group

At 30 September 2006 the group was owed £708,963 (2005 £698,875) by Optika Holdings Limited, a company 50% indirectly owned by I M Livingstone. The loan does not bear interest and is repayable on demand

32 Parent undertaking

The parent and ultimate parent undertaking is Loopsign Limited, a company incorporated in England and Wales. The ultimate controlling parties are I M Livingstone and R J Livingstone through their joint ownership of Loopsign Limited. The financial statements of Loopsign Limited can be obtained from the Registrar of Companies, Companies' House, Crown Way Cardiff, CF14 3UZ.

33 Post balance sheet events

On 2nd August 2007 the group acting in partnership with Bank of Scotland Corporate, completed the acquisition of David Lloyd Leisure Limited for £925million.

On 21st June 2007 the group disposed of its 50% interest in Telekom Centre, Munich. The property was sold for €259million.