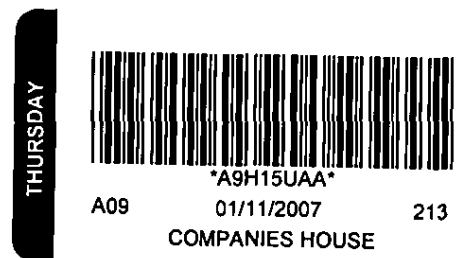


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**London & Stamford Investments
Limited**

Report and Financial Statements

Year ended 31 March 2007



BDO Stoy Hayward
Chartered Accountants

LONDON & STAMFORD INVESTMENTS LIMITED

Report and financial statements for the year ended 31 March 2007

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Directors

H R Mould
P L Vaughan
H J M Price
J Mara (non-executive)
S Little
T J Bishop
J Z Duzniak

Secretary and registered office

J Jessop, 14 Half Moon Street, London, W1J 7BD

Company number

5491360

Auditors

BDO Stoy Hayward LLP, Emerald House, East Street, Epsom, Surrey, KT17 1HS

LONDON & STAMFORD INVESTMENTS LIMITED

Report of the directors for the year ended 31 March 2007

The directors present their report together with the audited financial statements for the year ended 31 March 2007

Results and dividends

The consolidated profit and loss account is set out on page 6 and shows a loss for the year of £4,178,081 (2006 – loss of £422,805)

The directors do not recommend the payment of a final dividend

Principal activities

The principal activity of the group is to invest in commercial property in the UK and continental Europe, both directly and through joint venture agreements. The company itself acts as a holding company.

Review of business and future developments

Whilst the group profit and loss account details a loss for the year of £4,178,081, the directors are pleased with its performance and with the property revaluations of £3,570,395 in total for the year.

During the year the group acquired a further 4 properties in the UK and a portfolio of 36 Belgian properties as part of a corporate acquisition of 3 companies in that country.

In addition, the group had unconditionally exchanged contracts to acquire a further development property in Nottingham at the balance sheet date.

Investment properties with a carrying value of £45,143,000 were professionally valued by the group's UK external valuers. The directors have valued the portfolio of properties owned in Belgium at £23,982,225 based on the open market value given to the directors by the group's external Belgian valuers. Other development assets of £232,764 are held at cost.

Details of significant events since the balance sheet date are set out in note 25 to the financial statements.

Share capital and shareholders

As set out in note 17 to the financial statements, £18,009,000 of the company's authorised £1 ordinary share capital was reclassified and converted into 10p ordinary shares, 10p A ordinary shares and £1 cumulative preferred ordinary shares on 24th August 2006.

Details of movements in and reclassifications of the company's issued share capital are set out in note 17 to the financial statements.

In accordance with FRS25 the £1 cumulative preferred ordinary shares and £1 preference shares in issue have been presented as liabilities in the group and company balance sheets.

Financial risk management objectives and policies

The management of risk is integral to the group's approach to running its property investment activities. The group utilises secured bank debt and shareholder equity, preference and loan capital to fund its property investment purchases. Cash resources generated from the group's operations, including those resulting from strict credit control over its short term debtors and creditors, are utilised in meeting the group's overheads.

LONDON & STAMFORD INVESTMENTS LIMITED

Report of the directors for the year ended 31 March 2007 *(Continued)*

Directors

The directors of the company during the year and their beneficial interests in the shares of the company were as follows

	Ordinary shares of 10 pence each 31 March 2007	A Ordinary shares of 10 pence each 31 March 2007	Cumulative Preferred Ordinary shares of £1 each 31 March 2007	Ordinary shares of £1 each 31 March 2007	Ordinary shares of £1 each 1 April 2006
H R Mould	20,250	-	4,049,325	447,975	450,000
P L Vaughan	20,250	-	4,049,325	447,975	450,000
H J M Price	4,500	-	899,850	99,550	100,000
J Mara – non-executive	-	-	-	-	-
S Little *	-	15,000	-	-	-
T J Bishop **	-	12,500	-	-	-

* *(appointed 24 August 2006)*

** *(appointed 18 October 2006)*

None of the directors have any interests in the company's issued preference shares

Details of the changes made to the company's issued share capital during the year are set out in note 17 to the financial statements

J Z Duzniak was appointed as a director of the company on 24 April 2007

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and exist at the date of this report

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 group and of the profit or loss of the group for that year. 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, and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LONDON & STAMFORD INVESTMENTS LIMITED

Report of the directors for the year ended 31 March 2007 *(Continued)*

Charitable and political contributions

During the year the group made charitable contributions of £nil (2006 £nil) No political contributions were made (2006 £nil)

Disclosure of information to auditors

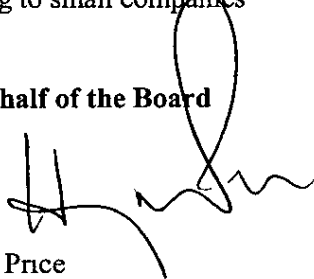
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant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

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office A resolution to re-appoint them will be proposed at the annual general meeting

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

On behalf of the Board

A handwritten signature in black ink, appearing to be 'H J M Price', written over a large, stylized circular mark.

H J M Price
Director

Date 30 October 2007

LONDON & STAMFORD INVESTMENTS LIMITED

Report of the independent auditors

To the shareholders of London & Stamford Investments Limited

We have audited the group and parent company financial statements (the “financial statements”) of London & Stamford Investments Limited for the year ended 31 March 2007 on pages 6 to 30. These financial statements have been prepared under the accounting policies set out on pages 10 to 12.

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 are 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

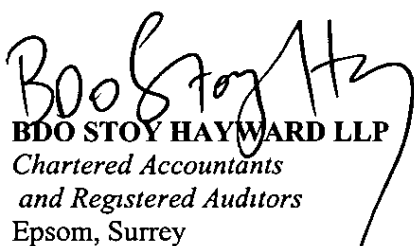
LONDON & STAMFORD INVESTMENTS LIMITED

Report of the independent auditors (*Continued*)

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 March 2007 and of the group's loss for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2007,
- 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*
Epsom, Surrey

Date 30 October 2007

LONDON & STAMFORD INVESTMENTS LIMITED

Consolidated profit and loss account for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £	Period ended 31 March 2006 £
Turnover		2,690,158	-
less: Group and share of joint venture Share of joint venture turnover		-	-
		<hr/>	<hr/>
Turnover	2	2,690,158	-
Direct property costs	16	(615,449)	-
		<hr/>	<hr/>
Gross profit		2,074,709	-
Administrative expenses		(2,644,282)	(431,498)
		<hr/>	<hr/>
Group operating loss	3	(569,573)	(431,498)
Share of operating loss in joint venture	11	(323,684)	-
Provision against loan to joint venture	11	(339,702)	-
		<hr/>	<hr/>
Loss on ordinary activities before interest and other income		(1,232,959)	(431,498)
Net (cost of financing) / financing income - group	5	(2,834,547)	8,693
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(4,067,506)	(422,805)
Taxation on loss on ordinary activities	6	(110,575)	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation	18	(4,178,081)	(422,805)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities

There was no difference between historical cost loss and the reported loss on ordinary activities for the year or the prior period

The notes on pages 10 to 30 form part of these financial statements

LONDON & STAMFORD INVESTMENTS LIMITED

Consolidated statement of total recognised gains and losses for the year ended 31 March 2007

		Note	Year ended 31 March 2007 £	Period ended 31 March 2006 £
(Loss) for the year/period	- group		(3,514,695)	(422,805)
	- joint venture		(663,386)	-
			(4,178,081)	(422,805)
Unrealised surplus on revaluation of investment properties		18	3,570,395	-
Total recognised gains and losses for the year/period			(607,686)	(422,805)

The notes on pages 10 to 30 form part of these financial statements

LONDON & STAMFORD INVESTMENTS LIMITED

Consolidated balance sheet at 31 March 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Investment properties	8		69,357,989		10,984,872
Negative goodwill	9		(2,718,338)		-
Other tangible assets	10		89,262		39,570
			<u>66,728,913</u>		<u>11,024,442</u>
Investment in joint venture					
- share of gross assets		176,083		-	
- share of gross liabilities		(176,083)		-	
		<u>-</u>		<u>-</u>	
- loan to joint venture		-		-	
		<u>-</u>		<u>-</u>	
	11		-		-
			<u>66,728,913</u>		<u>11,024,442</u>
Current assets					
Debtors	12	553,350		110,899	
Cash at bank		3,207,484		1,004,243	
		<u>3,760,834</u>		<u>1,115,142</u>	
Creditors: amounts falling due within one year	13	(57,073,254)		(10,562,389)	
		<u></u>		<u></u>	
Net current liabilities			(53,312,420)		(9,447,247)
Total assets less current liabilities			<u>13,416,493</u>		<u>1,577,195</u>
Creditors: amounts falling due after more than one year	14		(11,851,234)		-
Provisions for liabilities and charges	16		(593,000)		-
			<u></u>		<u></u>
Net assets			<u>972,259</u>		<u>1,577,195</u>
Capital and reserves					
Called up share capital	17		2,002,750		2,000,000
Revaluation reserve	18		3,570,395		-
Profit and loss account	18		(4,600,886)		(422,805)
			<u></u>		<u></u>
Shareholders' funds	19		<u>972,259</u>		<u>1,577,195</u>

The financial statements were approved by the Board and authorised for issue on 30 October 2007

H J M Price
Director

The notes on pages 10 to 30 form part of these financial statements

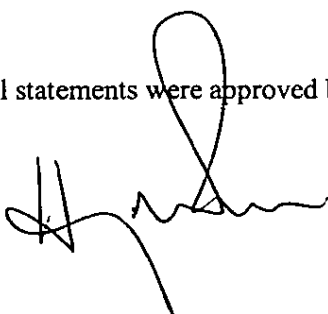
LONDON & STAMFORD INVESTMENTS LIMITED

Company balance sheet at 31 March 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Other tangible assets	10		89,262		39,570
Fixed asset investments	11		1,004		2
			<u>90,266</u>		<u>39,572</u>
Current assets					
Debtors	12	48,855,623		643,071	
Cash at bank		2,600,046		1,004,243	
		<u>51,455,669</u>		<u>1,647,314</u>	
Creditors: amounts falling due within one year	13	(50,783,019)		(109,691)	
Net current assets			<u>672,650</u>		<u>1,537,623</u>
Total assets less current liabilities			<u>762,916</u>		<u>1,577,195</u>
Creditors: amounts falling due after more than one year	14		-		-
Net assets			<u>762,916</u>		<u>1,577,195</u>
Capital and reserves					
Share capital	17		2,002,750		2,000,000
Profit and loss account	18		(1,239,834)		(422,805)
Shareholders' funds	19		<u>762,916</u>		<u>1,577,195</u>

The financial statements were approved by the Board and authorised for issue on 30 October 2007.

H J M Price
Director



The notes on pages 10 to 30 form part of these financial statements

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and are in accordance with applicable accounting standards

In order to show a true and fair view the group's accounting policy in respect of investment properties departs from the requirements of the Companies Act 1985. Details of this departure are given below

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements

Basis of consolidation

The consolidated financial statements incorporate the results of London & Stamford Investments Limited and all of its subsidiary undertakings as at 31 March 2007 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of their acquisition

Negative goodwill

The negative goodwill that has arisen on corporate acquisitions to date has been capitalised in the consolidated balance sheet and will be released to the profit and loss account as and when the investment properties to which it relates are sold

Turnover

Turnover represents rents and associated income receivable from the leasing of investment properties at invoiced amounts less value added tax

Investment properties

In accordance with SSAP19, completed freehold and long leasehold investment properties and partially completed properties under development are revalued annually to open market value. Other investment properties under development are stated at cost less any provision for permanent diminution in value. No depreciation is provided on investment properties

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 impracticable and, in the opinion of the directors, would be misleading

Additions to investment properties include only costs of a capital nature

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

When an investment property is bought or sold, the transaction is recognised in the financial statements on unconditional exchange of contract

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

1 Accounting policies (*continued*)

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable. Such dividends are recognised on an accruals basis.

Joint ventures

An entity is treated as a joint venture where the group holds a long-term interest and shares control of that entity under a contractual agreement. Investments in joint ventures are carried at cost in the parent company's balance sheet, less any provision for permanent diminution in value.

In the group accounts, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated profit and loss account indicates the group's share of the joint venture's turnover and includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings. In the consolidated balance sheet, the group's share of the identifiable gross assets and its share of the gross liabilities attributable to its joint ventures are shown separately.

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 group has entered into a binding sale agreement at the balance sheet date, and,
- the recognition of deferred tax assets is limited to the extent that the group anticipates to make sufficient taxable profits in the short term to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Investment in subsidiary undertakings

Investments held as fixed assets in the company's balance sheet are stated at cost less any provision for impairment.

Financial instruments

The group does not trade in derivative financial instruments. Hedging instruments are used to protect the group's exposure to movements in interest rates. Gains or losses are deferred until the related interest in the hedging instrument is realised.

Loan issue costs

Costs relating to the raising of bank loan facilities are amortised over the life of the relevant loan as appropriate and charged to the profit and loss account as part of the group's financing costs. The bank loans are disclosed net of unamortised loan issue costs.

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

1 Accounting policies (*continued*)

Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form

Pensions

The group makes contributions to the personal pension schemes of certain employees on a fixed contribution basis. The contributions are charged to the profit and loss account in the year in which they become payable.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets, where applicable, is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties, evenly over their expected useful lives. It is calculated at the following rates:

Fixtures, fittings and office equipment	- 10 % per annum
Computer equipment	- 25 % per annum

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of foreign subsidiary undertakings and their balance sheets are translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves. All other differences are taken to the profit and loss account.

Impairment of fixed assets

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

2 Turnover

Turnover is wholly attributable to the principal activity of the group and is analysed by geographical location below

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
United Kingdom	1,742,684	-
Rest of Europe	947,474	-
	<u>2,690,158</u>	<u>-</u>

3 Group operating loss

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
This has been arrived at after charging		
Depreciation	15,809	1,724
Hire of land and buildings – operating leases	162,000	43,615
Hire of other assets – operating leases	5,947	961
Exchange differences	58,289	-
	<u>241,045</u>	<u>46,300</u>

Fees payable to the company's auditors for the audit of the company's consolidated accounts were £31,000 (2006 £4,500) Fees payable to the company's auditors for the audit of the company's subsidiaries' accounts were £19,925 (2006 £nil)

4 Employees and directors

	Group Year ended 31 March 2007 £	Group Period ended 31 March 2006 £	Company Year ended 31 March 2007 £	Company Period ended 31 March 2006 £
Staff costs (including directors) consist of				
Wages and salaries	1,441,753	40,125	1,441,753	40,125
Social security costs	138,243	5,035	138,243	5,035
Other pension costs	62,631	2,138	62,631	2,138
	<u>1,642,627</u>	<u>47,298</u>	<u>1,642,627</u>	<u>47,298</u>

The average number of employees of the group and company, excluding directors, during the year was 11 (2006 1) All of the employees were involved in management or administration

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

4 Employees and directors *(continued)*

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
Directors' remuneration consists of		
Fees and emoluments paid for management services (inclusive of benefits in kind)	1,156,147	-
Pension contributions to directors' personal pension schemes	25,760	-
	<u>1,181,907</u>	<u>-</u>

The group made pension contributions on behalf of two directors in the year (2006 nil)

The emoluments of the highest paid director were £320,159 (2006 £nil) Pension contributions made by the group on his behalf were £nil (2006 £nil)

5 Net cost of financing / (financing income)

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
Interest on bank loans	1,454,259	-
Interest on finance leases	16,775	-
Amortisation of loan issue costs	328,479	-
Preference share returns	320,944	-
Cumulative preferred ordinary share returns	1,100,287	-
	<u>3,220,744</u>	<u>-</u>
Bank and other interest receivable	(386,197)	(8,693)
	<u>2,834,547</u>	<u>(8,693)</u>

As stated in note 17, preference shares accrue a return at a rate of 6% per annum from the date of subscription to the date of redemption of each share Cumulative preferred ordinary (CPO) shares accrue a return on the same basis but at the rate of 10% per annum

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

6 Taxation

(a) Taxation on loss from ordinary activities

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
<i>UK corporation tax</i>		
UK current tax on loss for the year/period	-	-
Double taxation relief	-	-
	<hr/>	<hr/>
	-	-
<i>Foreign tax</i>		
Current tax on foreign income for the year/period	110,575	-
	<hr/>	<hr/>
Total current tax	110,575	-
<i>Deferred tax</i>		
Origination and reversal of timing differences (see note 6(b))	-	-
<i>Other tax</i>		
Share of joint venture's tax charge	-	-
	<hr/>	<hr/>
Taxation on loss from ordinary activities	110,575	-
	<hr/>	<hr/>

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

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
Loss on ordinary activities before tax	(4,067,506)	(422,805)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 30%)	(1,220,252)	(126,842)
Effects of		
Expenses not deductible for tax purposes		
- preference dividends	96,283	-
- CPO dividends	330,087	-
- other items	279,466	66,677
Differences between depreciation and capital allowances	(49,697)	(4,438)
Other timing differences	295	641
Differences in overseas tax rate	19,539	-
Losses available to carry forward - deferred tax asset not recognised	654,854	63,962
	<hr/>	<hr/>
Current tax charge for the year/period	110,575	-
	<hr/>	<hr/>

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

6 Taxation (continued)

(b) Factors that may affect future tax charges – group only

No provision has been made for deferred tax on gains recognised on revaluing investment properties to their open market value. The total unprovided amount at the standard rate of corporation tax in the UK of 30% is £6,033,547 (2006 £nil)

The group has non-trading losses carried forward of approximately £718,816 (2006 - £63,962), at the standard rate of corporation tax in the UK of 30%, which have not been recognised as a deferred tax asset as there is insufficient certainty as to the timing of future suitable profits against which these losses will be capable of being utilised.

The group has unprovided accelerated capital allowances and other short-term differences carried forward, at the standard rate of corporation tax in the UK of 30%, of £53,199 (2006 - £3,797)

7 Loss for the financial year / period

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a loss after tax of £817,029 (2006 - £422,805), which is dealt with in the financial statements of the parent company.

8 Investment properties

Group only	Freehold £	Long leasehold £	Total £
<i>Cost or valuation</i>			
At 1 April 2006	10,984,872	-	10,984,872
On acquisition of subsidiaries (note 21)	20,355,845	2,241,170	22,597,015
Other additions in the year	25,716,409	6,489,298	32,205,707
Surplus on revaluation	3,482,485	87,910	3,570,395
	<hr/>	<hr/>	<hr/>
At 31 March 2007	60,539,611	8,818,378	69,357,989
	<hr/>	<hr/>	<hr/>
At 31 March 2007			
Completed properties at external valuation	32,374,000	735,000	33,109,000
Completed properties at directors' valuation	21,592,847	2,389,378	23,982,225
Properties under development at external valuation	6,340,000	5,694,000	12,034,000
Properties under development at cost	232,764	-	232,764
	<hr/>	<hr/>	<hr/>
	60,539,611	8,818,378	69,357,989
	<hr/>	<hr/>	<hr/>
At 31 March 2006			
Completed properties at external valuation	10,984,872	-	10,984,872
	<hr/>	<hr/>	<hr/>

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

8 Investment properties (continued)

At 31 March 2007, the group's investment properties in the United Kingdom were revalued on an open market value basis by CB Richard Ellis Limited, Chartered Surveyors. The valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Standards. The group's investment properties in Belgium were valued on an open market value basis by the directors.

The historical cost of all of the group's investment properties at that date was £65,787,594 (2006 - £10,984,872). No interest has been capitalised.

The net book value of investment properties includes £2,981,729 (2006 - £nil) held under finance leases.

9 Negative goodwill

Group only

	£
Arising on acquisition of subsidiaries in the year (note 21)	(2,733,903)
Exchange adjustments	15,565
	<hr/>
At 31 March 2007	(2,718,338)

10 Other tangible assets

Group and company

	Computer equipment £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>			
At 1 April 2006	18,454	22,840	41,294
Additions	15,238	50,263	65,501
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2007	33,692	73,103	106,795
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2006	1,153	571	1,724
Provided for the year	7,584	8,225	15,809
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2007	8,737	8,796	17,533
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2007	24,955	64,307	89,262
	<hr/>	<hr/>	<hr/>
At 1 April 2006	17,301	22,269	39,570
	<hr/>	<hr/>	<hr/>

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

11 Fixed asset investments

	Group - Joint venture £	Company - Subsidiary undertakings £
<i>Cost or valuation</i>		
At 1 April 2006	-	2
Additions – investment in joint venture at cost	332,381	-
- loan advanced to joint venture	339,702	-
Additions - shares in subsidiaries acquired at cost	-	1,002
- other acquisition costs	-	-
Exchange adjustments	(8,697)	-
	<hr/>	<hr/>
At 31 March 2007	663,386	1,004
	<hr/>	<hr/>
<i>Share of retained losses</i>		
At 1 April 2006	-	-
Share of loss for the year	(323,684)	-
Distributions received in the year	-	-
	<hr/>	<hr/>
At 31 March 2007	(323,684)	-
	<hr/>	<hr/>
<i>Provisions</i>		
At 1 April 2006	-	-
Provision made against loan in the year	(339,702)	-
	<hr/>	<hr/>
At 31 March 2007	(339,702)	-
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 March 2007	-	1,004
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 March 2006	-	2
	<hr/>	<hr/>

There was no premium on acquisition relating to the joint venture

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

11 Fixed asset investments *(continued)*

Subsidiary undertakings, joint ventures and other investments

The principal undertakings in which the company's interest at the year end is 20% or more, are as follows

	Country of incorporation or registration	Proportion of voting rights held (by way of share capital held)	Nature of business
<i>Subsidiary undertakings</i>			
LSI (Investments) Limited	England	100%	Property Investment
LSI Developments Limited	England	100%	Property Investment and Development
LSI Europe Limited	England	100%	Intermediate Parent Company
LSI Belgium Limited *	England	100%	Intermediate Parent Company
LSI Retail N V *	Belgium	100%	Property Investment
LSI Projects N V *	Belgium	100%	Property Investment
Immatov N V *	Belgium	100%	Property Investment
<i>Joint venture undertakings</i>			
Prefimco Holdings N V *	Belgium	47.5%	Intermediate Parent Company
Prefimco Investment Management N V *	Belgium	47.08%	Property Investment and Management

* *Undertakings held indirectly by the company*

All of the undertakings listed above operate in their country of incorporation. All shares held are ordinary shares.

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

12 Debtors	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Rental debtors	21,393	-	-	-
Prepayments and accrued income	104,493	37,384	83,100	37,384
Other debtors	11,885	44,680	11,885	44,680
VAT recoverable	415,579	28,835	430,392	28,835
Amounts owed by subsidiary undertakings	-	-	48,330,246	532,172
	<u>553,350</u>	<u>110,899</u>	<u>48,855,623</u>	<u>643,071</u>

All amounts under debtors fall due for payment in less than one year

13 Creditors: Amounts falling due within one year	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Current instalments due on secured bank loans (see note 14)	22,820,000	-	22,820,000	-
Unamortised finance costs	(121,243)	-	(70,088)	-
	<u>22,698,757</u>	<u>-</u>	<u>22,749,912</u>	<u>-</u>
Trade creditors	335,512	88,183	204,536	88,183
Corporation tax	6,342	-	-	-
Other taxes and social security costs	50,816	10,868	50,816	10,868
Amounts due on completion of property acquisitions	5,521,967	10,452,700	-	-
Accruals and deferred income	1,179,514	10,638	559,524	10,638
Sundry creditors	8,857	-	-	-
Preference return accrued	320,944	-	320,944	-
CPO return accrued	1,100,287	-	1,100,287	-
Preference shares (see notes 17 and 20)	7,800,000	-	7,800,000	-
Cumulative preferred ordinary shares (see notes 17 and 20)	17,997,000	-	17,997,000	-
Amounts owed to subsidiary undertakings	-	-	-	2
Obligations under finance leases	53,258	-	-	-
	<u>57,073,254</u>	<u>10,562,389</u>	<u>50,783,019</u>	<u>109,691</u>

As stated in note 17, preference shares accrue a return at a rate of 6% per annum from the date of subscription to the date of redemption of each share. Cumulative preferred ordinary (CPO) shares accrue a return on the same basis but at the rate of 10% per annum.

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

14 Creditors Amounts falling due after more than one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Secured bank loans	11,728,402	-	-	-
Unamortised finance costs	(170,519)	-	-	-
	<u>11,557,883</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Obligations under finance leases	 293,351	 -	 -	 -
	<u>11,851,234</u>	<u>-</u>	<u>-</u>	<u>-</u>

The group had available but undrawn bank loan facilities of £7,180,000 at 31 March 2007 (2006 - £nil)

Analysis of maturity of debt (by reference to the earliest date that the lender can require repayment)

Group	Bank loans 2007 £	Cumulative preferred ordinary shares 2007 £	Preference shares 2007 £	Finance leases 2007 £	Total 2007 £
<i>The secured financial liabilities are due</i>					
In less than one year	22,820,000	17,997,000	7,800,000	53,258	48,670,258
	<u>22,820,000</u>	<u>17,997,000</u>	<u>7,800,000</u>	<u>53,258</u>	<u>48,670,258</u>
 In more than one year but not more than two years	-	-	-	56,187	56,187
In more than two years but not more than five years	11,728,402	-	-	190,073	11,918,475
In more than five years	-	-	-	47,091	47,091
	<u>11,728,402</u>	<u>-</u>	<u>-</u>	<u>293,351</u>	<u>12,021,753</u>

The group had no financial liabilities at 31 March 2006

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

14 Creditors Amounts falling due after more than one year (*continued*)

The bank loans and finance leases are principally secured by fixed charges over certain of the group's investment properties

The group's strategy in respect of the use of financial instruments is to hedge future interest rate risk for the term of the relevant bank loan

The bank loans bear interest at 3 month LIBOR or EURIBOR plus a lenders' blended margin of between 0.8% and 1.25%. Interest has been fixed by way of purchases of various interest rate hedging products (swaps and caps)

The average interest rate payable by the group on all bank borrowings at 31st March 2007 was 5.92%

15 Financial instruments

Details of the fair value of the group's derivative financial instruments that were in place at 31 March 2007 are provided below for information purposes only

Group only

	Protected rate %	Expiry	Market value gain/(loss) pre-tax 2007 £	Market value gain/(loss) pre-tax 2006 £
€3.4 million swap	4.25	August 2011	(16,378)	-
€4.5 million swap	4.25	August 2011	(21,621)	-
€4.0 million cap	4.25	August 2011	20,570	-
€5.3 million cap	4.25	August 2011	27,157	-
			<hr/>	<hr/>
Total gain pre tax			9,728	-
			<hr/>	<hr/>

The market values of hedging products change with interest rate fluctuations, but the exposure of the group to movements in interest rates is protected by way of the hedging products listed above. In accordance with accounting standards, the valuations are struck using a mid-market interest rate. The valuation therefore does not reflect the cost or gain to the group of cancelling its interest rate protection at the balance sheet date, which is generally a marginally higher cost (or smaller gain) than a market valuation.

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

16 Provisions for liabilities and charges

Group only

	Enhanced management fees £
At 1 April 2006	-
Charged to the profit and loss account	593,000
	<hr/>
At 31 March 2007	593,000
	<hr/>

Under the terms of various management agreements, the group has an obligation to pay an 'enhanced management fee' to third parties, following the disposal of its interests in certain investment properties, or the completion of defined property strategies for other investment properties

Provision has been made in the consolidated balance sheet for the anticipated enhanced management fees to be paid by the group, based on the carrying values of properties held at the balance sheet date. This is considered to be a reasonable and prudent basis on which to make provision for these obligations. Provision is made on a property by property basis and only arises in respect of properties that have been subject to upward revaluation movements above their historic cost.

The provisions are made in the relevant subsidiaries' financial statements that reflect the upward revaluation movements referred to above.

Group direct property costs include £593,000 (2006: £nil) of provisions for enhanced management fees.

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

17 Share capital

(a) Share capital

<i>Authorised</i>	31 March 2007 Number	31 March 2007 £	31 March 2006 Number	31 March 2006 £
<i>Classified within share capital</i>				
Ordinary shares of £1 each	1,991,000	1,991,000	20,000,000	20,000,000
Ordinary shares of 10p each	90,000	9,000	-	-
A ordinary shares of 10p each	30,000	3,000	-	-
<i>Classified within creditors</i>				
Non-voting redeemable cumulative preferred ordinary shares of £1 each*	20,000,000	20,000,000	20,000,000	20,000,000
Cumulative preferred ordinary shares of £1 each	17,997,000	17,997,000	-	-
	<u>40,108,000</u>	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>
<i>Allotted, called up and fully paid</i>	31 March 2007 Number	31 March 2007 £	31 March 2006 Number	31 March 2006 £
<i>Classified within share capital</i>				
Ordinary shares of £1 each	1,991,000	1,991,000	2,000,000	2,000,000
Ordinary shares of 10 p each	90,000	9,000	-	-
A ordinary shares of 10p each	27,500	2,750	-	-
	<u>2,108,500</u>	<u>2,002,750</u>	<u>2,000,000</u>	<u>2,000,000</u>
<i>Classified within creditors**</i>				
Non-voting redeemable cumulative preferred ordinary shares of £1 each	7,800,000	7,800,000	-	-
Cumulative preferred ordinary shares of £1 each	17,997,000	17,997,000	-	-
	<u>27,905,500</u>	<u>27,799,750</u>	<u>2,000,000</u>	<u>2,000,000</u>

* The non-voting redeemable cumulative preferred ordinary shares of £1 each are also referred to as 'preference shares' in the company's Articles of Association

** In accordance with FRS25, the non-voting redeemable preferred ordinary shares of £1 each and the cumulative preferred ordinary shares of £1 each in issue at the balance sheet date are presented as a liabilities in the group and company balance sheets

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

17 Share capital (continued)

Movements in authorised and issued share capital in the year

On 31st July 2006 the company issued 7,800,000 preference shares of £1 each at par for cash

On 24th August 2006, by deed of amendment, part of the existing issued and un-issued ordinary share capital of the company was reclassified and converted into 10p ordinary shares, 10p A ordinary shares and £1 cumulative preferred ordinary shares and on the same date further shares were issued. The details were as follows

- 9,000 of the issued £1 ordinary shares were converted into 90,000 new 10p ordinary shares,
- 3,000 of the un-issued £1 ordinary shares were converted into 30,000 new 10p A ordinary shares,
- 15,000 new 10p A ordinary shares were issued at par for cash,
- the remaining 17,997,000 un-issued £1 ordinary shares were reclassified as cumulative preferred ordinary shares of £1 each and issued at par, being settled by conversion of existing shareholder loans

On 18th October 2006 a further 12,500 10p A ordinary shares were issued at par for cash

Class rights, redemption terms and other matters

Collective Ordinary Shares

These are the 10p ordinary, £1 ordinary and 10p A ordinary shares together. In the event of the company being wound up, the surplus assets remaining after payment of liabilities, redemption of preference shares and cumulative preferred ordinary shares are then applied to redeem the collective ordinary shares at par. The balance is then distributed on a pro-rata basis among the holders of the collective ordinary shares, following the conversion of a number of A ordinary shares into Deferred Shares in accordance with the Articles.

The collective ordinary shares carry one vote for every share held and rank *pari passu* with one another in all other respects.

No dividends are payable on the Collective Ordinary Shares until all preference shares and cumulative preferred ordinary shares have been redeemed.

Preference shares

The non-voting redeemable cumulative preferred ordinary shares carry no voting rights and no dividends are payable on them. In the event of the company being wound up, the surplus assets remaining after payment of any liabilities are applied first to pay the holders of the preference shares the amount they would have received on a redemption of the preference shares.

The redemption price payable by the company in respect of each preference share is the price paid upon subscription plus an amount equivalent to interest on such amount calculated at the rate of 6% per annum from the date of subscription to the day prior to the date of redemption of each share, and compounded quarterly.

The company may at any time, with the consent of the preference shareholders, redeem all or some of the preference shares then in issue. The preference shares are subject to mandatory redemption in the circumstances set out in the company's Articles of Association.

Cumulative preferred ordinary shares

Cumulative preferred ordinary shares (CPO's) carry one vote for every share held and no dividends are payable on them. In the event of the company being wound up, the surplus assets remaining after payment of any liabilities and the repayment of the preference shares, are then applied to pay the holders of the CPO's the amount they would have received on a redemption of the CPO's.

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

17 Share capital (*continued*)

The redemption price payable by the company in respect of each CPO is the price paid on subscription plus interest on such amount calculated at the rate of 10% per annum from the date of subscription to the day prior to the date of redemption, compounded quarterly

The CPO's are subject to mandatory redemption, only after the prior redemption of the preference shares in the circumstances set out in the company's Articles of Association

(b) Share based payments

In accordance with FRS 20 'Share-based payment', shares issued to employees are required to be fair valued at the date of grant and the resulting charge expensed through the profit and loss account. Until the liability is settled, the fair value of the liability must be re-measured at each reporting date, with any changes in fair value recognised through the profit and loss account. The directors have calculated the cumulative charge required under FRS 20 and consider this amount to be immaterial to these financial statements and thus no adjustment has been made

18 Reserves

Group	Revaluation reserve £	Profit and loss account £
At 1 April 2006	-	(422,805)
Retained loss for the year	-	(4,178,081)
Surplus on revaluation of investment properties	3,570,395	-
	<hr/>	<hr/>
At 31 March 2007	3,570,395	(4,600,886)
	<hr/>	<hr/>
Company		Profit and loss account £
At 1 April 2006		(422,805)
Retained loss for the year		(817,029)
		<hr/>
At 31 March 2007		(1,239,834)
		<hr/>

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

19 Reconciliation of movements in shareholders' funds

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Loss for the year	(4,178,081)	(422,805)	(817,029)	(422,805)
Ordinary shares issued at par	-	2,000,000	-	2,000,000
A ordinary shares issued at par	2,750	-	2,750	-
Unrealised surplus on revaluation of investment properties	3,570,395	-	-	-
Net movement in shareholders' funds	(604,936)	1,577,195	(814,279)	1,577,195
Opening shareholders' funds	1,577,195	-	1,577,195	-
Closing shareholders' funds	972,259	1,577,195	762,916	1,577,195

20 Related party transactions and balances

The following table provides an analysis of cumulative preferred ordinary shares and preference shares in respect of investors holding a 20% or more interest in the equity of the company, at 31 March 2007

	Cumulative preferred ordinary shares £	Preference shares £
GE Asset Management Limited <i>(acting in its capacity as investment manager of General Electric Pension Trust)</i>	8,998,500	7,800,000
Mr H R Mould	4,049,325	-
Mr P L Vaughan	4,049,325	-
	17,097,150	7,800,000

There were no such amounts at 31 March 2006

Mr H J M Price, Mr H R Mould and Mr P L Vaughan are designated members of and equal partners in Half Moon Partners LLP ("the LLP"), which was incorporated under the Limited Liability Partnerships Act 2000

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

20 Related party transactions and balances (continued)

The group entered into a lease with the LLP, in relation to its office premises on 20 December 2005. The operating lease rental charge for the year under this lease was £162,000 (period ended 31 March 2006 £43,615). At 31 March 2007 the group had prepaid rent to the LLP of £37,384 (2006 £37,384), which is included in debtors. The annual rental due under this lease is £162,000.

21 Acquisitions

On 3 August 2006, the group acquired the entire issued share capital of Databuild N V (re-named LSI Retail N V), Databuild Projects N V (re-named LSI Projects N V) and Immatov N V from third parties. Negative goodwill of £2,733,903 arose on the acquisition of these three Belgian companies. An aggregated fair value table is set out below.

	Book value £	Revaluation of investment properties (note a) £	Fair value £
<i>Fixed assets</i>			
Investment properties (see below)	4,800,855	17,796,160	22,597,015
	<u>4,800,855</u>	<u>17,796,160</u>	<u>22,597,015</u>
<i>Current assets</i>			
Stock	109,751	-	109,751
Debtors	433,682	-	433,682
Cash at bank	114,425	-	114,425
	<u>657,858</u>	<u>-</u>	<u>657,858</u>
Total assets	5,458,713	17,796,160	23,254,873
<i>Creditors</i>			
Trade creditors	(132,577)	-	(132,577)
Other creditors and accruals	(391,734)	-	(391,734)
Bank loans	(2,207,772)	-	(2,207,772)
Finance lease obligations	(1,985,298)	-	(1,985,298)
	<u>(4,717,381)</u>	<u>-</u>	<u>(4,717,381)</u>
Net assets	741,332	17,796,160	18,537,492
Cash consideration			15,803,589
Net assets acquired			18,537,492
Negative goodwill arising on acquisition (note 9)			(2,733,903)

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

21 Acquisitions (continued)

Note (a)

The revaluation of investment properties relates to the directors' assessed fair value of these properties, on an open market value basis, upon their acquisition by the group

The acquisition of these Belgian companies substantially represented the acquisition of further investment properties by the group, with most of the acquired entities existing debt repaid at the time of the acquisition

22 Cash flow statement

The group has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as the directors believe that the group is a "small group" as defined under section 247 of the Companies Act 1985

23 Parent company and controlling party information

At 31 March 2007, there was no one individual or entity that controlled London & Stamford Investments Limited

24 Commitments under operating leases

Annual commitments under non-cancellable operating leases at the balance sheet date were as follows.

Group

	Land and buildings 2007 £	Other 2007 £	Land and buildings 2006 £	Other 2006 £
<i>Operating leases which expire or have break options</i>				
Within one year	-	-	-	-
In two to five years	-	5,471	-	5,241
Over five years	162,000	-	162,000	-
	<u>162,000</u>	<u>5,471</u>	<u>162,000</u>	<u>5,241</u>

Company

	Land and buildings 2007 £	Other 2007 £	Land and buildings 2006 £	Other 2006 £
<i>Operating leases which expire or have break options</i>				
Within one year	-	-	-	-
In two to five years	-	5,471	-	5,241
Over five years	162,000	-	162,000	-
	<u>162,000</u>	<u>5,471</u>	<u>162,000</u>	<u>5,241</u>

LONDON & STAMFORD INVESTMENTS LIMITED

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

25 Post balance sheet events

The following significant events have taken place since the balance sheet date

- On 16th April 2007, a further 5,000,000 £1 preference shares were allotted to GE Asset Management Limited at par for cash
- On 17th April 2007, the group completed the acquisition of a development site at Glaisdale Parkway, Nottingham for £5.05 million, excluding related costs of acquisition. This acquisition had unconditionally exchanged prior to the balance sheet date and has therefore been accounted for in these financial statements. On the same date the group entered into a new £15million development facility with Bank of Scotland
- On 26th September 2007, the group disposed of its equity interests in the Prefimco joint venture companies for a total consideration of 1 euro and made a settlement payment of €1m under the terms of the Joint Venture Termination and Release Agreement of the same date
- On 30 October 2007, the directors entered into a new £150 million Revolving Loan Facility agreement with the group's principal lending bank at an interest rate of LIBOR plus 0.8% per annum. The initial term of this new facility is five years. The £22.82 million that had been drawn-down from the group's existing available £30 million short term revolving credit facility at the balance sheet date (see notes 13 & 14) and which was due for repayment by 31 December 2007, has been repaid and immediately redrawn from this new facility