

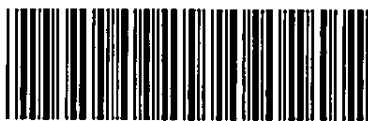
Company Registration No 5872892

LSI Europe Limited

Report and Financial Statements

Year Ended 31 March 2008

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BDO Stoy Hayward
Chartered Accountants

LSI Europe Limited

Report and financial statements for the year ended 31 March 2008

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Company information

Directors

H R Mould
P L Vaughan
H J M Price

Secretary and registered office

J Jessop, 21 St James's Square, London, SW1Y 4JZ

Company number

5872892

Auditors

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

LSI Europe Limited

Report of the directors for the year ended 31 March 2008

The directors present their report together with the audited financial statements for the year ended 31 March 2008

Principal activities, business review and future developments

The principal activity of the company is to hold investments in ventures which in turn invest in commercial property primarily in Europe

During the period under review the company sold a 47.5% interest in Prefimco Holdings NV, a Belgian joint venture with Equation Capital SA.

The directors do not recommend the payment of a dividend

Directors

The directors of the company during the year were as follows

H R Mould

P L Vaughan

H J M Price

T J Bishop (resigned 30 October 2007)

J Duzniak (appointed 24 April 2007, resigned 30 October 2007)

None of the directors hold a beneficial interest in the ordinary share capital of the company

At 31 March 2008 Mr H R Mould, Mr P L Vaughan and Mr H J M Price were also directors of the ultimate parent company London & Stamford Property Limited. Their interests in the share capital of that company are shown in its financial statements

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 period which give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

LSI Europe Limited

Report of the directors for the year ended 31 March 2008 (Continued)

Directors' responsibilities (continued)

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 have been properly prepared in accordance 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.

Disclosure of information to auditors

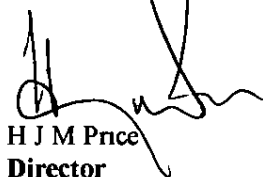
All of the current directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit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

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next 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



H J M Price
Director

29 July 2008

LSI Europe Limited

Report of the independent auditors for the year ended 31 March 2008

To the shareholders of LSI Europe Limited

We have audited the financial statements of LSI Europe Limited for the year ended 31 March 2008 on pages 5 to 11. These financial statements have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with those financial statements, 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 is not disclosed.

We read the Report of the Directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 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.


LSI Europe Limited

Report of the independent auditors for the year ended 31 March 2008 (*Continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements


BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
Epsom

29 July 2008

LSI Europe Limited

Profit and loss account for the year ended 31 March 2008

	Note	Year ended 31 March 2008 £	Period ended 31 March 2007 £
Administrative expenses		(199,799)	(49,719)
Share of operating loss in joint venture	5	-	(323,684)
Provision against loan to joint venture	5	(335,878)	(339,702)
Operating loss		(535,677)	(713,105)
Loss on disposal of joint venture		(697,420)	-
Loss on ordinary activities before interest and other income	2	(1,233,097)	(713,105)
Net financing income/(cost)	3	93,384	(163,868)
Loss on ordinary activities before taxation		(1,139,713)	(876,973)
Taxation on loss on ordinary activities	4	-	-
Loss for the year/period	10	(1,139,713)	(876,973)

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

There were no recognised gains and losses other than those passing through the profit and loss account

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

LSI Europe Limited**Balance Sheet at 31 March 2008**

	Note	31 March 2008 £	31 March 2007 £
Fixed assets			
Fixed asset investments	5	-	1,000
Investment in joint venture	5	-	-
		<u>-</u>	<u>1,000</u>
Current assets			
Debtors	6	-	9,213,213
Creditors: amounts falling due within one year	7	(2,015,686)	(10,090,186)
		<u>(2,015,686)</u>	<u>(876,973)</u>
Net current liabilities		(2,015,686)	(876,973)
		<u>(2,015,686)</u>	<u>(875,973)</u>
Total assets less current liabilities		(2,015,686)	(875,973)
		<u>(2,015,686)</u>	<u>(875,973)</u>
Net liabilities		(2,015,686)	(875,973)
		<u>(2,015,686)</u>	<u>(875,973)</u>
Capital and reserves			
Called up share capital	8	1,000	1,000
Profit and loss account	9	(2,016,686)	(876,973)
		<u>(2,016,686)</u>	<u>(876,973)</u>
Equity shareholders' funds	10	(2,015,686)	(875,973)
		<u>(2,015,686)</u>	<u>(875,973)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 29 July 2008 and were signed on its behalf by



H J M Price
Director

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

LSI Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2008

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

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

Going Concern

The financial statements have been prepared on the going concern basis as the company's immediate parent company, London & Stamford Investments Limited, has confirmed its intention to support the company financially to enable it to continue to trade. The financial statements do not include any adjustments that would result from a discontinuance of this support

If the company were unable to continue to trade for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long-term liabilities as current assets and liabilities

Consolidated financial statements

The company is exempt from the requirement to prepare consolidated financial statements by virtue of section 228 of the Companies Act 1985 on the basis that the company and its subsidiary undertakings are consolidated in the group accounts of the ultimate parent undertaking, London and Stamford Property Limited

These financial statements therefore present information about the company as an individual undertaking and not about its group

Joint ventures

An entity is treated as a joint venture where the company 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

Deferred taxation

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

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement at the balance sheet date, and,
- the recognition of deferred tax assets is limited to the extent that the company 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

LSI Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2008 (Continued)

1 Accounting policies (continued)

Financial liabilities 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

2 Profit and loss account

Directors' emoluments are £nil (2007 £nil) The company has no employees (2007 none) The auditors' remuneration for the period was borne by the parent company

3 Net (financing income)/cost

	Year ended 31 March 2008 £	Period ended 31 March 2007 £
Interest payable on intergroup loans	-	552,572
Interest receivable on intergroup loans	(105,651)	(388,704)
Cost of hedging debt	12,267	-
	<u>(93,384)</u>	<u>163,868</u>

4 Taxation on loss on ordinary activities

	Year ended 31 March 2008 £	Period ended 31 March 2007 £
<i>UK corporation tax</i>		
Current tax on losses for the year/period	-	-
	<u>-</u>	<u>-</u>

The tax assessed for the year/period is different to the standard rate of corporation tax in the UK The differences are explained below

	Year ended 31 March 2008 £	Period ended 31 March 2007 £
Loss on ordinary activities before tax	(1,139,713)	(876,973)
Loss on ordinary activities at the standard rate of Corporation tax in the UK of 28% (2007 30%)	(319,120)	(263,092)
Effect of		
Expenses not deductible for tax purposes	322,909	211,307
Group relief (claimed)/surrendered	(3,789)	51,785
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

LSI Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2008 *(Continued)*

5 Fixed asset investments

	Joint venture £	Subsidiary undertakings £
<i>Cost or valuation</i>		
At 31 March 2007	663,386	1,000
Additions - loan advanced to joint venture	343,077	-
Disposal - interest in joint venture	(999,264)	-
Disposal - shares in subsidiary disposed of at cost	-	(1,000)
Exchange adjustments	(7,199)	-
At 31 March 2008	-	-
<i>Share of retained losses</i>		
At 31 March 2007	(323,684)	-
Eliminated on disposal	323,684	-
At 31 March 2008	-	-
<i>Provisions</i>		
At 31 March 2007	(339,702)	-
Provision made against loan in the period	(335,878)	-
Eliminated on disposal	675,580	-
At 31 March 2008	-	-
<i>Net book value</i>		
At 31 March 2008	-	-
<i>Net book value</i>		
At 31 March 2007	-	1,000

On 26th September 2007, the company disposed of its equity interests in the Prefimco joint venture for a total consideration of €1 and made a settlement payment of €1m under the terms of the Joint Venture Termination and Release Agreement

On 30 October 2007 the company disposed of 100% of the issued ordinary share capital of LSI Belgium Limited to London & Stamford Investments Limited at par

6 Debtors

	31 March 2008 £	31 March 2007 £
Intergroup interest receivable	-	282,717
Amounts due from subsidiary undertakings	-	8,930,496
	-	9,213,213
All amounts shown under debtors fall due for payment within one year		

LSI Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2008 *(Continued)*

7 Creditors: amounts falling due within one year

	31 March 2008 £	31 March 2007 £
Amounts owed to parent undertaking	2,015,686	10,090,186

8 Share capital

	31 March 2008 £	31 March 2007 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of £1 each	1,000	1,000

9 Reserves

	Profit and loss account £
At 1 April 2007	(876,973)
Retained loss for the period	(1,139,713)
At 31 March 2008	(2,016,686)

10 Reconciliation of movement in shareholders' funds

	31 March 2008 £	31 March 2007 £
Loss for the year/period	(1,139,713)	(876,973)
Ordinary shares issued at par	-	1,000
Net movements in shareholders' funds	(1,139,713)	(875,973)
Opening shareholders' funds	(875,973)	-
Closing shareholders' funds	(2,015,686)	(875,973)

LSI Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2008 *(Continued)*

11 Cash flow statement

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled by the ultimate parent company, London and Stamford Property Ltd, and the company is included in its consolidated financial statements

12 Related party transactions

The company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 8, "Related Party Transactions", not to disclose details of any transactions with entities that are included in the consolidated financial statements of London & Stamford Property Limited.

13 Controlling party information

On 30 October 2007 London and Stamford Investments Limited, the immediate parent company, was acquired by London and Stamford Property Limited, a company registered in Guernsey, which was listed on the AIM market of the London Stock Exchange on 7 November 2007

At 31 March 2008 the company's immediate parent company was London & Stamford Investments Limited and its ultimate parent company was London & Stamford Property Limited. The consolidated financial statements of London & Stamford Property Limited are available from 2nd Floor, Regency Court, Glatigny Esplanade, St Peter Port, Guernsey, GY1 3NQ