London&Stamford Property Limited

Report&Accounts 2008

London & Stamford Property Limited has been formed to invest in commercial property, principally in the UK. The Company will be an active investor and intends to implement strategies to enhance the quality and value of acquired assets.

Contents

Financial highlights 2008

Net rental income	£1.25m
Profit for the period	£0.4m
Investment properties	£49.4m
Cash deposits	£243.6m
Bank debt	£21.8m
Net assets	£277.9m
Earnings per share	0.14p
Adjusted earnings per share	0.89p
Dividend per share	1.6p

Chairman's statement

This is my first statement since the commencement of trading of London & Stamford Property Limited last November. We have not yet made any new acquisitions, because we believe that market conditions have yet to reach a level where new investment makes good sense for shareholders. We believe that moment is approaching, however, and remain vigilant.

Raymond Mould
Chairman

Results

Profit for the five months was £405,000, after charging £3.6 million deficit on revaluation of investment properties and after crediting £1.4 million of deferred tax. Earnings adjusted for these items would be £2.6 million.

Net assets at 31 March 2008 were £277.9 million, equivalent to 97.5p per share, which is virtually unchanged from that applicable at Listing.

The Board recommends a dividend of 1.6p per share. Under IFRS dividends are accounted for in the period in which they are declared and therefore this payment will be included in next year's accounts.

Review of the market

In the Placing Document last year, we expressed the view that the UK property market had reached unsustainable levels and that we expected a major correction in yields. We did not fully anticipate the severity of that correction, but, as is now apparent, the market has shown significant falls in values over the last eight months and at the date of this statement values are still declining. What was not foreseen at the time of the Company's Listing, was the extent of the problems in the financial markets, and the considerable adverse impact this has had on property markets.

We believe that the ongoing difficulties surrounding the availability of finance at affordable rates and in sufficient size is and will continue to harm values in the property market. A further important factor which is now also taking place is a weakening in the economy and, consequently, a weakening in the occupational market and slow down of tenant demand. Rental growth is acknowledged to have disappeared for the time being.

These factors lead us to believe that there will continue to be downward pressure on property values, leading us to remain extremely cautious in considering investment in new property transactions. We think that in general and in the short term the market is still too expensive, since yields for anything but secondary property remain below the cost of capital.

The scenario of falling values, tightening credit lines and weakening tenant demand has provided us with a number of opportunities which we have carefully investigated over the past months. To date, our advisor, LSI Management LLP, has not found any opportunities, corporate or direct, which they believe they can fully recommend to us as able to deliver appropriate, positive returns.

We are conscious of perhaps giving the impression of inaction, but we have no intention of investing shareholders funds in property transactions at the wrong time and at the wrong price. In other words, we will not become forced buyers. In the meantime, we have been very careful in the management of our cash resources to ensure that the risk is minimised and returns are maximised. Our investment strategy remains to invest in appropriate properties as and when we believe adequate returns can be achieved.

Since we started trading in November, we have sold our Belgian retail portfolio, where we believe that there was little potential for growth. There has been some positive progress on developments in our very small core portfolio acquired at inception, although its valuation has not quite been immune from the general fall in the market. During the initial IPO marketing process last autumn, we referred to opportunities we were invited to review in China and Turkey. After considerable research and investigation, at no cost to the Company, we concluded that we should not proceed further with an investment in China. We remain interested in the Turkish retail market, but only if we can find a suitable local partner and operate on very favourable financial conditions, which so far have not been apparent.

We remain convinced that opportunities for investment in the UK will present themselves and to this end, we have sought to increase our firepower. Since the year end, we have entered into a joint venture agreement with Cavendish Limited, a wholly-owned subsidiary of a major Gulf institution. Under this agreement, Cavendish will provide co-investment funds up to £200 million of equity. We believe that this additional resource, together with the Company's existing capital and available debt facilities, gives London & Stamford Property Limited far greater investment reach in the future, and we believe that investment reach is crucial in being able to seek and to secure the best transactions. Large transactions are weakened by the difficulties in the credit market and being able to stretch for them is an opportunity for us.

Our property adviser, LSI Management LLP, has increased its management team over the past eight months, to give us more resources to apply in the search for suitable investments and to strengthen their ability to undertake the relevant due diligence. I believe we remain extremely well placed to take advantage of opportunities in this market. I am certain they will arise in the near future and look forward to that with some confidence.

H R Mould
Chairman

26 June 2008

Property Advisor's report

The existing UK Portfolio of four investment assets and three development sites has not escaped the decline in UK property values but progress on the specific property initiatives has helped stem the downward pressure on values.

Forest House and Elm Park Court, Crawley

The refurbishment and extension of Forest House is progressing well and is currently running to budget and the forecast programme. This should see completion of the works in January 2009 at which time the rental income from Bard UK Ltd will double from its current level to £900,000 pa (£24 psf). The handover of the building also triggers the signing of a new 20 year commitment with the tenant. Following completion of the works to the building which represents a comprehensive refurbishment to the original structure, the building will be an excellent modern office building commensurate with new development stock.

Elm Park Court, the adjoining building also in the Company's ownership, should provide an opportunity to extract value over the coming months. The building is let in its entirety to Maple Oak Plc (Carillion) who are not in occupation but who have a further 7.5 years to lease expiry. Maple Oak Plc have expressed a desire during various meetings to negotiate a surrender of their existing lease and removal of their ongoing tenant liabilities. The building is currently fully underlet.

Campbell Road, Stoke-on-Trent

In accordance with the terms of their lease, Michelin Plc vacated the warehouse in December 2007, since then the building has been the subject of a wide and extensive marketing campaign to identify a single occupier or alternatively two occupiers whereby the building would be sub-divided subject to the necessary consents.

The building occupies an excellent location for regional and national distribution or local existing occupiers alike, and has been the subject of interest from several parties. The warehouse also provides relatively good value in terms of occupational costs when compared with more modern accommodation and this should heighten the building's appeal to occupiers.

Barracks Road, Newcastle-under-Lyme

The pursuit of a widened planning consent to permit open A1 food retail from unit 1 is progressing well with the formal planning application having been submitted. To date, there has been a period of discussion and negotiation with the local planning authority to try to ensure the final application is recommended to Committee for approval. An aggressive targeted marketing campaign to potential occupiers will be launched once planning consent is received.

Glaisedale Parkway, Nottingham

The warehouse element of the asset has now been fully occupied by Hillary's Blinds Ltd for approximately 12 months with the expiry of their rent free period on 23 July this year. Having originally taken the warehouse to permit a consolidation of their business from two facilities to a single unit, production has increased from Glaisedale Parkway which has resulted in their second building being retained.

Sale contracts have been exchanged for the adjacent development site comprising approximately 2.2 acres at the agreed price of £1.05 million.

Copse Road, Yeovil, UK

The final agreement of the contribution to highways improvements is still the subject of negotiation and is being frustrated by the delays with the local planning/highways authority.

Property Advisor's report (continued)

Bailey Drive, Gillingham Business Park, UK

Formal planning consent has been granted for the mixed office/industrial redevelopment of the site, subject to certain conditions being executed.

Potential acquisitions

We have seen a substantial flow of available property particularly in the early part of 2008 primarily in the form of portfolios. The vendors have typically been institutions and retail funds which have been attempting to raise capital to satisfy redemption calls from investors or unit holders. There has been mixed success in the rate of completed sales with last minute price negotiations a common theme.

There has been no sector bias, with many of the portfolios comprising a mix of commercial sectors and more recently we have seen an increase in the availability of City of London office buildings. Our view remains there will be an increasing number of opportunities available to purchase and we believe that we are extremely well positioned within the investment market to seize upon suitable opportunities when presented.

Property 01 Campbell Road Stoke-on-Trent	Industrial warehouse
Property 02 Elm Park Court & Forest House Crawley	Offices
Property 03 Barracks Road Newcastle-under-Lyme	Retail warehouse
Property 04 Gillingham Business Park Kent	Mixed use
Property 05 Copse Road Yeovil	Mixed use
Property 06 Glaisedale Parkway Nottingham	Industrial warehouse
Total value at 31.03.08 £49.37m	

Cracks are also beginning to appear in occupier markets with probably the most high profile being increasing uncertainty within London's financial services industry. This uncertainty is beginning to impact upon other markets and locations alike with negative sentiment spreading and impacting on occupier requirements. Given these circumstances, the general prognosis for rental growth is not positive, therefore putting further emphasis on the need for a positive relationship between income and the cost of capital.

In summary we remain poised to take advantage of a correcting market, but patience is still the name of the game!

LSI Management LLP
Property Advisor

26 June 2008

Board of Directors

Raymond Mould, Non-executive Chairman

Raymond Mould aged 67 was a co-founder of Arlington Securities Plc ("Arlington"), of which he became chairman in 1990. Mr Mould was instrumental in the establishment of Pillar Property Plc ("Pillar") in 1991 and became its chairman in 1994, a position he held until 2005 when Pillar was sold to The British Land Company Plc ("British Land"). He currently serves as non-executive chairman of Arena Leisure plc.

Patrick Vaughan, Non-executive Director

Patrick Vaughan aged 60, was a co-founder of Arlington in 1976 and of Pillar in 1991. He was chief executive of Arlington from 1990 to 1993 and of Pillar from 1994 to 2005. Mr Vaughan also served as an executive director of British Land from July 2005 to July 2006.

Humphrey Price, FCA, Non-executive Director

Humphrey Price aged 66, was finance director of Arlington from 1983 to 1992. He was a director of Pillar from its formation in 1991, finance director from 1993 until 2004 and resigned from Pillar's board in 2005 when Pillar was sold to British Land.

Richard Crowder, Non-executive Director

Richard Crowder aged 58, holds a range of directorships and consultancy appointments. He was previously chairman of Smith New Court Far East and director of Smith New Court Plc. Mr Crowder was the founding managing director of Schroders' Channel Islands subsidiary from 1991 until he became a non-executive director in 2000. Mr Crowder resides in Guernsey.

Lewis Grant, CA, Non-executive Director

Lewis Grant aged 58, is a former director of the Royal Bank of Canada Trustees Limited and a former partner of Ernst & Young, Jersey. He is a resident of Jersey.

Rupert Evans, Non-executive Director

Rupert Evans aged 69, is a Guernsey Advocate. He was a partner in the firm of Ozannes between 1982 and 2003 and is now a consultant to that firm. Mr Evans is a resident of Guernsey and is also a non-executive director of a number of other investment companies.

Patrick Firth, FCA, Non-executive Director

Patrick Firth aged 46, is managing director of Butterfield Fund Services (Guernsey) Limited. He is also a director of a number of offshore funds and management companies and is a resident of Guernsey.

Advisors to Directors

Company	Contact information
Company Secretary and Administrator	Butterfield Fund Services (Guernsey) Limited 2nd Floor Regency Court Glategny Esplanade St. Peter Port Guernsey GY1 3NQ
Property Advisor	LSI Management LLP 21 St. James's Square London SW1Y 4JZ
Nominated Advisor and Broker	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
Auditors	BDO Novus Limited PO Box 180 Elizabeth House Ruette Braye St. Peter Port Guernsey GY1 3LL BDO Stoy Hayward LLP Emerald House East Street Epsom, Surrey KT17 1HS

Company	Contact information
Solicitors to the Company	Gibson, Dunn & Crutcher LLP Telephone House 2 Temple Avenue London EC4Y 0HB Jones Day 21 Tudor Street London EC4Y 0DJ
Guernsey Legal Advisors	Ozannes Advocates 1 Le Marchant Street St. Peter Port Guernsey Channel Islands GY1 4HP
Property Valuers – UK	CB Richard Ellis Limited St. Martin's Court 10 Paternoster Row London EC4M 7HP
Registrar	Capita Registrars (Guernsey) Limited Longue Hougue House St. Sampson Guernsey GY2 4JN

Report of the Directors

The Directors present their first report together with the audited financial statements for the period ended 31 March 2008.

Principal activities and business review

The principal activity of the Group is property investment and development, both directly and through unit trusts and joint venture arrangements. It is intended that the Group will continue to invest in commercial property, including office, retail and industrial real estate assets, principally in the United Kingdom and also overseas as and when profitable opportunities arise.

A detailed review of the Group's operations and future prospects are contained in the Chairman's statement and Property Advisor's report on pages 2 to 7, and should be read as part of this report.

Results and dividends

The Group reported profits for the first five months of trading of £405,000 as shown on page 19. The Directors recommend the payment of a final dividend of 1.6p per share, which, under IFRS, will be recognised in next year's accounts.

Incorporation and share capital

The Company is a closed-ended investment company and was incorporated in Guernsey on 1 October 2007 in accordance with The Companies (Guernsey) Law 1994. As set out in notes 9 and 10, on 30 October 2007 the Company entered into a Share Exchange Agreement pursuant to which it acquired London and Stamford Investments Limited by issuing 37,500,000 ordinary shares at £1 per share. The Company was listed on the AIM market of the London Stock Exchange on 7 November 2007 and allotted a further 247,500,000 10p ordinary shares following a placing at £1 per share. The Royal Court of Guernsey subsequently confirmed the cancellation of the resulting share premium thereby reducing the Company's capital and increasing distributable reserves.

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 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.

Directors

The Directors of the Company who held office during the period and as at the date of this report are shown on page 8.

All Directors are non-executive and retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

The interests of the Directors and their families in shares of the Company are as follows:

	Ordinary shares of 10p each 31 March 2008
H R Mould	5,294,130
P L Vaughan	5,865,130
H J M Price	1,176,473
R J Crowder	–
L R H Grant	–
R A R Evans	500,000
P A S Firth	–

There has been no change in the beneficial and non-beneficial shareholdings of the Directors between 31 March 2008 and the date of this report.

Fees are paid to certain directors as disclosed in note 3 to the accounts.

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the period and which 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 the Companies (Guernsey) Law 1994 and International Financial Reporting Standards.

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 Group and of the profit or loss of the Company and Group 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 and Group will continue in business.

Report of the Directors (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 Group and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law 1994. 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.

Financial statements are published on the Company's website in accordance with legislation in Guernsey governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibilities also extend to the ongoing integrity of the financial statements contained therein.

Substantial shareholdings

The Directors have been notified that the following shareholders have a disclosable interest of 3% or more in the ordinary shares of the Company at the date of this report.

	Number of shares	%
General Electric Pension Trust	42,535,267	14.92
Fidelity International Limited	23,100,000	8.11
Taube Hodson Stonex Partners Limited	23,100,000	8.11
Blackrock Inc	20,098,829	7.05
Electra Partners	20,000,000	7.02
Caledonia Investments Plc	19,500,000	6.84
Worldstar Limited	15,000,000	5.26
Manx Capital Partners Limited	10,000,000	3.51

Suppliers

The Group aims to settle supplier accounts in accordance with their individual terms of business. The number of creditor days outstanding for the Group at 31 March 2008 was 30 days.

Charitable and political contributions

During the year the Group made no charitable or political contributions.

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 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

A resolution to reappoint BDO Novus Limited and BDO Stoy Hayward LLP as joint auditors to the Company and Group will be proposed at the Annual General Meeting.

On behalf of the Board

L R H Grant	H J M Price
Director	Director
26 June 2008	26 June 2008

Corporate governance

London and Stamford Property Limited, being a closed-ended investment company registered in Guernsey is exempt from the requirements of the Combined Code ("the Code") as issued by the UK Listing Authority. However, it is the Board's intention to comply with the main provisions of the Code to the extent they consider appropriate and practicable, taking into account the size, structure and stage of development of the Company and the nature of its business. Outlines of the main principles are stated below:

Directors

The Board of Directors aims to meet at least four times during each financial year, and throughout the period ended 31 March 2008, it comprised seven non-executive Directors. Four members of the Board are considered to be independent; three Directors are also members of LSI Management LLP, the designated Property Advisor to the Company. However, the Board considers that all its Directors exercise their judgement in an independent manner.

The Company's Articles of Association require that all Directors retire from office at the first Annual General Meeting of the Company. Thereafter, one-third of the Directors, or if their number is not a multiple of three, the number nearest to, but not greater than one-third, shall retire from office. A retiring Director shall be eligible for reappointment.

No Director has a service contract with the Company. Each Director entered into a letter of appointment with the Company which provides for them to act as a non-executive Director of the Company.

The Directors are kept up to date on corporate governance issues through bulletins and training materials provided from time to time by the Company Secretary.

The Board receives monthly reports and meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review. At these meetings the Board monitors the investment performance of the Company and reviews its activities to ensure that it adheres to the Company's investment strategy or, if appropriate, to make any changes to its strategy. Additional ad hoc reports are received as required and Directors have access at all times to the advice and service of the Company Secretary who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

The Board has delegated certain responsibilities to the Property Advisor, in accordance with the Property Advisory Agreement. Decisions relating to the Company's investment strategy and objectives, dividend policy, gearing policy and corporate governance procedures are reserved for the Board.

A procedure has been adopted for the Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

Directors' performance evaluation

The Board has established a system for the evaluation of its own performance and that of the Company's individual Directors. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services by the Company to external providers. The independent Directors undertake, on an annual basis, an assessment of the effectiveness of the Board particularly in relation to its oversight and monitoring of the performance of the Property Advisor and other key service providers. The Board also evaluates the effectiveness of any of the Directors who are proposed for re-election at each Annual General Meeting of the Company. The Board are pleased to confirm that each of the Directors put forward for re-election continues to perform effectively and demonstrates commitment to his role.

The Directors are entitled to receive, by way of a fee for their services as Directors, such sum as the Board may from time to time determine, provided that the aggregate total paid in any given financial year does not exceed £200,000.

Relations with shareholders

The Company has appointed KBC Peel Hunt Ltd in their capacity as Nominated Advisor and Corporate Broker to the Company to assist in communicating effectively with its shareholders.

The Company reports to shareholders twice a year by way of an Interim Report and the Annual Report and Financial Statements. In addition, the Company publishes press releases and regulatory announcements on its website, www.londonandstamford.com.

The Board receives regular reports on the shareholder profile of the Company and contact with major shareholders is undertaken by the Company's corporate brokers and executives of the Property Advisor. Any issues raised by major shareholders are reported to the Board on a regular basis.

The Chairman, Directors and Property Advisor are also available to answer any questions which may be raised by any shareholder at the Company's Annual General Meeting.

Corporate governance (continued)

Audit Committee

The Audit Committee comprises four Board members, and has agreed to meet at least twice a year. Lewis Grant is Chairman of the Audit Committee.

The Audit Committee will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored. This will include reviews of the Company's annual and interim financial statements, results announcements, internal control systems and procedures and accounting policies. With respect to the external auditors, the Committee's role will include the assessment of their independence, review of auditors' engagement terms, remuneration and any non-audit services provided by the auditors.

The Company does not intend to create Remuneration and Nomination Committees as the Directors consider that, given the nature and scale of the Group's operations, such committees would not be appropriate. All matters relating to remuneration and nominations will be dealt with by the Board as a whole.

Internal control review

The Board reviews the effectiveness of the Company's system of internal controls, including financial, operational and compliance controls and risk management systems and has put in place procedures for review of such controls. This includes consideration of the internal procedures operated by the Property Advisor and Administrator on which the Company is reliant. The system is designed to manage rather than eliminate risk of failure to achieve the Company's objectives. The system can only provide reasonable but not absolute assurance against material misstatement or loss.

Going concern

The Directors are satisfied the Company is able to continue its business operation in the foreseeable future and have adopted the going concern basis in preparing the Financial Statements.

The Company has a facility with the Bank of Scotland which it can use to ensure settlements. The Property Advisor regularly monitors the Company's liquidity position, and the Board of Directors reviews it on a quarterly basis. Refer to note 14 for further details relating to liquidity risk.

The Company also complies with the corporate governance guidelines issued by the Guernsey Financial Services Commission on 10 December 2004, whose underlying principles are similar to those of the Combined Code.

Report of the independent auditors

to the members of London & Stamford Property Limited

We have audited the Group and Company financial statements ("the Financial Statements") of London & Stamford Property Limited for the period ended 31 March 2008, which comprise the Group and Company Income Statements, Group and Company Balance Sheets, Group and Company Cash Flow Statements, Group and Company Statements of Changes in Equity and the related notes 1 to 21. These Financial Statements have been prepared under International Financial Reporting Standards in accordance with the accounting policies as set out on pages 24 to 29.

This report is made solely to the Company's members, as a body, in accordance with Section 64 of the Companies (Guernsey) Law, 1994. Our audit work is undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the 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 International Financial Reporting Standards ("IFRS").

Our responsibility is to audit the Financial Statements in accordance with the 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 (Guernsey) Law, 1994. We also report to you if, in our opinion, the Report of the Directors is not consistent with the 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 the information specified by law is not disclosed.

We read the other information included in the Report and Accounts and consider whether it is consistent with the audited Financial Statements. This other information comprises Financial Highlights, Chairman's Statement, Property Advisor's report, Board of Directors, Advisors to Directors, Report of the Directors and Corporate Governance statement. 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.

Report of the independent auditors (continued)

Basis of 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.

Opinion

In our opinion:

- The Group Financial Statements give a true and fair view, in accordance with IFRS, of the state of the Group's affairs at 31 March 2008 and of its profit for the period then ended.
- The Company Financial Statements give a true and fair view, in accordance with IFRS, of the state of the Company's affairs at 31 March 2008 and of its profit for the period then ended.
- The Financial Statements have been properly prepared in accordance with the Companies (Guernsey) Law, 1994.

BDO Novus Ltd
Chartered Accountants
St Peter Port
Guernsey

26 June 2008

BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
Epsom
Surrey

26 June 2008

Group and Company Income Statements

For the 5 months ended 31 March 2008	Note	Group £000	Company £000
Gross rental income		808	–
Property outgoings	15	442	–
Net rental income		**1,250**	**–**
Administrative expenses		(3,364)	(1,111)
Loss on revaluation of investment properties		(3,589)	–
Loss on sale of investment properties		(36)	–
Loss on sale of subsidiaries	18	(17)	–
Operating loss	3	**(5,756)**	**(1,111)**
Finance income	4	5,772	5,679
Finance costs	4	(874)	(20)
Change in fair value of derivative financial investments	4	(181)	–
(Loss)/profit before tax		**(1,039)**	**4,548**
Taxation	5	1,444	–
Profit for the period		**405**	**4,548**
Earnings per share			
Basic and diluted	7	0.14p	

All amounts relate to continuing activities.

The notes on pages 24 to 42 form part of these financial statements.

Group and Company Balance Sheets

At 31 March 2008	Note	Group 2008 £000	Company 2008 £000
Non-current assets			
Investment properties	8	49,370	–
Investment in subsidiaries and joint ventures	9	–	34,919
Deferred tax assets	5	1,190	–
		50,560	**34,919**
Current assets			
Trade and other receivables	11	8,036	4,999
Other financial assets		61,500	61,500
Cash and cash equivalents	12	182,112	180,467
		251,648	**246,966**
Total assets		**302,208**	**281,885**
Current liabilities			
Trade and other payables	13	1,364	240
		1,364	**240**
Non-current liabilities			
Borrowings	14	21,825	–
Derivative financial instruments	14	181	–
Provisions	15	940	–
		22,946	**–**
Total liabilities		**24,310**	**240**
Net assets		**277,898**	**281,645**

The notes on pages 24 to 42 form part of these financial statements.

At 31 March 2008	Note	Group 2008 £000	Company 2008 £000
Equity			
Called up share capital	16	28,500	28,500
Special reserve		248,597	248,597
Retained earnings		801	4,548
Total equity		**277,898**	**281,645**
Net asset value per share	21	97.5p	

The financial statements were approved and authorised for issue by the Board of Directors on 26 June 2008 and were signed on its behalf by:

L R H Grant
Director

H J M Price
Director

The notes on pages 24 to 42 form part of these financial statements.

Group and Company Statements of Changes in Equity

Group

	Share capital £000	Share premium account £000	Special reserve £000	Retained earnings £000	Total £000
Profit for the period and total recognised income and expense	–	–	–	405	405
Issue of ordinary share capital	28,500	248,597	–	–	277,097
Cancellation of share premium	–	(248,597)	248,597	–	–
Share-based payment	–	–	–	396	396
At 31 March 2008	**28,500**	**–**	**248,597**	**801**	**277,898**

Company

	Share capital £000	Share premium account £000	Special reserve £000	Retained earnings £000	Total £000
Profit for the period and total recognised income and expense	–		–	4,548	4,548
Issue of ordinary share capital	28,500	248,597	–	–	277,097
Cancellation of share premium	–	(248,597)	248,597	–	–
Share-based payment	–	–	–	–	–
At 31 March 2008	**28,500**	**–**	**248,597**	**4,548**	**281,645**

The notes on pages 24 to 42 form part of these financial statements.

Group and Company Cash Flow Statements

For the period to 31 March 2008	Note	Group 2008 £000	Company 2008 £000
Cash flows from operating activities			
(Loss)/profit before tax		(1,039)	4,548
Adjustments for non-cash items:			
Loss on revaluation of investment properties		3,589	–
Loss on sale of investment properties		36	–
Loss on sale of subsidiaries		17	–
Share-based payment		396	–
Net finance income		(4,717)	(5,659)
Cash flows from operations before changes in working capital		**(1,718)**	**(1,111)**
Change in trade and other receivables		(1,358)	(26)
Change in trade and other payables		(779)	240
Change in provisions		(625)	–
Cash flows from operations		**(4,480)**	**(897)**
Interest received		3,544	3,451
Interest paid		(667)	(20)
Financial arrangement fees paid		(145)	–
Cash flows from operating activities		**(1,748)**	**2,534**
Investing activities			
Purchase of subsidiary undertakings net of cash acquired		1,284	(231)
Capital expenditure on investment properties		(1,469)	–
Sale of subsidiary undertakings net of cash disposed of	18	21,866	–
Sale of investment property		(27)	–
Purchase of short-term financial deposits		(61,500)	(61,500)
Cash flows from investing activities		**(39,846)**	**(61,731)**
Financing activities			
Proceeds from share issue		239,664	239,664
New borrowings		22,820	–
Repayment of borrowings		(38,778)	–
Cash flows from financing activities		**223,706**	**239,664**
Net increase in cash and cash equivalents		182,112	180,467
Cash and cash equivalents at beginning of period		–	–
Cash and cash equivalents at end of period		**182,112**	**180,467**

The notes on pages 24 to 42 form part of these financial statements.

Notes forming part of the Financial Statements

for the period to 31 March 2008

1 Accounting policies

a) General information

London and Stamford Property Limited (the "Company") is a closed-ended, limited liability investment company, incorporated and domiciled in Guernsey. The address of its registered office is Regency Court, Glategny Esplanade, St Peter Port, Guernsey.

b) Statement of compliance

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

c) Basis of preparation

The functional and presentational currency of the Group and Company is sterling. The financial statements are prepared on the historical cost basis except that investment and development properties and derivative financial instruments are stated at fair value.

The accounting policies have been applied consistently in all material respects.

i) Estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant items subject to such assumptions and estimates include the fair value of investment properties, the measurement and recognition of provisions, the recognition of deferred tax assets and liabilities for potential corporation tax and the fair value of derivative financial instruments. The most critical accounting polices in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgements. These relate to property valuation, business combinations and goodwill, derivative financial instruments, share-based payments, provisions and taxation and these are discussed in the policies below. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the change is recognised over those periods.

ii) Adoption of new and revised standards

Standards and interpretations effective in the current period

In the current year, the Group has adopted IFRS 7 "Financial Instruments: Disclosures" which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 "Presentation of Financial Statements".

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 14). There has been no effect on the results, cash flows or financial position of the Group or Company.

Five interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are IFRIC 7, IFRIC 8, IFRIC 9, IFRIC 10 and IFRIC 11. The adoption of these interpretations has not led to any changes in the Group's accounting policies.

1 Accounting policies (continued)

Standards and interpretations in issue not yet adopted
The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations that are mandatory for later accounting periods and which have not been adopted early. These are:

		Effective date
IAS 1	Presentation of financial statements amendment	01/01/2009
IFRS 8	Operating Segments	01/01/2009
IAS 23	Borrowing costs amendment	01/01/2009
IAS 32	Financial Instruments: Presentation amendment	01/01/2009
IFRS 2	Share-based payments amendment	01/01/2009
IFRS 3	Business Combinations amendment and complementary amendments to IAS 27 Consolidated and Separate Financial Statements	01/01/2009
	Improvements in IFRS's	01/01/2009

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application, other than on presentation and disclosure.

The IASB has also issued IFRIC 12, service concession arrangements, IFRIC 13, customer loyalty programmes and IFRIC 14, the limit on a defined benefit asset, minimum funding requirements and their interaction, all of which are not relevant to the operations of the Company or Group.

d) Basis of consolidation

i) Subsidiaries
The consolidated accounts include the accounts of the Company and all subsidiaries (the "Group") using the purchase method. Subsidiaries are those entities controlled by the Group. Control is assumed when the Group has the power to govern the financial and operating policies of an entity to gain benefits from its activities. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value at the acquisition date. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition, in other cases the purchase method is used.

ii) Joint ventures
Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

Joint ventures and associates are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax.

Accounting practices of subsidiaries and joint ventures which differ from Group accounting policies are adjusted on consolidation.

iii) Goodwill
Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. This is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement within administration expenses and is not subsequently reversed.

Goodwill in respect of overseas subsidiaries denominated in a foreign currency is retranslated at each balance sheet date using the closing rate of exchange. The resulting foreign exchange differences are taken to the translation reserve.

Notes forming part of the Financial Statements (continued)

1 Accounting policies (continued)

e) Property portfolio

i) Investment properties

Investment properties are properties owned or leased by the Group which are held for long-term rental income and for capital appreciation. Investment property is initally recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value.

Gains or losses arising from changes in the fair value of investment property are recognised in the income statement of the period in which they arise. Depreciation is not provided in respect of investment properties including integral plant.

When the Group redevelops an existing investment property for continued future use as an investment property, the property remains an investment property measured at fair value and is not reclassified.

For leasehold properties that are classified as investment properties, the associated leasehold obligations are at peppercorn rents and are not considered to be material.

Any surplus or deficit arising on revaluing investment properties or investment properties being redeveloped is recognised in the income statement.

ii) Development properties

Properties acquired with the intention of redevelopment are classified as development properties and stated initially at cost and then subsequently remeasured at fair value. Changes in fair value above cost are recognised in equity in accordance with IAS 16, and changes in fair value below cost are recognised in the income statement.

All costs directly associated with the purchase and construction of a development property including interest are capitalised. When development properties are completed, they are reclassified as investment properties and any accumulated revaluation surplus or deficit is transferred to retained earnings.

iii) Tenant leases

Management has exercised judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IAS 17 for all properties leased to tenants and has determined that such leases are operating leases.

iv) Net rental income

Revenue comprises rental income.

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the lease term.

Contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the lease termination date.

Lease incentives and costs associated with entering into tenant leases are amortised over the lease term.

Revenue from the sale of trading properties is recognised in the period within which there is an unconditional exchange of contracts.

Property operating expenses are expensed as incurred and any property operating expenditure not recovered from tenants through service charges is charged to the income statement.

1 Accounting policies (continued)

v) Surplus on sale of investment and development properties
Surpluses on sales of investment and development properties are calculated by reference to the carrying value at the previous balance sheet date, adjusted for subsequent capital expenditure.

f) Financial assets and financial liabilities
Financial assets and financial liabilities are recognised on the Group and Company balance sheets when the Group or Company becomes a party to the contractual terms of the instrument. Unless otherwise indicated, the carrying amounts of the Group and Company financial assets and liabilities are a reasonable approximation of their fair values.

i) Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In the case of the Company and its Group, loans and receivables comprise trade and other receivables, intra-group loans and cash and cash equivalents. Loans and receivables are initially recognised at fair value, plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

ii) Other financial assets
These comprise deposits held with banks where the original maturity was more than three months.

iii) Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

iv) Other financial liabilities
Other financial liabilities include interest bearing loans, trade payables (including rent deposits and retentions under construction contracts) and other short-term monetary liabilities. Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Interest bearing loans are initially recorded at fair value net of direct issue costs, and subsequently carried at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

v) Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to interest rate risks.

Derivative financial instruments are recognised initially at fair value, which equates to cost and subsequently remeasured at fair value, with changes in fair value being included in the income statement.

vi) Provisions
A provision is recognised when a legal or constructive obligation exists as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle that obligation at the balance sheet date, and are discounted to present value if the effect is material.

Notes forming part of the Financial Statements (continued)

1 Accounting policies (continued)

g) Finance costs
Net finance costs include interest payable on borrowings, net of interest capitalised and finance costs amortised.

h) Finance income
Finance income includes interest receivable on funds invested, measured at the effective rate of interest on the underlying sum invested.

i) Capitalisation of interest
Interest is capitalised if it is directly attributable to the acquisition, construction or production of development properties or the redevelopment of investment properties. Capitalisation commences when the activities to develop the property start and continues until the property is substantially ready for its intended use. Capitalised interest is calculated with reference to the actual rate payable on borrowings for development purposes or, for that part of the development cost financed out of general funds, to the average rate.

j) Dividends
Dividends on equity shares are recognised when they become legally payable. In the case of interim dividends, this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

k) Tax
Tax is included in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

The following differences are not provided for:

- The initial recognition of goodwill;
- Goodwill for which amortisation is not tax deductible;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries, associates and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Tax status of the Company and its subsidiaries

The Company has obtained exempt company status in Guernsey under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that it is exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable in Guernsey. The Directors intend to conduct the Company's affairs such that it continues to remain eligible for exemption.

1 Accounting policies (continued)

During the period, the Group's properties have been held in various subsidiaries and associates, the majority of which are subject to UK or Belgian income tax. In each instance any tax due is computed after deduction of debt financing costs and other allowances as appropriate.

l) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated into sterling at exchange rates approximating to the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date and differences arising on translation are recognised in the income statement.

ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date. The operating income and expenses of foreign operations are translated into sterling at the average exchange rate for the period. All resulting exchange differences are recognised as a separate component of equity.

iii) Net investment in foreign operations

On consolidation exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. They are released to the income statement upon disposal of the foreign operation, as part of the gain or loss at sale.

m) Share-based payments

The cost of equity settled transactions is measured by reference to the fair value at the date which they are granted and is recognised as an expense over the vesting period, which ends on the date which the relevant individuals become fully entitled to the award. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than market conditions.

During the period the Company awarded shares to members of the Property Advisor. The fair value of these shares has been taken as the market value at the date of grant. There is no exercise price and these instruments vested immediately.

n) Segmental reporting

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2 Segmental information

During the period the Group had only one business activity being property investment and development and operated in the United Kingdom.

The Group's Belgian subsidiary was disposed of at the beginning of the period and is not considered material to these financial statements.

Notes forming part of the Financial Statements (continued)

3 (Loss)/profit from operations

For the period to 31 March 2008	Group 2008 £000	Company 2008 £000
This has been arrived at after charging:		
Property advisor management fees	1,932	580
Directors' fees	83	83
Share-based payment expense	758	–
Auditors' remuneration:		
Audit of the Group and Company Financial Statements	83	40
Fees payable to the Company's auditors for other services to the Group:		
– Statutory audit of subsidiary accounts	15	–
– IFRS conversion advice	15	15
– Taxation advice	61	–
– Taxation compliance work	22	–
– Fees in connection with the Company's admission to AIM and acquisition of the existing group	140	140

Fees are paid to certain non-executive Directors who are not members of LSI Management LLP, the Property Advisor to the Group. The Company has no employees.

397,000 shares were issued to two members of the Property Advisor for their services as Directors of the former London and Stamford Investments Limited Group (which was acquired by the Company on 30 October 2007 as stated in note 10) in settlement for the acquisition. As the issue was conditional upon the Company's admission to AIM and subsequent placing, and was disproportionate to the value of their existing holding, it has been treated as a post acquisition share-based expense of the Group. The expense is calculated using the market price of the shares at the date of grant which is considered to approximate to their fair value. The corresponding entry has been credited to equity.

4 Finance income and costs

For the period to 31 March 2008	Group 2008 £000	Company 2008 £000
Finance income		
Interest on short-term deposits	5,772	5,679
	5,772	**5,679**
Finance costs		
Interest on bank loans	757	20
Amortisation of loan issue costs	117	–
Fair value loss on derivative financial instruments	181	–
	1,055	**20**

5 Taxation

Group only

For the period to 31 March 2008	Group 2008 £000
The tax expense for the period comprises:	
Current tax	
UK corporation tax on loss for the period	–
	–
Deferred tax	
Change in deferred tax in the period	(1,444)
	(1,444)

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

For the period to 31 March 2008	Group 2008 £000
Loss before tax	(1,039)
Loss at the standard rate of corporation tax in the UK of 28%	(290)
Effects of:	
Expenses not deductible for tax purposes	119
Tax effect of income not subject to tax	(1,273)
Total tax expense for the period	**(1,444)**

Deferred tax asset/(liability)

	Revaluation surplus	Other temporary and deductible differences	Losses	Total
Acquired on acquisition of subsidiary	(1,807)	–	1,553	(254)
Credited/(charged) during the period in the income statement	1,226	40	178	1,444
At 31 March 2008	**(581)**	**40**	**1,731**	**1,190**

Deferred tax on the revaluation surplus is calculated on the basis of the chargeable gains that would crystallise on the sale of the investment property portfolio as at 31 March 2008. The calculation takes account of available indexation on the historic cost of the properties and any available capital losses.

The Group does not have unprovided deferred tax assets.

Notes forming part of the Financial Statements (continued)

6 Dividends

	Group £000	Company £000
Ordinary dividends		
Proposed final dividend of 1.6p per share for 2008	4,560	4,560

The proposed final dividend is subject to approval at the Annual General Meeting on 18 September 2008 and, in accordance with International Financial Reporting Standards has not been included as a liability in these financial statements. The final dividend is payable on 19 September 2008 to ordinary shareholders on the register at the close of business on 4 July 2008 and will be recognised as an appropriation of retained earnings in 2009.

7 Earnings per share

Earnings per share is calculated on a weighted average of 285,000,000 ordinary shares of 10p each in issue throughout the period and is based on profits attributable to ordinary shareholders of £405,000.

There are no potentially dilutive or anti-dilutive share options in the period.

Adjusting earnings for the effects of revaluing investment properties and deferred taxation, results in attributable profits of £2,550,000 or 0.89p per share.

8 Investment properties

Group only

	Freehold £000	Long leasehold £000	Total £000
Acquisitions	62,111	12,627	74,738
Other capital expenditure	1,351	118	1,469
Disposals	(19,978)	(3,270)	(23,248)
Revaluation movement	(2,544)	(1,045)	(3,589)
At 31 March 2008 at valuation	**40,940**	**8,430**	**49,370**

At 31 March 2008, the Group's investment properties in the United Kingdom were externally valued by CB Richard Ellis Limited, Chartered Surveyors. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards on the basis of market value. Market value represents the estimated amount for which a property would be expected to exchange at the date of valuation between a willing buyer and willing seller in an arm's-length transaction. A deduction is made to reflect purchasers' acquisition costs.

The historical cost of all of the Group's investment properties at 31 March 2008 was £52,959,000.

9 Investment in subsidiary undertakings

Company only

	Subsidiary undertakings £000
Acquisition of subsidiary – issue of ordinary shares	37,500
– called up share capital unpaid (note 11)	(2,812)
– costs of acquisition	231
At 31 March 2008	**34,919**

As explained in note 10, the Company acquired the London & Stamford Investments Limited group in the period.

The Company is the ultimate holding company of the Group and has the following principal subsidiary undertakings all of which are consolidated in these financial statements:

	Country of incorporation or registration	Proportion of voting rights held (by way of share capital held)	Nature of business
London & Stamford Investments Limited	England	100%	Intermediate parent company
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

*Undertakings held indirectly by the Company.

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

Notes forming part of the Financial Statements (continued)

10 Acquisitions

On 30 October 2007 the Company entered into a Share Exchange Agreement pursuant to which it acquired the entire issued share capital of London & Stamford Investments Limited for £37.5 million settled in full by issuing 37,500,000 shares at £1 per share. As shown in note 9, direct costs of acquisition amounted to £231,000 and called up share capital issued but unpaid amounted to £2,812,500 which has been excluded from the cost of acquisition. The net assets acquired were as follows:

	Book value of net assets acquired £000	Fair value of net assets acquired £000
Non-current assets		
Investment property	74,738	74,738
Current assets		
Trade and other receivables	1,625	1,625
Deferred tax asset	1,553	1,553
Cash and cash equivalents	1,515	1,515
Current liabilities		
Trade and other payables	(2,362)	(2,362)
Non-current liabilities		
Borrowings	(38,778)	(38,778)
Provisions	(1,565)	(1,565)
Deferred tax liabilities	(1,807)	(1,807)
Net assets acquired	34,919	**34,919**
Goodwill on acquisition		–
Cost of acquisition		**34,919**

11 Trade and other receivables

	Group £000	Company £000
Trade receivables	275	–
Amounts receivable on property sales	1,050	–
Called up share capital issued but unpaid on acquisition of subsidiary	2,745	2,745
Interest receivable	2,228	2,228
Prepayments and accrued income	871	26
Other receivables	867	–
At 31 March 2008	**8,036**	**4,999**

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

As part of the issue of the 37.5 million ordinary shares on the acquisition of London & Stamford Investments Limited ("LSI"), 2,812,500 ordinary shares are subject to a claw back based on the valuation of certain investment property owned by the LSI Group at the date of acquisition. In accordance with the acquisition agreement, the affected shareholders have an option to make up the shortfall by making a cash payment to the Company. On 31 March 2008 the Company and these individual shareholders entered into a contractual obligation to contribute the cash in the event of a valuation shortfall. Of the £2,812,500 shortfall, £2,745,000 remains outstanding at 31 March 2008 and is disclosed as called up share capital unpaid.

At 31 March 2008 there were no amounts which were past due and no amounts which were impaired. There is no provision for impairment of trade receivables as at 31 March 2008 as the risk of impairment of the amounts outstanding is not considered to be significant.

12 Cash and cash equivalents

Cash and cash equivalents include £1,012,000 retained in rent and restricted accounts which are not readily available to the Group for day-to-day commercial purposes.

13 Trade and other payables

	Group £000	Company £000
Trade payables	263	–
Rent received in advance	281	–
Accrued interest	405	–
Other payables	45	–
Other accruals and deferred income	370	240
At 31 March 2008	**1,364**	**240**

Notes forming part of the Financial Statements (continued)

14 Financial assets and financial liabilities

a) Financial assets

The financial assets of the Company and Group consist of trade and other receivables, cash and cash equivalents and cash deposits where the original maturity was for more than three months.

b) Non-current financial liabilities

Group only

	31 March 2008 £000
Secured bank loans	22,820
Unamortised finance costs	(995)
	21,825

	Bank loans 31 March 2008 £000
Maturity of borrowings	
Less than one year	–
Between one and two years	–
Between two and five years	21,825
Over five years	–
	21,825

The bank loan is secured by fixed charges over certain of the Group's investment properties and can be extended a further two years at the end of the initial five-year term.

14 Financial assets and financial liabilities (continued)

c) Financial risk management

Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The policies of the Company are the same as those of the Group.

The Group's operations and debt financing expose it to a variety of financial risks. The exposure to each risk, how it arises and the policy for managing each risk is summarised below:

i) Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's principal financial assets are cash balances and deposits and trade and other receivables. The Group's credit risk is primarily attributable to its cash deposits and trade receivables.

The trade receivable amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables concerned. The balance is low relative to the scale of the balance sheet and therefore the credit risk of trade receivables is considered to be low.

Property sales receivables primarily relate to the sale of one property at Nottingham. As the purchasers are of reputable financial standing the credit risk is considered low and no amounts are considered impaired.

Cash is placed on deposit with a number of different reputable banks with strong credit ratings and for varying periods of time, thereby spreading risk.

The credit risk on liquid funds and derivative financial instruments is limited due to the Group's policy of monitoring counterparty exposures with a maximum exposure equal to the carrying amount of these instruments. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

ii) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations and committed investments. The Group's undrawn committed borrowing facilities are monitored against projected cash flows. The Group prepares annual budgets and working capital forecasts to assess future cash requirements.

The Group had available but undrawn bank loan facilities of £127,180,000 at 31 March 2008, maturing between two and five years.

Notes forming part of the Financial Statements (continued)

14 Financial assets and financial liabilities (continued)

iii) Market risk
The Group is exposed to market risk through interest rates and currency fluctuations.

iv) Interest rate risk
The Group is exposed to interest rate risk from long-term borrowings at a variable rate. It is Group policy that a reasonable portion of external borrowings are at a fixed interest rate.

The Group uses interest rate swaps to manage its interest rate exposure and hedge future interest rate risk for the term of the bank loan. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully the cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

At 31 March 2008 the Group had £15 million of hedges in place, and its debt was 66% fixed. Consequently, based on year end debt levels, a 1% change in interest rates would decrease or increase the Group's annual profit before tax by £102,000 or £228,000 respectively. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end.

The average interest rate payable by the Group on all bank borrowings at 31 March 2008 net of undrawn facility commitment fees was 6.4%.

v) Foreign exchange risk
Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group has disposed of its subsidiaries in Belgium and has not entered into any other foreign currency transactions. Therefore the Group's foreign exchange risk is low.

vi) Capital risk management
The Group defines its equity as share capital, share premium, special reserves and retained earnings. The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern so that it can provide returns to shareholders. The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and other financial assets, and equity comprising issued capital, reserves and retained earnings. The Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

14 Financial assets and financial liabilities (continued)

d) Financial instruments

i) Categories of financial instruments

	Loans and receivables	
	Group £000	Company £000
Current assets		
Cash and cash equivalents	182,112	180,467
Trade receivables (note 11)	275	–
Amounts receivable on property sales (note 11)	1,050	–
Deferred consideration on acquisition of subsidiary (note 11)	2,745	2,745
Interest receivable (note 11)	2,228	2,228
Other receivables	501	–
Other financial assets	61,500	61,500
	250,411	**246,940**

	Measured at amortised cost		Measured at fair value	
	Group £000	Company £000	Group £000	Company £000
Non current liabilities				
Borrowings (note 14b)	21,825	–	–	–
Current liabilities				
Trade payables (note 13)	263	–	–	–
Accrued interest (note 13)	405	–	–	–
Other accruals (note 13)	370	240	–	–
Other payables (note 13)	45	–	–	–
Derivative financial instruments (see 14d(iii))	–	–	181	–
	22,908	**240**	**181**	**–**

ii) Fair values

To the extent financial assets and liabilities are not carried at fair value in the consolidated balance sheet, the Directors are of the opinion that book value approximates to fair value at 31 March 2008.

Notes forming part of the Financial Statements (continued)

14 Financial assets and financial liabilities (continued)

iii) Derivative financial instruments

All derivative financial instruments are carried at fair value following a valuation as at 31 March 2008 by JC Rathbone Associates Limited.

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2008 are provided below:

	Protected rate %	Expiry	Market value gain/(loss) pre-tax 31 March 2008 £000
£15 million cap	5.75	October 2008	9
£10 million swap (commences 3/10/2008)	5.41	October 2012	(190)
			(181)

All derivative financial instruments are non-current and are interest rate derivatives.

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, fair value is calculated on a replacement basis using mid-market rates. 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.

15 Provisions

Group only

	Enhanced management fees £000
On acquisition of subsidiary	1,565
Credited to the income statement	(625)
At 31 March 2008	**940**

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.

The movement in the period has been credited to property outgoings in the income statement.

16 Share capital

Group and Company

	31 March 2008 Number	31 March 2008 £000
Authorised		
Ordinary shares of 10p each	**500,000,000**	**50,000**

	31 March 2008 Number	31 March 2008 £000
Issued, called up and fully paid		
Ordinary shares of 10p each	**285,000,000**	**28,500**

The Company was incorporated on 1 October 2007 with authorised share capital of 500,000,000 ordinary shares of 10p each. On incorporation two ordinary shares of 10p each were issued for cash at a subscription price of £1 per ordinary share.

On 30 October 2007 the Company issued a further 37,499,998 10p ordinary shares as consideration for the acquisition of the entire issued share capital of London & Stamford Investments Limited (see note 10).

On 7 November 2007 the Company's ordinary shares were admitted to trading on AIM and immediately thereafter 247,500,000 10p ordinary shares were allotted following a placing at 100p per share.

17 Reserves

The Statements of Changes in Equity are shown on page 22.

The following describes the nature and purpose of each reserve within equity:

Share capital	The nominal value of shares issued.
Share premium	The excess of value of shares issued over their nominal value.
Special reserve	During the period the Company applied to the Royal Court of Guernsey to reduce its capital by the cancellation of its share premium and the creation of a separate, special reserve, which is an additional distributable reserve to be used for all purposes permitted under Guernsey company law, including the buy back of shares and payment of dividends.
Retained earnings	The cumulative profits and losses after the payment of dividends.

18 Disposals

In November 2007 the Group disposed of its Belgian subsidiary LSI Retail NV. The loss on disposal in the period was £17,000. Net assets disposed of amounted to £21,883,000 and consisted primarily of investment property valued at £22,189,000, cash balances of £314,000 and other net liabilities of £620,000. The cash consideration received in full settlement amounted to £21,866,000.

Notes forming part of the Financial Statements (continued)

19 Related party transactions and balances

Group

Details of Directors' fees and interests are given in the Directors' Report on pages 10 to 13 and in note 3.

Mr H R Mould, Mr P L Vaughan and Mr H J M Price are designated members of LSI Management LLP, the property advisor to the Group. The property advisor received £1.9 million for the services of property management during the period. At 31 March 2008, none of the fee remained outstanding.

Mr P Firth is managing director of Butterfield Fund Services (Guernsey) Limited the Company's administrator. Butterfield Fund Services (Guernsey) Limited received £29,000 in payment of administration services during the period. At 31 March 2008 £18,000 remained outstanding and is reflected in the year end creditor balance.

Transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation.

Company

During the period the Company received nil by way of intra-group dividends and nil in intra-group interest. Amounts advanced by the Company to subsidiary undertakings are unsecured and repayable on demand. No advances were made in the period.

20 Events after the balance sheet date

On 23 April 2008 the Company entered into a new joint venture with Cavendish Limited, a wholly-owned subsidiary of a major Gulf institution. Cavendish will provide co-investment funds of up to £200 million.

21 Net asset value

Net asset value per share is based on Group net assets at 31 March 2008 of £277,898,000 and the number of ordinary shares in issue at that date of 285 million.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of London & Stamford Property Limited will be held at Regency Court, Glategny Esplanade, St Peter Port, Guernsey, on Thursday 18 September 2008 at 12 noon.

Ordinary business

1 To consider and receive the Annual Report and Audited Financial Statements for the period from incorporation to 31 March 2008.

2 To reappoint BDO Novus Ltd and BDO Stoy Hayward LLP as joint auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

3 To authorise the Board to determine the remuneration of the auditors.

4 To consider the reappointment of Mr Raymond Mould as a Director of the Company in accordance with Article 77 (1).

5 To consider the reappointment of Mr Richard Crowder as a Director of the Company in accordance with Article 77 (1).

6 To consider the reappointment of Advocate Rupert Evans as a Director of the Company in accordance with Article 77 (1).

7 To consider the reappointment of Mr Humphrey Price as a Director of the Company in accordance with Article 77 (1).

8 To consider the reappointment of Mr Lewis Grant as a Director of the Company in accordance with Article 77 (1).

9 To consider the reappointment of Mr Patrick Vaughan as a Director of the Company in accordance with Article 77 (1).

10 To consider the reappointment of Mr Patrick Firth as a Director of the Company in accordance with Article 77 (1).

11 To approve the Company's investment strategy.

12 To approve the payment of the final dividend of 1.6p per ordinary share.

Special business

To consider and, if thought fit, pass resolution 11 as a Special Resolution of the Company:

13 THAT the existing Articles of Association of the Company be amended as follows:

a. The following definition be inserted into the "Interpretation" section in alphabetical order:
"'CREST Proxy Voting Service' shall have the meaning as set out in the CREST Manual;'"

b. The following wording be inserted at the end of the "Interpretation" section:
"The words and expressions 'electronic' and 'signature in electronic form' shall have the same meanings as defined in The Electronic Transactions (Guernsey) Law, 2000."

c. The following new Article 73A be inserted:
"The reference to proxy in Articles 62 to 73 inclusive shall include the appointment of a proxy via the CREST Proxy Voting Service."

d. The following new Article 50 replaces the existing Article 50:
"Not less than fourteen days' notice specifying the time and place of any general meeting and specifying also in the case of any special business the general nature of the business to be transacted shall be given notice sent in electronic form or by post by the Secretary or other Officer of the Company or any other person appointed in that regard by the Board to such Members as are entitled to receive notices provided that with the consent in writing of all such Members a meeting may be convened by a shorter notice or at no notice and in any manner they think fit. In every notice there shall appear a statement that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a Member."

e. The following sentence be inserted at the end of Article 68:
"For the avoidance of doubt, a signature in electronic form shall meet the requirements of this Article 68."

f. The following new Article 130 replace the existing Article 130:
"A notice may be given by the Company to any Member either personally, in electronic form or by sending it by prepaid post addressed to such Member at his registered email or postal address or if he desires that notices shall be sent to some other address or person to the address or person nominated for such purpose. Notices to be posted to addresses outside the Channel Islands and the United Kingdom shall so far as practicable be forwarded by prepaid airmail."

g. The following new Article 131A be inserted:
"Any electronic notice or other document shall be deemed to have been served immediately upon sending and it shall be sufficient to prove that the electronic notice or document was served if it was properly addressed and sent."

Notice of Annual General Meeting (continued)

h. The following new Article 131B be inserted:
"The accidental failure to send, or the non-receipt by any person entitled to, any notice of or other document relating to any meeting or other proceeding shall not invalidate the relevant meeting or other proceeding."

i. The following new Article 131C be inserted:
"Where under these Articles a document is required to be signed by a Member or other person, if such document is in electronic form, it must incorporate either a signature in electronic form or personal identification details in a form previously approved by the Company of that Member or other person. The Directors may designate mechanisms for validating any such document, and any such document not so validated shall be deemed not to have been received by the Company."

j. The following new Article 131D be inserted:
"A Member may notify the Company of an address for the purpose of receiving notices and documents in electronic form and having done so shall be deemed to have agreed to receive notices and other documents in electronic form. In addition, if a member notifies the Company of his e-mail address, the Company may satisfy its obligation to send him any notice or other document by:

(1) publishing such notice or document on a web site; and

(2) notifying that Member by e-mail to that e-mail address that such notice or document has been so published, specifying the address of the web site on which it has been published, the place on the website where it may be accessed, how it may be accessed and (if it is a notice relating to a shareholders' meeting) stating (i) that the notice concerns a notice of a company meeting served in accordance with the Articles, (ii) the place, date, and time of the meeting, (iii) whether the meeting is to be an annual or extraordinary general meeting and (iv) such other information as the Laws may prescribe."

k. The following new Article 131E be inserted:
"An electronic communication shall not be treated as received by the Company if it is rejected by computer virus protection arrangements."

By order of the Board

for Butterfield Fund Services (Guernsey) Limited
Secretary

26 June 2008

Notes to AGM Notice:

(i) Shareholders entitled to attend and vote at the meeting may appoint one or more proxies (who need not be shareholders) to attend and vote on their behalf.

(ii) To have the right to attend and vote at the meeting you must hold ordinary shares in the Company and your name must be entered on the share register of the Company in accordance with note 4 below.

(iii) To be valid, Forms of Proxy (and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be received by Capita Registrars, The (PROXIES), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but, in any event, so as to arrive no later than 12 noon on 16 September 2008. A Form of Proxy accompanies this notice. Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so.

(iv) The time by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting is 6.00 pm on 16 September 2008. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(v) To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent, RA10 by 12 noon on 16 September 2008. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. In any case your proxy form must be received by Capita Registrars no later than 12 noon on 16 September 2008.

Financial Calendar

Financial Calendar	
Annual General Meeting	18 September 2008
Payment of ordinary dividend	19 September 2008
Announcement of Interim Results to 30 September 2008	December 2008

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