London & Stamford Property Limited

Report & Accounts 2010

Financial highlights

	2010	2009
Net income	£16.1m	£3.1m
Revaluation surplus/(deficit) (including share of associates)	£101.9m	(£2.6m)
Profit for the year	£106.1m	£24.0m
Investment properties	£357.7m	£127.1m
Share of net asset value of associates	£89.3m	£62.8m
Cash deposits	£276.6m	£169.9m
Bank debt	£121.6m	£69.6m
Net asset value	£600.6m	£291.7m
NAV per share	120.1p	102.3p
Earnings per share	24.8p	8.4p
Adjusted earnings per share	1.5p	1.2p
Dividend per share	4.4p	4.0p

Contents

Chairman's statement

I am very pleased to present our annual report for the year ended 31 March 2010 – the first full year of our ownership of One Fleet Place and our interest in the Meadowhall Shopping Centre.

In the early part of the year, we continued to invest in high yielding prime assets, with long unexpired terms leased to good quality tenants. However, as the year progressed, we became increasingly cautious over further investment as prime yields tightened to potentially unsustainable levels in what we considered a most demanding tenant environment.

Consequently, between late September 2009 and the end of the year we acquired only two further assets at Highbury Square in London and the Focus distribution unit at Tamworth. Since the year end, I am delighted to confirm the completion on 17 May 2010 of our acquisition of the Radial portfolio of 16 distribution warehouses for £208.5 million, equating to a net initial yield of 8.75%, fully let. The Radial acquisition represents exceptional value, combining prime quality assets in prime locations with secure income. We have employed our existing £150 million bank facility with Bank of Scotland to part fund the acquisition. Its attractive pricing at 80bps over LIBOR will yield a cash return of 18.5% when the unlet units are taken up.

Results

The Group generated a profit for the year of £106.1 million (2009: £24.0 million).

Adjusted profit (excluding the revaluation of investment properties, deferred taxation, the fair value of derivatives and negative goodwill) is £6.3 million (2009: £3.5 million). Comprising as follows:

£m	2010	2009
Profit for the Year	**106.1**	24.0
Revaluation of Investment Properties	**(72.1)**	5.7
Revaluation of Meadowhall	**(29.8)**	(3.1)
Deferred Taxation	**(1.9)**	(3.9)
Fair Value of Derivatives	**4.4**	1.3
Negative Goodwill	**(0.4)**	(20.5)
	6.3	3.5

Net assets at 31 March 2010 were £600.6 million (2009: £291.7 million), equivalent to 120.1p per share (2009: 102.3p).

The interim dividends of 2.2p paid on 21 December 2009 and 2.2p paid on 1 April 2010 produce a total dividend for the year of 4.4p per share (year ended 31 March 2009: 4.0p) and the Board will not recommend a further dividend for the year ended 31 March 2010.

The results for the year highlight the very attractively priced acquisitions we made early in 2009. These assets have benefited through careful asset management and yield movement to produce a valuation uplift of £72.1 million, most particularly through One Fleet Place, Aintree and Highbury, as highlighted later in the Property Advisor's Report.

Our share of the profit derived from our joint venture at Meadowhall is £29.8 million. The total valuation increase for the year is £101.9 million.

Portfolio

Having commenced investing our equity in the last quarter of the financial year ended 31 March 2009, the process continued into the first quarter of the year ended 31 March 2010. Investments at One Fleet Place, EC4 and the Meadowhall Shopping Centre, Sheffield were followed quickly by investments at No 1 Whitehall Riverside, Leeds, the Racecourse Retail Park, Aintree, and the Somerfield Distribution Unit at Wellingborough, all of which were reported in my Statements last year and in this year's Interim Announcement.

However, there was a change in market sentiment into the second and third quarters of the year, evidenced by yield strengthening which in our opinion was unlikely to be sustainable and we became increasingly cautious when looking at potential investment opportunities.

The acquisition of the apartment block of 146 units in the North Stand, Highbury was a departure from our normal area of activity, but in our view represents very good value. I am delighted to report that all available apartments at Highbury acquired for £41.4 million, have now been let, considerably ahead of the letting programme we set at the time of purchase.

The 591,597 sq.ft. Focus distribution unit at Tamworth was acquired with an unexpired lease term of 14 years at an initial yield of 9.5% and we are pleased to report a close and effective working relationship with the Focus management. This is their sole distribution centre and therefore strategically a key hub to their business.

In acknowledgment of yield tightening generally and particularly in respect of the acquisitions we made in the first half of the calendar year 2009, we decided to accept an offer made for No 1 Whitehall Riverside, Leeds, for £51.3 million (5.9% yield) and completed the disposal, capturing a £10.5 million profit on disposal and reflecting an 85% total return on our original equity investment.

As highlighted in the Property Advisor's report, we have been active in the year in securing new and improved occupiers for our portfolio and in exploring opportunities to enhance planning consents. These processes will continue into the current year as we consider the prospects for the newly acquired Radial portfolio where we already have firm interest in the two unlet units.

Placing and Open Offer

Following the successful acquisitions at Leeds, Aintree and Wellingborough in the first quarter of the financial year under review, our available equity was reduced to approximately £90 million.

As a consequence, and believing that positive deal flow would continue, and acknowledging that best value deals in the future might lie in large lot sizes, we raised a further £219.5 million (net of expenses) through a placing and open offer for 215 million new shares at 105p per share. There was an 88.7% take up of the open offer and overall the fund raising was oversubscribed.

Cash Management

Since the successful placing and open offer and in the light of reduced investment activity in the second half of the year, we have retained significant cash balances and their careful management has remained a priority. Although we have significantly outperformed the performance benchmark (London Interbank Deposit Rate), the average return for the cash during the year was only 0.66%.

The cash balance at the end of the year amounted to £276.6 million (2009: £169.9 million).

Following completion of the Radial portfolio acquisition, the uncommitted cash balance is c.£200 million.

As previously reported, the security of cash and its accessibility, as much as return, are key priorities to allow for rapid execution of transactions as required.

Borrowings

At the year end, borrowings amounted to £121.6 million (2009: £69.6 million). The borrowings are in respect of our assets at Aintree and One Fleet Place, which are financed separately with Deutsche Postbank and Santander respectively and in respect of our assets at Crawley, Nottingham and Wellingborough which are, together, security for a third facility with Helaba.

Our borrowings during the year in respect of No 1 Whitehall Riverside were repaid in full on disposal. One Fleet Place was originally financed using our £150 million facility with Bank of Scotland. The asset was refinanced during the year by Santander, thereby replenishing the Bank of Scotland facility for future utilisation which has been successfully deployed on the Radial acquisition.

Outlook

In each of my statements over the last 12 months, I have advised caution in the face of a difficult outlook for the economy and much uncertainty as to the sustainability of any perceived recovery in the property market.

I still consider such caution to be well placed and it will continue to underpin our strategy in the future.

Nevertheless, I am delighted that we have been able to continue to acquire prime assets with attractive returns and am particularly pleased to have worked alongside the Bank of Scotland to secure the Radial portfolio.

We are continuing to explore exciting opportunities which tend to be for larger lot sizes, including more complex portfolio opportunities where our available equity and the asset management skills provided by our property advisor present the potential to generate further investor returns.

The strategies of the banks in working out their problem portfolios continue to be critical for the real estate sector and we are hopeful of demonstrating again in future our ability to provide equity and asset management support to those work outs.

I am very please to confirm that we are now in a position to implement our previously advised strategy to move to the main market of the London Stock Exchange and to convert into a UK Real Estate Investment Trust.

The work to achieve this, which is not conditional upon any further investment, has commenced and we would expect it to be implemented by the end of September 2010.

H R Mould
Chairman

27 May 2010

Property Advisor's report

The volatility we have experienced in the market during the course of this year has presented us with limited buying opportunities and rather unexpectedly, the chance to realise some profit.

We have continued to build the portfolio cautiously and have continued to target assets which combine attractive initial yields with a quality product. We have appraised opportunities in all sectors and the outcome has resulted in the assembly of a diversified portfolio with which we will seek to achieve optimum returns on the equity deployed.

Assets acquired in the year are:

Property	Consideration £m	Initial yield	Cash on equity returns
Whitehall Riverside, Leeds	37.6	8.11%	12.23%
Somerfield Distribution Unit, Wellingborough	19.6	8.65%	12.94%
Racecourse Retail Park, Aintree	61.0	8.5%	13.46%
The Stadium, Highbury Square, London	41.4	7%	No gearing
Focus National Distribution Centre, Tamworth	33.3	9.5%	No gearing

The re-entry to the investment market of institutional investors and competition for assets during the second half of the year had a positive impact on yields and on our NAV, whilst limiting our scope to secure new purchases. As a consequence, in February 2010 we completed a sale of No 1 Whitehall Riverside for £51.3 million. We purchased this property in May 2009 for £37.6 million.

The total value of the portfolio is £357.7 million. The value of our interest in Meadowhall is £89.3 million.

Our most recent acquisition since the year end is Radial Distribution Limited, a portfolio of 16 high bay distribution units, predominantly located in the Midlands. The portfolio comprises a total of 3.4 m sq.ft., let to national tenants including Tesco plc, Travis Perkins plc, Eddie Stobart Limited, Kuhne & Nagel and Northrop Grumman, with a weighted average unexpired lease term of 6.23 years. We paid £208.5 million for an annual income once fully let of £18.91 million which equates to a net annual yield of 8.75% for a 94% interest in Radial.

In the following pages you can find more details about some of our key assets:

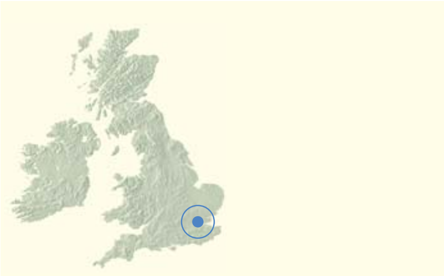

NAL STA

The Stadium Highbury Square *London*

The North Stand of the former Highbury Football Stadium – a unique development of luxurious apartments and penthouses all in close proximity to central London's transport links.

We completed the acquisition of a block of apartments predominantly in the North Stand, Highbury Square, London N5, in September 2009. We acquired a long leasehold interest in the apartments and the car parking spaces for £41.4 million which we then successfully let to occupiers. The 146 apartments comprise a mix of 1 and 2 bedroom flats and 3 bedroom penthouses set over 8 floors on the historic site, which was home to The Arsenal Football Club until 2006. The flats are finished to a high standard and designed to a modern specification throughout.

We have sold two of the apartments and the 3 penthouses are being prepared for sale. The remaining 141 apartments are being held for rental and are 100% occupied.



Key Tenants

Residential.

Size

104,787 sq.ft. GIA and 98 car parking spaces.

Interest

100% owned.

Meadowhall Shopping Centre *Sheffield*

One of the largest and most successful shopping centres in the UK. Key tenants include Marks and Spencer, House of Fraser and Debenhams.

Key Tenants

Marks & Spencer, House of Fraser, Debenhams, VUE Cinemas, Primark, Next, Boots, BHS.

Size

1.5m sq.ft. retail and leisure.

Interest

15.7% effective interest via a joint venture arrangement with British Land.

The Group, through its joint venture arrangement with Green Park, owns a 50% interest in Meadowhall Shopping Centre, Sheffield. With its consistent footfall of over 24m visitors each year, 12,000 car spaces and a gross lettable floor area of 1.5m sq.ft., the centre represents a highly desirable location for retailers. Excellent transport links by road, rail and tram allow it to penetrate an extensive catchment area and with over 70 acres of undeveloped land surrounding it, we believe the centre still has great potential to evolve as a premier retail and leisure destination.

The centre's principal anchors are House of Fraser, Marks & Spencer and Debenhams, with 350 shops and restaurants providing a broad mix of high street retailers.

Despite the difficult trading conditions of the last 12 months, 50 leasing transactions were completed and 28 new retail formats were introduced to the centre with the result that some exciting new tenants including Hollister, All Saints, Firetrap and Superdry have successfully opened stores and demonstrated the continued strength of Meadowhall.

A number of retailers are actively engaged on new expansion programmes and their requirements for new stores have tended to focus on the major centres where occupancy levels are highest and footfall is consistently strong. These criteria place Meadowhall firmly in the retailer's focus. The strong interest in Meadowhall from premium brands will already see new stores opening for Phase 8, LK Bennett and L'Occitane during 2010.

Also during 2010, House of Fraser will undertake a refurbishment of their anchor store and we look forward to the positive impact this will undoubtedly have on the adjoining malls.

A further focus for improvement will be the Oasis food court and the scope to broaden the range of restaurants and improve the visitor experience which will in turn increase the customer dwell in the centre.

The strategy we adopted in 2009 to ensure occupancy levels and income streams were maintained coupled with the steps that were taken to reduce occupational costs for tenants has had a positive impact on centre trading with double digit growth being reported by some larger occupiers during the first quarter of 2010.

We remain optimistic that competition for space amongst prospective occupiers will return to Meadowhall and rental growth will resume.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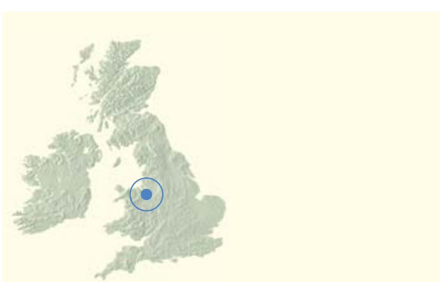
we fit

Racecourse Retail Park Aintree *Liverpool*

A dominant retail park on the outskirts of Liverpool offering a blend of sector leading retailers across Open A1 and Bulky goods.



Key Tenants

M&S, Next, Boots, B&Q, Best Buy.

Size

291,514 sq.ft. over 13 retail warehouse units and 1 pod unit.

Interest

100% owned.

The company completed the purchase of Racecourse Retail Park, Aintree, for £61.0 million on 23 June 2009.

The 291,514 sq.ft. dominant, part Open A1 retail park is let to 13 tenants including B&Q, Mothercare, Marks & Spencer, Next and Boots with a weighted averaged unexpired lease term of approximately 13 years. On purchase, the property generated £5.5 million per annum and is let at rents ranging between £13.00 and £30.00 psf.

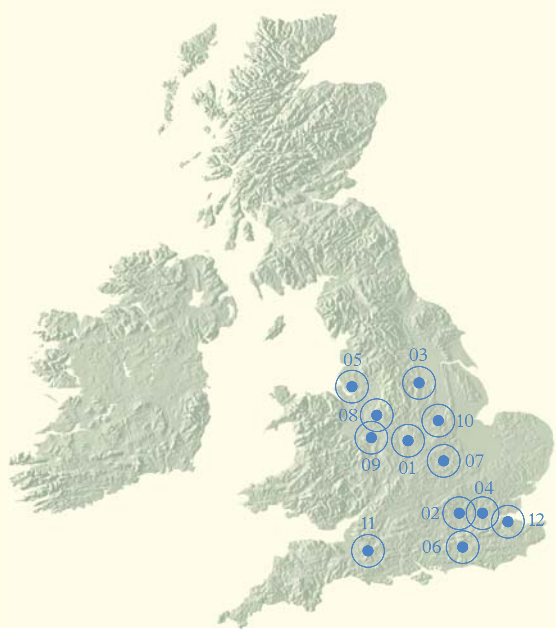
Since the acquisition date, we have secured two new occupiers at the retail park. In February 2010, we completed a new 40,000 sq.ft. letting of previously unoccupied floor space to Best Buy – the leading American electronics retailer in joint venture with Carphone Warehouse. In April 2010, we were granted planning consent for a new standalone restaurant unit and contracts were exchanged for a new lease to City Centre Restaurants (UK) Limited. The new unit will be built in 2010.

The retail park is 100% occupied and feedback from the non bulky retailers suggests a consistently strong trading performance. We have a number of enquiries from prospective occupiers for units on the park and we consider there is more asset management opportunity to be realised through progressing planning initiatives with the local authority.

Property Advisor's report
(continued)

	Property	Description	Ownership	Usage	Size
01	Focus National Distribution Centre *Tamworth*	The freehold interest in the distribution unit at Tamworth is let to Focus DIY as its National Distribution Centre. The unit has an unexpired lease term of 14 years, producing a good quality income stream with potential for capital growth.	100%	Industrial warehouse	591,597 sq.ft.
02	The Stadium, Highbury Square *London*	Residential development of 144 apartments (2 apartments sold in the year) at the old Highbury Stadium. Three penthouse apartments have been identified for sale. The remainder are fully let.	100%	Residential	104,787 sq.ft.
03	Meadowhall Shopping Centre *Sheffield*	Super Regional Shopping Centre held in joint venture with Green Park and British Land. The principal occupiers include Marks & Spencer, Debenhams, House of Fraser, BHS and Next.	15.7%	Shopping Centre	1.5m sq.ft.
04	One Fleet Place *London*	Prime office building in London EC1, let to Denton Wilde Sapte with an unexpired lease term of 16 years, held in anticipation of income and capital growth.	100%	Offices	169,631 sq.ft.
05	Racecourse Retail Park *Aintree, Liverpool*	Partly open A1 retail park. The principal occupiers include B&Q, Best Buy, Mothercare, Marks & Spencer, Next and Boots.	100%	Retail Park	291,514 sq.ft.
06	Forest House & Elm Park Court *Crawley*	Freehold offices. Forest House has an unexpired lease term of 20 years let to Bard UK Ltd. Elm Park Court has a six year unexpired lease term and is sub let to 3 tenants.	100%	Offices	67,582 sq.ft.

Property	Description	Ownership	Usage	Size
07 Park Farm Industrial Estate *Wellingborough*	The distribution unit let to Somerfield Stores Ltd has an unexpired lease term of 18 years.	100%	Industrial warehouse	341,320 sq.ft.
08 Buildings 1&2 Campbell Road *Stoke*	The building remains vacant, but is subject to firm interest from potential occupiers.	100%	Industrial warehouse	433,783 sq.ft.
09 Barracks Road *Newcastle-under-Lyme*	33,033 sq.ft. of out of town retail partially let to Bathstore and Domino's Pizza. Two vacant units with open A1 planning consent.	100%	Retail warehouse	33,033 sq.ft.
10 Glaisdale Parkway *Nottingham*	A 134,000 sq.ft. industrial warehouse let to Hillary's Blinds for an unexpired term of 12 years.	100%	Industrial warehouse	133,717 sq.ft.
11 Copse Road, Lufton Trading Estate *Yeovil*	A vacant mixed use property on 5.47 acres. The subject of a redevelopment proposal to provide a mixed use scheme of 40 light industrial office units.	100%	Mixed use development site	5.47 acres
12 Bailey Drive, Gillingham Business Park *Kent*	A 7.8 acre industrial and office space redevelopment opportunity.	100%	Mixed use development site	7.8 acres



Board of Directors

Raymond Mould
Non-executive Chairman

Raymond Mould aged 69, 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").

Patrick Vaughan
Non-executive Director

Patrick Vaughan aged 62, 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.

Martin McGann
Non-executive Director

Martin McGann aged 49, joined LSI Management LLP, the Property Advisor to the Company in September 2008. From 2002 to 2005 he worked for Pillar, latterly as Finance Director. From 2005–2008 Mr McGann was a director of Kandahar Real Estate. Prior to joining Pillar, he was Finance Director of the Strategic Rail Authority, a body with responsibility for the strategic planning for UK railways and for funding of its infrastructure programme, and Head of Real Estate Finance for Railtrack Plc. Mr McGann is a qualified Chartered Accountant having trained and qualified with Deloitte.

Richard Crowder
Non-executive Director

Richard Crowder aged 60, 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 60, 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 71, 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 ACA
Non-executive Director

Patrick Firth aged 48, was managing director of Butterfield Fulcrum Group (Guernsey) Limited from April 2002 to June 2009. He qualified as a chartered accountant with KPMG in 1990 and is a member of the Securities and Investment Institute. He is a director of a number of offshore funds and management companies and is a resident of Guernsey.

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 March 2010.

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, 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 1 to 11, and should be read as part of this report.

Results and dividends

The Group reported profits for the year of £106.1 million (2009: £24.0 million) as shown on page 18. The Directors do not recommend the payment of a final dividend as a second interim dividend of 2.2p per share was approved and paid on 1 April 2010. Under IFRS this will be recognised in next year's accounts. An interim dividend of 2.2p per share was paid in December 2009 and is reflected in these accounts.

Share capital

The Company is an investment company, incorporated and domiciled in Guernsey. On 30 July 2009 215 million ordinary shares of 10p each were issued by way of a Placing and Open Offer, and were admitted to trading on AIM. This increased the issued share capital to 500 million ordinary shares of 10p each.

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 12.

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 2010	Ordinary shares of 10p each 31 March 2009
H R Mould	**7,500,000**	5,294,130
P L Vaughan	**6,941,130**	5,836,130
M F McGann	**142,857**	–
L R H Grant	**150,000**	–
R J Crowder	**100,000**	–
R A R Evans	**700,000**	500,000
P A S Firth	**25,000**	–

There has been no change in the beneficial and non-beneficial shareholdings of the Directors between 31 March 2010 and the date of this report.

Fees paid to the Directors for the year are as follows:

	Year to 31 March 2010 £
L R H Grant	**45,000**
R J Crowder	**40,000**
R A R Evans	**40,000**
P A S Firth	**40,000**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year 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, 2008 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, 2008. 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.

So far as the Directors are aware, there is no relevant audit information of which the Group and Company's auditors are unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information. 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	62,535,267	12.51
Taube Hodson Stonex Partners Limited	40,235,688	8.05
Caledonia Investments Plc	31,497,094	6.30
Fidelity Investments	30,778,367	6.16
Electra Partners	30,000,000	6.00
Worldstar Limited	24,105,067	4.82
Blackrock Inc	23,496,901	4.70
Sir Robert McAlpine	15,000,000	3.00

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 2010 was 22 days (2009: 30 days).

Charitable and political contributions

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

Auditors

A resolution to reappoint BDO Limited and BDO 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
Director

M F McGann
Director

27 May 2010

Corporate governance

London and Stamford Property Limited, being an 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 year ended 31 March 2010, 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.

In accordance with the Company's Articles of Association and following the first Annual General Meeting of the Company, 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, retire from office each year. 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 quarterly reports and meets regularly 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 in place 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 is 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 and Credit Suisse Securities (Europe) Limited as Corporate Brokers 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.

Audit Committee

The Audit Committee comprises four Board members, and meets 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 the 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 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 year ended 31 March 2010, 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. The financial framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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") and for being satisfied that they give a true and fair view.

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, 2008. 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, 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.

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 2010 and of its profit for the year then ended; and
- 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 2010 and of its loss for the year then ended; and
- The Financial Statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008.

BDO Ltd
Chartered Accountants
St Peter Port, Guernsey

BDO LLP
Chartered Accountants
and Registered Auditors
Epsom, Surrey

27 May 2010

BDO Limited is registered in Guernsey with registration number 29684.

BDO LLP is a limited liability partnership in England and Wales (with registered number OC 305127).

Group and Company Income Statements

For the year ended 31 March	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Gross rental income	2	17,251	2,654	–	–
Other income	2	–	1,000	–	–
Property outgoings		(1,111)	(572)	–	–
Net income		16,140	3,082	–	–
Administrative expenses – general		(11,695)	(5,987)	(8,076)	(2,053)
Administrative expenses – goodwill impairment	9	–	(2,745)	–	–
Profit/(loss) on revaluation of investment properties	8	72,099	(4,938)	–	–
Impairment of investment in subsidiaries	9	–	–	(21,802)	–
Profit on sale of investment properties		10,634	36	–	–
Share of profits of associates	10	29,412	23,599	–	–
Operating profit/(loss)	3	116,590	13,047	(29,878)	(2,053)
Finance income	4	1,465	10,613	25,678	10,619
Finance costs	4	(8,772)	(2,296)	–	–
Change in fair value of derivative financial investments	4	(4,451)	(1,270)	–	–
Profit/(loss) before tax		104,832	20,094	(4,200)	8,566
Taxation	5	1,234	3,949	–	–
Profit/(loss) for the year and total comprehensive income/(cost) attributable to equity shareholders		106,066	24,043	(4,200)	8,566
Earnings per share					
Basic and diluted	7	24.8p	8.4p		

All amounts relate to continuing activities.

The notes on pages 22 to 38 form part of these financial statements.

Group and Company Balance Sheets

As at 31 March	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Non-current assets					
Investment properties	8	357,695	127,147	–	–
Investments in subsidiaries	9	–	–	15,863	37,664
Investments in equity accounted associates	10	89,285	62,844	–	–
Deferred tax assets	5	7,071	5,172	–	–
Loans to subsidiaries	14	–	–	194,611	75,995
		454,051	195,163	210,474	113,659
Current assets					
Trade and other receivables	11	7,678	1,386	819	182
Cash and cash equivalents	12	276,593	169,856	271,496	166,252
		284,271	171,242	272,315	166,434
Total assets		738,322	366,405	482,789	280,093
Current liabilities					
Trade and other payables	13	10,285	3,429	4,215	142
		10,285	3,429	4,215	142
Non-current liabilities					
Borrowings	14	121,565	69,634	–	–
Derivative financial instruments	14	5,902	1,451	–	–
Provisions	15	–	210	–	–
		127,467	71,295	–	–
Total liabilities		137,752	74,724	4,215	142
Net assets		600,570	291,681	478,574	279,951
Equity					
Called up share capital	16	50,000	28,500	50,000	28,500
Special reserve		446,620	248,597	446,620	248,597
Retained earnings		103,950	14,584	(18,046)	2,854
Total equity		600,570	291,681	478,574	279,951
Net asset value per share	20	120.1p	102.3p		

The financial statements were approved and authorised for issue by the Board of Directors on 27 May 2010 and were signed on its behalf by:

L R H Grant
Director

M F McGann
Director

The notes on pages 22 to 38 form part of these financial statements.

Group and Company Statements of Changes in Equity

Group

	Note	Share capital £000	Special reserve £000	Retained earnings £000	Total £000
At 1 April 2009		28,500	248,597	14,584	291,681
Profit for the period and total comprehensive income		–	–	106,066	106,066
Issue of ordinary share capital	16	21,500	198,023	–	219,523
Dividends paid	6	–	–	(16,700)	(16,700)
At 31 March 2010		50,000	446,620	103,950	600,570

Company

	Note	Share capital £000	Special reserve £000	Retained earnings £000	Total £000
At 1 April 2009		28,500	248,597	2,854	279,951
Loss for the period and total comprehensive cost		–	–	(4,200)	(4,200)
Issue of ordinary share capital	16	21,500	198,023	–	219,523
Dividends paid	6	–	–	(16,700)	(16,700)
At 31 March 2010		50,000	446,620	(18,046)	478,574

Group

	Note	Share capital £000	Special reserve £000	Retained earnings £000	Total £000
At 1 April 2008		28,500	248,597	801	277,898
Profit for the period and total comprehensive income		–	–	24,043	24,043
Dividends paid	6	–	–	(10,260)	(10,260)
At 31 March 2009		28,500	248,597	14,584	291,681

Company

	Note	Share capital £000	Special reserve £000	Retained earnings £000	Total £000
At 1 April 2008		28,500	248,597	4,548	281,645
Profit for the period and total comprehensive income		–	–	8,566	8,566
Dividends paid	6	–	–	(10,260)	(10,260)
At 31 March 2009		28,500	248,597	2,854	279,951

The notes on pages 22 to 38 form part of these financial statements.

Group and Company Cash Flow Statements

For the year ended 31 March	**Group 2010 £000**	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Cash flows from operating activities				
Profit/(loss) before tax	**104,832**	20,094	**(4,200)**	8,566
Adjustments for non-cash items:				
Profit/loss on revaluation of investment properties	**(72,099)**	5,667	**–**	–
Impairment of investment in subsidiaries	**–**	–	**21,802**	–
Profit on sale of investment properties	**(10,634)**	(36)	**–**	–
Share of post-tax profit of associates	**(29,412)**	(23,599)	**–**	–
Net finance costs/(income)	**11,758**	(7,047)	**(25,678)**	(10,619)
Cash flows from operations before changes in working capital	**4,445**	(4,921)	**(8,076)**	(2,053)
Change in trade and other receivables	**(3,710)**	3,473	**(64)**	(2)
Change in trade and other payables	**5,328**	1,954	**4,073**	(98)
Change in provisions	**(210)**	(730)	**–**	–
Cash flows from operations	**5,853**	(224)	**(4,067)**	(2,153)
Interest received	**1,562**	12,740	**3,501**	12,693
Interest paid	**(5,990)**	(1,616)	**–**	–
Taxation paid	**(44)**	–	**–**	–
Financial arrangement fees and break costs paid	**(3,076)**	(496)	**–**	–
Cash flows from operating activities	**(1,695)**	10,404	**(566)**	10,540
Investing activities				
Purchase of subsidiary undertakings net of cash acquired	**–**	–	**(1)**	–
Purchase of investment properties	**(199,030)**	(77,531)	**–**	–
Purchase of rent guarantee arrangements	**(2,679)**	–	**–**	–
Capital expenditure on investment properties	**(869)**	(4,854)	**–**	–
Sale of investment property	**52,224**	–	**–**	–
Cash flow from/(to) associates	**2,971**	(39,245)	**–**	–
Sale of short-term financial deposits	**–**	61,500	**–**	61,500
Cash flows from investing activities	**(147,383)**	(60,130)	**(1)**	61,500
Financing activities				
Proceeds from share issue	**219,523**	–	**219,523**	–
Dividends received	**–**	–	**21,604**	–
Dividends paid	**(16,700)**	(10,260)	**(16,700)**	(10,260)
New borrowings	**147,995**	47,730	**–**	–
Repayment of borrowings	**(95,003)**	–	**–**	–
Loans to subsidiaries	**–**	–	**(118,616)**	(75,995)
Cash flows from financing activities	**255,815**	37,470	**105,811**	(86,255)
Net increase/(decrease) in cash and cash equivalents	**106,737**	(12,256)	**105,244**	(14,215)
Opening cash and cash equivalents	**169,856**	182,112	**166,252**	180,467
Closing cash and cash equivalents	**276,593**	169,856	**271,496**	166,252

The notes on pages 22 to 38 form part of these financial statements.

Notes forming part of the Financial Statements
For the year to 31 March 2010

1 Accounting policies

a) General information

London and Stamford Property Limited (the "Company") is a 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 Company and all subsidiaries ("the Group") 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, investment in associates, derivative financial instruments, 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

No new standards or interpretations issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee have led to any changes in the Group's accounting policies.

Standards and interpretations in issue not yet adopted

The 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
IFRS 3	Business Combinations (revised)	01/07/2009
IFRIC 19	Extinguishing financial liabilities with equity instruments	01/04/2010
IAS 24	Revised related party disclosures	01/01/2011
IFRS 9	Financial instruments	01/01/2013

1 Accounting policies (continued)

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 or revised IAS 19, IAS 27, IAS 32, IAS 39, IFRIC 14, IFRIC 17 and IFRIC 18 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 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) Associates

Associates are those entities over whose activities the Group is in a position to exercise significant influence but does not have the power to jointly control.

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

Accounting practices of subsidiaries and associates 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 profit or loss within administration expenses and is not subsequently reversed.

Any excess of the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon over the purchase price of business combinations is recognised immediately in profit or loss.

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.

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 initially 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 profit or loss 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 profit or loss.

1 Accounting policies (continued)

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.

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 profit or loss 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 profit or loss.

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 valuation 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.

1 Accounting policies (continued)

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 profit or loss.

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.

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) 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.

j) Tax

Tax is included in profit or loss 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.

1 Accounting policies (continued)

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.

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

k) 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 profit or loss.

l) Segmental reporting

An operating segment is a distinguishable component of the Group that engages in business activities, earns revenue and incurs expenses, whose operating results are regularly reviewed by the Group's chief operating decision-makers and for which discrete financial information is available.

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

m) Capital management policy

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

2 Income

For the year to 31 March 2010, as a consequence of only one investment property being held for the entire year, 34% of the Group's gross rental income was receivable from one tenant.

A surrender premium of £1 million was received in the previous year in respect of a lease on Barracks Road, Newcastle-under-Lyme.

3 Profit from operations

For the year to 31 March	**Group 2010 £000**	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
This has been arrived at after charging:				
Property advisor management fees	**6,769**	4,754	**3,290**	1,337
Property advisor performance fees	**4,010**	443	**4,010**	443
Directors' fees	**165**	165	**165**	165
Auditors' remuneration:				
Audit of the Group and Company Financial Statements	**134**	75	**129**	65
Fees payable to the Company's auditors for other services to the Group:				
– Statutory audit of subsidiary accounts	**9**	20	**9**	–
– Taxation advice	**–**	36	**–**	–
– Taxation compliance work	**40**	25	**–**	–

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.

4 Finance income and costs

For the year to 31 March	**Group 2010 £000**	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Finance income				
Interest on short-term deposits	**1,465**	10,613	**1,437**	10,567
Interest on loans to subsidiaries	**–**	–	**2,637**	52
Dividends received from subsidiaries	**–**	–	**21,604**	–
	1,465	10,613	**25,678**	10,619
Finance costs				
Interest on bank loans	**6,757**	1,721	**–**	–
Amortisation of loan issue costs and loan break costs	**2,015**	575	**–**	–
Fair value loss on derivative financial instruments	**4,451**	1,270	**–**	–
	13,223	3,566	**–**	–

5 Taxation

Group only

For the year to 31 March	Group 2010 £000	Group 2009 £000
The tax credit comprises:		
Current tax		
UK corporation tax on profit	**665**	33
Deferred tax		
Change in deferred tax	**(1,899)**	(3,982)
	(1,234)	(3,949)

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

For the year to 31 March	Group 2010 £000	Group 2009 £000
Profit before tax	**104,832**	20,094
Profit at the standard rate of corporation tax in the UK of 28%	**29,353**	5,626
Effects of:		
Expenses not deductible for tax purposes	**1,069**	1,428
Tax effect of income not subject to tax	**(23,151)**	(4,519)
Share of post tax profit of associate	**(8,270)**	(751)
Excess of fair value of net assets acquired over consideration paid	**–**	(5,733)
Difference in tax rates	**(235)**	–
Total tax credit	**(1,234)**	(3,949)

Deferred tax asset

	Revaluation deficit	Other temporary and deductible differences	Losses	Total
At 31 March 2009	2,351	374	2,447	5,172
(Debited)/credited during the year in the income statement	(406)	1,278	1,027	1,899
At 31 March 2010	**1,945**	**1,652**	**3,474**	**7,071**

Deferred tax on the revaluation deficit is calculated on the basis of the capital losses that would crystallise on the sale of the investment property portfolio as at 31 March 2010.

The Group does not have unprovided deferred tax assets (2009: nil).

6 Dividends

For the year to 31 March	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Ordinary dividends				
Amounts recognised as distributions to equity holders	**16,700**	10,260	**16,700**	10,260
Proposed final dividend (31 March 2009: 2p per share)	**–**	5,700	**–**	5,700

A second interim dividend of 2.2p per share was approved by the Board on 1 April 2010 and was paid immediately to shareholders on the register at the close of business on 5 March 2010 and will be recognised as an appropriation of retained earnings in 2011. No further final dividend is proposed.

7 Earnings per share

Earnings per share of 24.8p (2009: 8.4p) is calculated on a weighted average of 428,333,333 (2009: 285,000,000) ordinary shares of 10p each and is based on profits attributable to ordinary shareholders of £106.1 million (2009: £24.0 million).

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

Adjusting earnings for the effects of revaluing investment properties, deferred taxation, the fair value of derivatives and negative goodwill results in attributable profits of £6.3 million or 1.5p per share (2009: £3.5 million or 1.2p per share).

8 Investment properties

Group only

	2010			2009		
As at 31 March	Freehold £000	Long leasehold £000	Total £000	Freehold £000	Long leasehold £000	Total £000
At 31 March valuation	**119,306**	**7,841**	**127,147**	40,940	8,430	49,370
Acquisitions	**159,045**	**40,042**	**199,087**	77,531	–	77,531
Other capital expenditure	**472**	**480**	**952**	4,848	6	4,854
Disposals	**(40,748)**	**(842)**	**(41,590)**	–	1,059	1,059
Revaluation movement	**53,752**	**18,347**	**72,099**	(4,013)	(1,654)	(5,667)
At 31 March valuation	**291,827**	**65,868**	**357,695**	119,306	7,841	127,147

At 31 March 2010, certain of the Group's investment properties were externally valued by CB Richard Ellis Limited, Chartered Surveyors at £293.9 million and by Savills plc, Chartered Surveyors at £60 million (£57.3 million, net of income guarantees). 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 remaining investment properties were valued by the Directors at £6.5 million (2009: £6.5 million).

The historical cost of all of the Group's investment properties at 31 March 2010 was £296.3 million (2009: £136.4 million).

The loss on revaluation recognised in the profits of the previous period of £4.9 million includes a credit of £0.7 million for the movement in the provision for enhanced management fees payable to third parties on future disposals.

9 Investment in subsidiary undertakings

Company only

	Subsidiary undertakings £000
At 31 March 2009	37,664
Additions to cost	1
Impairment in the year	(21,802)
At 31 March 2010	**15,863**

During the year the investment in London & Stamford Investments Limited was impaired to its recoverable amount.

In the previous year the cost of acquisition of London and Stamford Investments Limited to the Company increased by £2.745 million. This created further goodwill on acquisition which was fully impaired in the period and reflected within profit.

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 or units held)	Nature of business
London & Stamford Investments Limited	England	100%	Intermediate holding company
LSI (Investments) Limited*	England	100%	Property investment
LSI Developments Limited*	England	100%	Property investment and development
London & Stamford Property Subsidiary Limited	Guernsey	100%	Intermediate holding company
London & Stamford Offices Trust*	Guernsey	100%	Property investment
L&S Leeds Limited	Guernsey	100%	Property investment
London & Stamford Retail Limited	Guernsey	100%	Property investment
L&S Business Space Limited	Guernsey	100%	Property investment
L&S Highbury Limited	Guernsey	100%	Property investment
L&S Business Space II Limited	Guernsey	100%	Property investment

*Undertakings held indirectly by the Company.

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

10 Investment in associate

Group only

As at 31 March	2010 £000	2009 £000
Opening balance	62,844	–
Additions at cost	442	39,245
Share of profit for the year	29,412	23,599
Profit distributions received	(3,413)	–
At 31 March 2010	89,285	62,844

In the previous year the Group entered into a joint venture arrangement with Green Park Investments, a wholly-owned subsidiary of a major Gulf institution. The Group has a 31.4% interest in this entity, LSP Green Park Property Trust, which is equity accounted for by the Group as an associate. LSP Green Park Property Trust acquired a 50% interest in the Meadowhall Shopping Centre from The British Land Company PLC on 11 February 2009.

The Group's 31.4% share of the profit after tax and net assets of its associate at 31 March 2010 is as follows:

	2010 £000	2009 £000
Summarised income statement		
Net rental income	11,972	1,715
Administration expenses	(3,994)	(475)
Movement in fair value of net assets acquired over consideration paid	441	20,476
Surplus on revaluation of investment properties	29,846	3,063
Net finance costs	(8,695)	(1,120)
Tax	(158)	(60)
Profit after tax	29,412	23,599
Summarised balance sheet		
Property assets	217,445	187,599
Current assets	4,449	4,540
Current liabilities	(7,638)	(5,730)
Borrowings	(107,196)	(106,557)
Other non-current liabilities	(17,775)	(17,008)
Net assets	89,285	62,844

The investment properties were valued on an open market value basis by CB Richard Ellis Limited, Chartered Surveyors, as at 31 March 2010 in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

11 Trade and other receivables

As at 31 March	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Current assets				
Trade receivables	3,806	61	–	–
Amounts receivable from income guarantees	2,679	–	–	–
Interest receivable	4	101	727	154
Prepayments and accrued income	447	636	54	28
Other receivables	742	588	38	–
	7,678	1,386	819	182

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

At 31 March 2010 there were no amounts which were overdue and no amounts which were impaired. There is no provision for impairment of trade receivables as at 31 March 2010 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 £1.1 million (2009: £2.5 million) 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

As at 31 March	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Trade payables	457	751	–	–
Rent received in advance	3,308	1,394	–	–
Accrued interest	1,277	510	–	–
Other payables	140	31	–	–
Other accruals and deferred income	4,449	710	4,215	142
Corporation tax payable	654	33	–	–
	10,285	3,429	4,215	142

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

14 Financial assets and financial liabilities

a) Non-current financial assets

Company only

As at 31 March	2010 £000	2009 £000
Loans to subsidiary companies	**194,611**	75,995

£75.4 million of the loans are unsecured and bear interest at an average rate of 5.91%. £119.2 million of the loans are unsecured and interest free. The loans are repayable as follows:

	2010 £000
On demand	**38,726**
Between two and five years	**155,885**
	194,611

As the loans are for the purpose of long-term financing of the subsidiaries, the Directors do not intend to request repayment of the loans within one year and accordingly these loans have been classified as non-current loans to subsidiary companies.

b) Non-current financial liabilities

Group only

As at 31 March	2010 £000	2009 £000
Secured bank loans	**123,542**	70,550
Unamortised finance costs	**(1,977)**	(916)
	121,565	69,634

The bank loans are secured by fixed charges over certain of the Group's investment properties with a carrying value of £246.9 million and are repayable within two to five years of the balance sheet date.

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.

14 Financial assets and financial liabilities (continued)

i) Credit risk (continued)

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.

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 £150 million at 31 March 2010 (2009: £79.5 million), maturing between two and five years.

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 2010 the Group had £141 million of hedges in place, and its debt was 100% fixed. Consequently, based on year end debt levels, there would be no impact on the Group's annual profit before tax of a 1% change in interest rates.

The average interest rate payable by the Group on all bank borrowings at 31 March 2010 net of undrawn facility commitment fees was 5.83% (31 March 2009: 4.1%).

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 not entered into any foreign currency transactions. Therefore the Group's foreign exchange risk is low.

vi) Capital risk management

The Group defines its equity as share capital, 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			
As at 31 March	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Non-current assets				
Loans to subsidiaries	–	–	194,611	75,995
Current assets				
Cash and cash equivalents	276,593	169,856	271,496	166,252
Trade receivables (note 11)	3,806	61	–	–
Interest receivable (note 11)	4	101	727	154
Other receivables	8	82	–	–
	280,411	170,100	466,834	242,401

	Measured at amortised cost				Measured at fair value			
As at 31 March	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Non-current liabilities								
Borrowings (note 14b)	121,565	69,634	–	–	–	–	–	–
Current liabilities								
Trade payables (note 13)	457	751	–	–	–	–	–	–
Accrued interest (note 13)	1,277	510	–	–	–	–	–	–
Other accruals (note 13)	4,449	267	4,215	142	–	–	–	–
Other payables (note 13)	140	31	–	–	–	–	–	–
Corporation tax payable (note 13)	654	33	–	–	–	–	–	–
Derivative financial instruments (see 14d(iii))	–	–	–	–	5,902	1,451	–	–
	128,542	71,226	4,215	142	5,902	1,451	–	–

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 2010.

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 2010 by JC Rathbone Associates Limited.

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2010 are provided below:

	Protected rate %	Expiry	Market value 31 March 2009 £000	Movement recognised in income statement £000	**Market value 31 March 2010 £000**
£10 million swap	3.61	October 2012	(386)	(111)	**(497)**
£38.4 million swap	3.68	June 2014	–	(2,035)	**(2,035)**
£43 million swap	3.77	October 2014	(1,518)	(849)	**(2,367)**
£17.5 million cap	4.00	October 2014	453	(37)	**416**
£12.3 million swap	3.90	October 2014	–	(833)	**(833)**
£19.8 million swap	3.21	January 2015	–	(586)	**(586)**
			(1,451)	(4,451)	**(5,902)**

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. This equates to a level 2 fair value measurement as defined by IFRS 7 Financial Instruments: Disclosures. 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
At 31 March 2009	210
Amounts paid in the year	(210)
At 31 March 2010	**–**

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.

The fees are based on the carrying values of properties held at the balance sheet date and only arise in respect of properties that have been subject to upward revaluation movements above their historic cost. No fees are payable at 31 March 2010.

16 Share capital

Group and Company

	31 March 2010 Number	31 March 2010 £000	31 March 2009 Number	31 March 2009 £000
Authorised				
Ordinary shares of 10p each	**Unlimited**	**Unlimited**	500,000,000	50,000

	31 March 2010 Number	31 March 2010 £000	31 March 2009 Number	31 March 2009 £000
Issued, called up and fully paid				
Ordinary shares of 10p each	**500,000,000**	**50,000**	285,000,000	28,500

On 30 July 2009 an additional 215 million ordinary shares of 10p each were issued by way of a Placing and Open Offer, and were admitted to trading on AIM. The share issue raised net proceeds of £219.5 million.

17 Reserves

The Statements of Changes in Equity are shown on page 20.

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

Share capital	The nominal value of shares issued.
Special reserve	A 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 Related party transactions and balances

Group

Details of Directors' fees and interests are given in the Directors' Report on pages 13 to 14 and in note 3.

Mr H R Mould, Mr P L Vaughan and Mr M F McGann are designated members of LSI Management LLP, the property advisor to the Group. The property advisor received £6.8 million (2009: £4.8 million) for the services of property management during the year. At 31 March 2010 and 31 March 2009, none of the fee remained outstanding.

LSI Management LLP is entitled to receive in aggregate £7.0 million (2009: £758,000) in performance fees for the year ended 31 March 2010 from both the LSP Green Park Property Trust, in which the Company has a 31.4% interest, and the Company itself. The Company's share of the performance fee charge in its associate was £3.0 million (2009: £315,000) and £4.0 million (2009: £443,000) was charged direct to the Group. At 31 March 2010 and 31 March 2009 all of the fee remained outstanding.

Under the property advisory agreements with LSI Management LLP, the Group is contracted to pay a performance fee which is dependent on the growth in the net asset value of the Group exceeding a cumulative hurdle return of 10% per annum, over the period to 2015. The calculation is undertaken annually on a cumulative basis and the agreements provide that 50% of the cumulative return is paid annually. The performance fee charged in the year to 31 March 2010 represents 50% of the outperformance achieved to date, less any amounts previously paid out.

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

18 Related party transactions and balances (continued)

Company

During the period the Company received £21.6 million (2009: nil) by way of intra-group dividends and £2.6 million (2009: £52,000) in intra-group interest.

19 Events after the balance sheet date

On 17 May 2010 the Group completed the corporate acquisition of Radial Distribution Limited for £208.5 million. The portfolio consists of 16 distribution warehouses and will be financed by cash resources and the £150 million loan facility with Bank of Scotland.

20 Net asset value

Net asset value per share is based on Group net assets at 31 March 2010 of £600,570,000 (31 March 2009: £291,681,000) and the number of ordinary shares in issue at that date of 500 million (2009: 285 million).

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of London & Stamford Property Limited (Registered number 47816) will be held at the Company's Registered Office, 2nd Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3NQ, on 8 July 2010 at 12 noon.

Ordinary business

1 To consider and receive the Annual Report and Audited Financial Statements for the year to 31 March 2010.

2 To reappoint BDO Ltd and BDO 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 Patrick Vaughan as a Director of the Company in accordance with Article 77 (2).

5 To consider the reappointment of Mr Lewis Grant as a Director of the Company in accordance with Article 77 (2).

6 To approve the Company's investment strategy.

By order of the Board

for Butterfield Fulcrum Group (Guernsey) Limited
Secretary

27 May 2010

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, PXS, 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 6 July 2010. 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 6 July 2010. 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 6 July 2010. 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 6 July 2010.

Further Information

Directors of the Company

Raymond Mould
(Non-executive Chairman)

Patrick Vaughan
(Non-executive Director)

Martin McGann
(Non-executive Director)

Richard Crowder
(Non-executive Director)

Lewis Grant, CA
(Non-executive Director)

Rupert Evans
(Non-executive Director)

Patrick Firth, ACA
(Non-executive Director)

Advisors to the Company

Company Secretary and Administrator

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Property Advisor

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Nominated Advisor and Joint Broker

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Joint Broker

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