London & Stamford Property Plc
Report and Accounts 2011

In this report

Front cover image:
Bridges Wharf, Battersea

Who we are

London & Stamford invests in commercial and residential property where we see opportunities to deliver above average returns for shareholders.

We are an active investor…

managing our assets to enhance their value and quality and to improve annual rental values.

View more detail on our portfolio: **08-16**

We have high expectations…

aiming to deliver high initial cash yields and have to date, delivered returns on equity on asset disposals in excess of 100%.

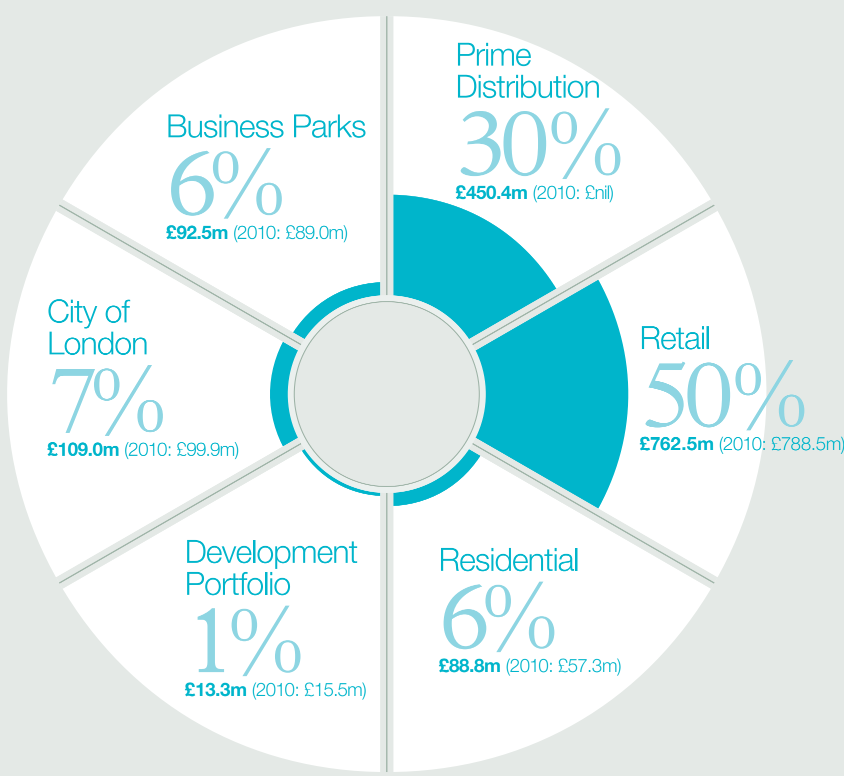
Read more about our strategy: **05-07**

We manage a diversified portfolio…

including and with increasing focus on retail, City of London office, residential and distribution assets.

Total portfolio under management

£1,517m*



* Including value of Green Park's investment in Meadowhall.

Overview
Operating and financial review
Governance
Financial statements

This year's highlights

Corporate events

On 1 October 2010 London & Stamford:

Moved from AIM to a premium listing on the London Stock Exchange's Main Market.

Converted to a UK REIT, providing a tax efficient structure.

Acquired the business of LSI Management LLP, bringing the management of its portfolio and joint venture arrangements in-house.

On 20 December 2010 London & Stamford was admitted to the FTSE 250 and to the EPRA index.

Acquisitions and disposals

In June 2010 London & Stamford acquired 58 apartments at Bridges Wharf, Battersea Reach for £27.9 million.

During the year London & Stamford acquired three portfolios of prime distribution warehouses for £413.5 million.

Over the year, we disposed of Aintree Racecourse Retail Park for £101.5 million (a total return on equity of 127%).

Since the year end we have exchanged contracts to acquire a 133,000 sq ft office at One Carter Lane in the City of London for £75 million.

Financial highlights

High level of investment in the year has delivered a 123% annual increase in net rental income. Underlying trading has moved strongly into profit. The dividend has increased by 43% to 6.3p per share from 4.4p in 2010.

Net income
£41.8m

Net asset value per share
122.5p

	2011	2010
Net income	£41.8m	£16.1m
Revaluation surplus (including share of associates)	£51.0m	£101.9m
Profit for the year	£43.3m	£106.1m
Investment properties	£748.3m	£357.7m
Share of net assets of associates	£115.3m	£89.3m
Cash deposits	£156.8m	£276.6m
Bank debt	£383.0m	£121.6m
Net assets	£668.7m	£600.6m
NAV per share	122.5p	120.1p
EPRA NAV per share	122.4p	120.7p
Earnings per share	8.3p	24.8p
EPRA earnings per share	3.0p	(0.6p)
Dividend per share	6.3p	4.4p
Number of shares in issue	546m	500m

Chairman's statement

I am delighted to present our annual report for the year ended 31 March 2011.

Overview

During the year we continued to deliver on our objectives of investing equity well and adding shareholder value through the implementation of asset management initiatives and realising gains on the disposal of assets where we consider it appropriate. This was all achieved whilst having undertaken significant organisational change.

Investments

Following the success of our investment at Highbury, we have acquired a portfolio of 58 apartments at Battersea Reach in London for £27.9 million. We have expanded our distribution involvement considerably by the purchase of three portfolios of prime logistical warehouses for £413.5 million. We have completed the disposal of the Racecourse Retail Park at Aintree for £101.5 million, representing a total return on our equity of 127% over 15 months of ownership. An analysis of our asset management initiatives is included in the Operating and financial review on pages 8 to 16.

Since the year end, we have exchanged contracts to acquire a very well positioned office building at Carter Lane in the City of London for £75 million, reflecting an attractive net initial yield of 7.3% which currently provides a short-term income benefit and represents an excellent refurbishment opportunity if the tenant decides to exercise a break option in March 2013.

Optimised corporate structure

On 1 October 2010, we successfully elected for UK REIT status, internalised the management of the Group and moved onto the premium listing segment of the Official List to trade on the Main Market of the London Stock Exchange. Since then, the Company has been promoted to the FTSE 250 and is listed on the EPRA Index. Management remain material shareholders with c. 9% of the issued share capital of the Company which fully aligns their interest with the shareholders.

Raymond Mould
Executive Chairman

Results

The Group generated a profit for the year of £43.3 million, incorporating an underlying profit, as described on page 9 of the Operating and financial review, of £20.1 million (2010: £7.7 million loss). This is a strong improvement to the recurring profitability of the Group, particularly during the second half of the year driven by creating sustainable and growing rental income.

Net assets at 31 March 2011 were £668.7 million (2010: £600.6 million), equivalent to 122.5p per share (2010: 120.1p per share), achieved while there has also been a 9.2% increase in the number of shares in issue.

The Board has proposed a final dividend of 3.3p per share to be paid on 7 July 2011, the cost of which is fully covered by underlying profit in the six months to 31 March 2011 which, when taken with the interim dividend of 3p per share paid on 20 December 2010, comprises a total dividend in respect of the year of 6.3p per share, an increase of 43% on the 2010 dividend.

Outlook

Our own strong cash resources and the added scale provided by our joint venture partner produces total investment firepower of c. £1 billion, which puts us in an excellent position to take advantage of opportunities in the future.

With the prospect of increasing interest rates and inflation and continuing concerns around Eurozone Sovereign debt issues, we are cautious and still have concerns over the fragile nature of the occupational market. Therefore, we continue to be careful in our investment strategy and will maintain our discipline in seeking well priced reliable income streams from well located assets.

Although we are seeing more opportunities, many of which are bank led, they are, in a number of cases, mispriced by our analysis and may be better priced in the near future. We regard not being fully invested as an opportunity at this time.

Our acquisition of Carter Lane demonstrates that opportunities for outperformance do exist in the Central London office market, where a constrained development pipeline and falling vacancies support potential for real rental growth. Similarly, we see opportunities in the Central London residential market for continuing rental growth as first time buyers are kept out of the investment market by the need for higher mortgage deposits than was historically the case. We intend to increase our exposure to rented residential accommodation in Central London aimed at that market of potential occupiers.

We continue to focus on the distribution sector where the lack of supply is creating the opportunity for lease extensions and rental growth in prime locations in the south east and in the "Golden Triangle" between the M6/M1 and M54 motorways, where our existing investments are located.

We are very happy with our investment in Meadowhall which exemplifies the retailing trend away from the high street and secondary locations towards super regional and internet shopping. We will continue to seek retail investment opportunities where we see value and we shall fully support our co-owner, The British Land Company Plc, in developing surplus land around Meadowhall.

I would like to thank everyone at London & Stamford and our business partners whose hard work has helped our business grow over the past twelve months.

Raymond Mould
Executive Chairman
26 May 2011

Delivering on our strategy...

Our objective is to continue to invest wisely... but not to overpay for assets.

To add shareholder value through the implementation of asset management initiatives.

To realise gains on the disposal of assets where we consider further upside opportunities are limited.

Our strategy in action

Racecourse Retail Park
Aintree

Implementation of strategy

Retail

We acquired the Racecourse Retail Park, Aintree for £61.0 million on 23 June 2009.

Implementation

During our ownership, we significantly reduced vacancy by leasing 41,800 sq ft to US electrical retailer Best Buy.

Disposal

In September 2010, we sold the Racecourse Retail Park for £101.5 million generating a rate of return on equity invested of 127%.

Key Tenants

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

Size

295,000 sq ft over 12 retail warehouse units and 2 restaurant units.

Return on investment

127%

Operating and financial review

Meadowhall Shopping Centre
Sheffield

Overview of the year

London & Stamford has undergone substantial change during the year ended 31 March 2011. The Company was admitted to the premium listing segment of the Official List and to trading on the Main Market of the London Stock Exchange on 1 October 2010. On the same date, it acquired the business of LSI Management LLP, the property advisor, ("Internalisation") and elected for UK Group REIT status.

In addition, on 20 December 2010, the Company became a member of the UK FTSE 250 and was admitted to the EPRA Index.

The Company has continued to focus on delivering shareholder value through and whilst delivering these structural changes.

Net Asset Value per share has increased from 120.1p to 122.5p, but on an adjusted basis, allowing for accounting adjustments for the Internalisation and REIT conversion, there has been a 5% increase from 120.1p to 126p. There has also been a significant increase in net rental income this year. In particular, there was a 40% increase in net rental income in the second half of the year reflecting a full six months income from the Radial portfolio (acquired in May 2010) and the income from the Lojix and AEW portfolios (acquired in November 2010).

The following provides an analysis of the underlying profit of the Group which is divided into the two six-month periods. The analysis identifies the impact of exceptional accounting adjustments arising out of Internalisation (£5.6 million) and the write off of goodwill and costs of acquisition (£11.5 million). Also, the analysis identifies the material improvement in underlying profitability in the second half of the year as a result of increased overall investment.

	Six months to 1 October 2010 £000	Six months to 31 March 2011 £000	**Year ended 31 March 2011 £000**	Year ended 31 March 2010 £000
Net rental income	15,037	21,019	**36,056**	16,140
Property advisory fee income	–	5,591	**5,591**	–
Corporate overheads	(5,267)	(5,432)	**(10,699)**	(11,695)
Share of profit of associates	1,286	(278)	**1,008**	(434)
	11,056	20,900	**31,956**	4,011
Finance income	651	514	**1,165**	1,465
Finance costs	(9,086)	(10,874)	**(19,960)**	(8,772)
Change in fair value of derivatives	(3,530)	10,453	**6,923**	(4,451)
Underlying profit	(909)	20,993	**20,084**	(7,747)
Profit on revaluation of investment properties	13,657	16,423	**30,080**	72,099
Profit on revaluation of Meadowhall	7,245	13,708	**20,953**	29,846
Profit on sale of investment and trading properties	2,947	(157)	**2,790**	10,634
Profit before exceptional items and taxation	22,940	50,967	**73,907**	104,832
Accounting impact of internalisation (see note 16(b) to the financial statements)	3,144	(8,749)	**(5,605)**	–
Goodwill and costs of other acquisitions	(2,886)	(8,642)	**(11,528)**	–
Taxation	(6,621)	(5,686)	**(12,307)**	1,234
Minority interest	(267)	(888)	**(1,155)**	–
Profit for the year	16,310	27,002	**43,312**	106,066

The tax charge in the year is non-recurring and is largely in respect of the London & Stamford REIT entry charge of £9.7 million and the REIT charge in respect of the Lojix and AEW acquisitions of £3.4 million.

The portfolio

The value of the total assets under management at 31 March 2011 is now in excess of £1.5 billion which comprises the following:

	£000
London & Stamford investment properties	748,275
London & Stamford trading stock	5,760
London & Stamford share of Meadowhall	239,425
	993,460
Green Park share of Meadowhall	523,075
	1,516,535

The focus of the portfolio at 31 March 2011 is:

	Value of assets under management £000	London & Stamford share of the assets
Prime distribution	450,441	96.6%
Super regional shopping centre	762,500	31.4%
City of London offices (excluding Carter Lane)	109,000	100%
Central London residential	88,817	100%
Business parks	92,512	100%
Development portfolio	13,265	100%
	1,516,535	

Since 31 March 2011 London & Stamford's share of £207.9 million of the prime distribution assets has reduced to 50% through the completion of the joint venture arrangement with Green Park announced last year. City of London office assets have increased by £75 million in respect of One Carter Lane.

We continue to focus on asset management initiatives within the portfolio.

	Average lease length (Years)	Occupancy rate
Distribution	9.8	97%
Retail	11.1	97%
London offices	14.3	100%
Residential	0.7	94%
Business parks	13.9	100%
Overall portfolio	10.5	97%

Retail portfolio

Aintree

In September 2010 we sold the Racecourse Retail Park at Aintree to the Crown Estate for a consideration of £101.5 million, generating a return on our equity invested during the period of our ownership of 127%.

The return was a function of strong yield compression and significant asset management activity including the construction of a new stand alone restaurant and new lettings to tenants including Best Buy, the American electronics retailer.

Meadowhall

The Meadowhall shopping centre continues to outperform the general retail market, which is under pressure as the impact of fiscal tightening becomes more apparent. Two thirds of retailers surveyed for the British Retail Consortium's Retail Prospects Report 2011 felt the outlook for 2011 was bleak. Nevertheless, the demand from retailers for space at Meadowhall has been and remains strong.

We have completed 55 new leases and two lease renewals in the year. A number of additional deals are currently in solicitors' hands, including two at rents in excess of ERV.

House of Fraser successfully completed a major refurbishment of their anchor store in October 2010. The new store has significantly enhanced their performance in the centre and has acted as a catalyst for new asset management initiatives in the adjoining malls.

The refurbishment works for the Oasis Food Court have now commenced and are due for completion in late October 2011. The refurbishment will create a materially enhanced catering environment in the Centre and also generate a very positive return on cost.

City of London offices

One Fleet Place in London continues to perform very well. The building is fully occupied and has shown good capital growth in the year. The low rent of £36 per sq ft leads us to believe there is further growth potential. The performance to date of One Fleet Place and our confidence that there are opportunities for further rental growth in the City of London, led us to exchange contracts for the acquisition of a c. 133,000 sq ft building at One Carter Lane in the City in April 2011 for £75 million. Both sites are very well placed to benefit from Crossrail from 2018.

Carter Lane produces a high net initial yield and represents an excellent refurbishment opportunity if the tenant, Goldman Sachs International, decides to exercise its break clause which is possible in March 2013.

Distribution

Acquisitions during the year have focused on the distribution sector, which we consider offers premium returns with low volatility when located in the best sites in the Golden Triangle, in and around Heathrow and on the M25/M1 junctions.

Following the acquisitions of the Radial, Lojix and AEW portfolios in the year, the distribution portfolio now comprises 26 units, totalling 5,200,276 sq ft.

The debt refinancing of the Lojix and AEW portfolios acquired in November 2010 was completed with Metropolitan Life Insurance Company ("MetLife") on 23 February 2011 and since the year end 50% of the combined portfolios has been transferred into a joint venture with Green Park.

We have made excellent progress in extending the unexpired lease terms on the distribution portfolio, from 6.7 years on acquisition to 8.7 years currently.

Our team have met with all tenants and a comprehensive programme of lease extensions and removal of break options is ongoing. We have completed three lease renewals and one new letting on the Radial portfolio since acquisition. We aim to do more.

Residential

Following the successful acquisition of 146 apartments in the old North Stand at Highbury in 2009, we acquired a further portfolio of 58 apartments at Battersea Reach in June 2010. There has been significant asset management activity at Highbury during the year. Second lettings have been concluded on the majority of flats reflecting rental levels on average between 5% and 10% higher than the original lettings.

The flats are held for investment, but we have completed five disposals in the year, the result of offers in excess of book value.

45 of the apartments at Battersea have been classified as investment assets during the year and 40 are now let. The few apartments still held for sale continue to be accounted for as trading stock.

Development portfolio

We continue to seek opportunities to add and extract value from the development portfolio acquired on IPO in late 2007. In October 2010, we completed the sale of half the site at Copse Road, Yeovil for c. £1 million. 2.5 acres remain for future development.

Income statement

Profit for the year ended 31 March 2011 was £43.3 million compared to £106.1 million for the previous year to 31 March 2010. Direct comparisons are complicated by the accounting implications of the Internalisation during the year and the high level of new investment, as set out in the analysis of underlying profit on page 9 of the Operating and financial review.

Net income

Gross rental income has increased by £21.5 million (125%) over the year due to the net effect of the increased rents from the acquisitions of the three distribution portfolios in the year and the Battersea apartments, less the rent lost from the disposal of the Racecourse Retail Park at Aintree. Corresponding property costs have increased by £1.6 million in the year to £2.7 million, but remain less than 7% of gross rents. As a consequence of the Internalisation, fee income, both management fee and performance fee, arising from the Green Park joint venture which previously passed to LSI Management LLP is now income to London & Stamford and amounts to £5.6 million for the six month period since 1 October 2010.

Operating profit

Under IFRS, the fair value of the consideration shares payable to the former partners of LSI Management LLP of £39.5 million is accounted for as a share-based payment prepayment and held within the balance sheet as an asset (see note 16 to the financial statements). The management team are subject to a three year lock-in period from 1 October 2010 and therefore in accordance with IFRS the prepayment is expensed to the income statement over that period. The charge of £6.5 million to the income statement represents the amount for the period since 1 October 2010 and reduces the prepayment to £33.0 million.

The acquisition of LSI Management LLP included the acquisition of the two property advisory agreements in respect of the assets of London & Stamford Property Limited and the Green Park joint venture.

The fair value attributed to the property advisory agreement with London & Stamford Property Limited of £34.9 million has been treated as a payment to avoid making future payments under the contract and has therefore been fully written off in the income statement in the year. The value attributed to the contract with the LSP Green Park Property Trust of £18.4 million is being amortised over the remaining period of the contract. Amortisation of £2.0 million has been charged to the income statement in the year.

The total amount expensed during the year as a result of Internalisation, including the expense for the share-based payment, the write-off and amortisation of the property advisory agreements and acquisition costs, is £47.4 million.

The Internalisation has generated £41.8 million of negative goodwill which has been credited to the income statement in accordance with IFRS.

The general corporate costs include management fees of £4.7 million paid to the property advisor prior to Internalisation and are not recurring. The balance of the corporate overhead is recurring, includes the remuneration of Executive Directors and staff and the costs of operating the business which were previously borne by the property advisor.

Under IFRS, the costs of acquiring new investments accounted for as business combinations are written off to the income statement. A total of £5.0 million has been written off in the year in respect of the acquisitions of the Radial, Lojix and AEW portfolios.

Share of profit of associates

The share of profits from associates (the Green Park joint venture) for the year ended 31 March 2011 is £22.0 million (2010: £29.4 million), which includes a revaluation surplus of £21.0 million (2010: £29.8 million) on the revaluation of the Meadowhall property.

Net financing costs

Net financing costs in the year were £18.8 million (2010: £7.3 million). The increase in net financing costs is a function of the increased debt which funded the new acquisitions in the year and correspondingly lower cash balances generating lower finance income.

Derivative financial instruments

The change in fair value of derivatives in the year has resulted in a credit to the income statement of £6.9 million (2010: £4.5 million expense).

Taxation

The tax charge for the year is significant and represents in large part entry charges to the REIT regime in respect of the London & Stamford portfolio on 1 October 2010 and the charge in respect of the subsequent corporate acquisitions of the Lojix and AEW portfolios.

Balance sheet

The balance sheet reflects the significant new investment undertaken by the Group in the year.

The value of our equity interest in Meadowhall of £113.3 million which is accounted for as an associate has increased by £26.1 million in the year (29%).

As a consequence of our investment programme, our cash balance has reduced to £156.8 million (2010: £276.6 million). Since the year end, the cash balance has been increased by the disposal proceeds of £41.5 million from the transfer of the AEW and Lojix distribution portfolios into a joint venture with Green Park.

Funding

During the year, Green Park increased their commitment to the joint venture by £100 million, taking their total cash commitment to £300 million. £138.5 million of that commitment remains unallocated, £120 million having been deployed on Meadowhall and a further £41.5 million deployed on our distribution joint venture.

Borrowings have increased significantly over the year from £121.6 million to £383.0 million in support of our acquisition programme. Our overall net level of gearing is 31%.

We have fully utilised our £150 million Bank of Scotland revolving credit facility in support of the acquisition of the Radial portfolio. The very low 80 basis points margin contributing to our high cash on cash return on the portfolio.

We were delighted to enter into a new five year debt facility to finance the Lojix and AEW distribution portfolios with MetLife. The facility is for £133.3 million. This facility is our first with MetLife, who is an important new provider of debt to London & Stamford.

Our available firepower of c. £1 billion comprises the following:

	£ million
Cash as at 31 March 2011	156.8
Green Park joint venture cash received	41.5
Committed Green Park funding not yet utilised	138.5
Potential debt funding at an assumed gearing level of 65%	625.5
	962.3

Risk management

London & Stamford's strategy continues to be to provide a premium dividend yield by focusing on investing in well located, well let assets with high net initial yield.

Our target dividend yield will only be achieved when we have fully invested our cash and we continue to pursue opportunities, but we will not overpay for assets. We feel it is better to buy well, when we see real opportunity.

Our key investment criteria continues to be the delivery of high equity yield, which is dictated by the spread between the initial property yield and the cost of money. We will continue to seek and obtain prudent levels of keenly priced bank debt. As a fully distributing REIT, we will maintain a progressive dividend policy.

As a property investment company, we will focus on increasing our net asset value per share, through enhancement of the value of the real estate assets and positive income growth driven by active asset management initiatives.

The principal risks and uncertainties in meeting these key objectives are:

Delivery of Group's investment objectives

General economic conditions, the level and volatility of interest rates, potentially rising inflation and the lack of cost effective funding may mitigate against the achievement of investment performance. Through fixed interest rates or other hedging mechanisms, the Group ensures that its exposure to interest rate volatility is well managed.

No current debt facilities are due for refinancing until August 2014 at the earliest.

The Group will only enter into investment transactions where the spread between the cost of debt and the initial property yield produces sufficient equity return.

Enhanced property valuations

Property valuations are snapshots in time and there can be no certainty that property valuations will be realised.

However, our focus on secure income from well located assets with increasing weighted average lease lengths provides robust support to property valuations.

Added value property management initiatives

General economic uncertainty adversely impacts the property market and in particular raises the level of occupational risk. We continue to manage carefully our exposure to the risk of weakening credit worthiness in our tenant portfolio and undertake forensic due diligence on tenant covenants on acquisition.

Occupational weakness mitigates against tenant enhancements being a mechanism for driving rents upwards.

Key performance indicators

The main measure of the effectiveness of the Group's performance is the increasing dividend yield driven by high yielding, well located assets, with strong tenant covenants.

To this end, we have a very high occupancy rate and the management of occupational risk is a key deliverable. Long unexpired lease terms which lengthen as a consequence of added value asset management initiatives are a good indication of performance. As a result of a disciplined approach to investment, we have ensured that we have not overpaid for assets.

Our people

Our people are key to the delivery of our strategy.

The former partners of LSI Management LLP, who became the senior internalised management of London & Stamford on 1 October 2010 are all subject to a lock-in through to 30 September 2013. They are all material shareholders and their interests are fully aligned with the shareholders.

They are all members of the Company's Investment Committee which meets monthly and is responsible for identifying new investment opportunities and for reviewing existing assets.

In particular, Jeremy Bishop, Stewart Little and Mike Tyler and their team have key responsibility for performing due diligence, conducting negotiations in relation to those investment opportunities and for ongoing investment work.

All other staff who were not partners in LSI Management LLP have been awarded shares under the Staff Incentive Plan introduced in January 2011.

The management structure is flat and roles and responsibilities are clear. Staff are well incentivised through their salary and bonus arrangements to perform fully in the delivery of the Company's objectives.

Jeremy Bishop

Stewart Little

Mike Tyler

Environmental sustainability and social policy

We recognise our responsibility to manage the environmental and social impact of our business activities and seek to contribute to a low carbon economy through the responsible management of our portfolio. These policies, together with our commitment to sustainability, are incorporated into our risk management strategy which has been reviewed during the year by the Board.

Environmental policy

An independent environmental report is required for all potential acquisitions, which considers, amongst other matters, the historic and current usage of the site and the extent of any contamination present.

The Group monitors all incoming tenants through its insurance programme to identify potential risk and to avoid high risk business activities. As part of the active management of the portfolio, any change in tenant business practice considered to be an environmental hazard is reported and suitably dealt with.

All sites are visited at least annually and any obvious environmental issues are reported to the Board.

All leases will commit occupiers to observe any environmental regulations.

Social policy

The activities of the Group are carried out in a responsible manner, taking into account the social impact. The two main areas of social impact have been identified as planning and asset improvement works which form part of our asset management strategy.

Planning

The Group considers the impact on the surrounding areas and communities where planning permissions are to be submitted and considers the legitimate concerns of interested parties as part of the process.

Asset management

Asset management projects are subcontracted. The Group monitors the works, directly and in conjunction with project managers on larger projects, to ensure they are carried out in accordance with relevant guidelines and laws. All subcontractors are assessed to ensure that they have sufficient resources to meet legal requirements. With regard to day to day management, we have set ourselves the following objectives:

- To ensure that as a management team we promote and instigate environmental best practice throughout our managed portfolio.
- To promote environmental initiatives to our asset managers and require them to keep up to date with legislation.
- To encourage our asset managers to work with environmentally responsible suppliers and contractors.
- To research and implement all sustainable energy uses wherever possible.
- To encourage the adoption of green travel plans and promote the use of shared transport or cycling to work by providing appropriate amenities for our tenants.
- To encourage community engagement by promoting the use of building amenities to the wider community and promote the use of local workforce by our tenants and contractors.
- To minimise resource consumption by reducing wastage and recycling where appropriate.
- To reduce energy consumption and investigate the potential use of green energy wherever possible. Our objective is to reduce demand, improve efficiencies and promote behavioural change for all our asset managers and joint venture partners.
- To encourage our joint venture partners and asset managers to implement green policies and initiatives and be more environmentally conscious.
- To comply with all applicable environmental statutes and regulations and comply with the Environmental Agency's Pollution Prevention Guidelines.

Review and responsibility

The Social and Environmental policy is reviewed annually as part of the Group's corporate governance procedures.

Responsibility for the Social and Environmental Policy is a matter for the Board as a whole.

Our portfolio

Distribution

Property	Description	Ownership	Size
Unit A DIRFT Daventry	Prime distribution unit let to Eddie Stobart Ltd (sublet to Tesco).	**93.75%**	201,393 sq ft
Unit B DIRFT Daventry	Prime distribution unit let to Eddie Stobart Ltd (sublet to Excel Europe Ltd).	**93.75%**	142,920 sq ft
Unit C DIRFT Daventry	Prime distribution unit let to Ingram Micro Holdings Ltd.	**93.75%**	261,639 sq ft
Unit E1 DIRFT Daventry	Prime distribution unit let to Northern Foods Distribution Ltd.	**93.75%**	224,245 sq ft
Immanis Brackmills	Prime distribution unit let to Great Bear.	**93.75%**	126,620 sq ft
Travis Perkins Brackmills	Prime distribution unit let to Travis Perkins Ltd.	**93.75%**	483,650 sq ft
Alpha One Hams Hall	Prime distribution unit let to Accident Exchange plc.	**93.75%**	219,122 sq ft
Unit 5220 Magna Park	Prime distribution unit let to Unipart Logistics Ltd.	**93.75%**	205,780 sq ft
Relay Park Tamworth	Prime distribution unit let to NYK Logistics (UK) Manufacturing & Retail Ltd.	**93.75%**	85,385 sq ft
Plot 1, Highway Point Coleshill	Prime distribution unit let to Northrop Grumman.	**93.75%**	140,209 sq ft
Plot 3, Highway Point Coleshill	Prime distribution unit let to Greenwood Communications Limited.	**93.75%**	120,681 sq ft
Radial Point Stoke on Trent	Vacant.	**93.75%**	183,679 sq ft
Interlink Park Bardon	Prime distribution unit let to Antalis Limited.	**93.75%**	282,957 sq ft
7 Clydemill Place Cambuslang	Prime distribution unit let to Kuehne & Nagel Ltd.	**93.75%**	120,717 sq ft
Brooklands Weybridge	Prime distribution unit let to Tesco Distribution Ltd.	**93.75%**	313,135 sq ft
Western Approach Severnside	Prime distribution unit let to Cemex.	**93.75%**	243,590 sq ft
DC1 Eastman Way Hemel Hempstead	Prime distribution unit let to Next Group Plc.	**100%**	171,232 sq ft
DC2 Boundary Way Hemel Hempstead	Prime distribution unit let to Keystone Distribution.	**100%**	245,975 sq ft
DC3 Boundary Way Hemel Hempstead	Prime distribution unit let to Gist Ltd.	**100%**	122,856 sq ft
DC1 Cheaney Drive Grange Park Northampton	Prime distribution unit let to NYK Logistics.	**100%**	167,653 sq ft
DC2 Dolphin Way, Dolphin Park Northampton	Prime distribution unit let to French Connection UK Ltd.	**100%**	148,980 sq ft
Central Park Rugby	Prime distribution unit let to Pearson Shared Services Ltd.	**100%**	446,411 sq ft
Oldfield Lane Greenford	Prime distribution unit let to Kuehne & Nagel Drinkflow Logistics Ltd.	**100%**	133,351 sq ft
Polar Park Heathrow	Prime distribution unit let to The Metropolitan Police Authority.	**100%**	60,051 sq ft
Heathrow Gateway Feltham	Prime distribution unit let to Royal Mail.	**100%**	220,967 sq ft
Heathrow Gateway Feltham	Prime distribution unit let to Ceva Freight (UK) Ltd.	**100%**	127,078 sq ft
		Total distribution	5,200,276 sq ft

Our portfolio

Retail

Property	Description	Ownership	Size
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%**	1.5m sq ft
		Total retail	1.5m sq ft

London offices

Property	Description	Ownership	Size
One Fleet Place London	Prime office building in London EC1, let principally to Denton Wilde.	**100%**	169,296 sq ft
		Total London offices	169,296 sq ft

Residential

Property	Description	Ownership	Size
Bridges Wharf Battersea	56 Residential Apartments, 45 held as rental stock with the balance for sale.	**100%**	51,882 sq ft
The Stadium, Highbury Square London	Residential development of 139 apartments on Assured Shorthold Tenancies.	**100%**	98,196 sq ft
		Total residential	150,078 sq ft

Business parks

Property	Description	Ownership	Size
Focus National Distribution Centre, Tamworth	Distribution unit let to Focus DIY as its national distribution centre.	**100%**	591,597 sq ft
Forest House & Elm Park Court Crawley	Freehold offices, let to Bard UK Ltd and Maple Oak plc.	**100%**	67,582 sq ft
Somerfield Distribution Unit Wellingborough	Distribution unit let to Somerfield Stores Ltd.	**100%**	341,320 sq ft
Glaisdale Parkway Nottingham	Industrial warehouse let to Hillary's Blinds, with 2.4 acres of undeveloped land.	**100%**	133,717 sq ft
		Total business parks	1,134,216 sq ft

Developments

Property	Description	Ownership	Size
Buildings 1 & 2 Campbell Road Stoke	Former Michelin tyre factory, currently vacant.	**100%**	433,783 sq ft
Barracks Road Newcastle under Lyme	Out of town retail scheme, let to Bathstore and Domino's Pizza. Two further units with open A1 planning consent are vacant.	**100%**	33,033 sq ft
Lufton Trading Estate Yeovil	Industrial development land.	**100%**	2.5 acres
Gillingham Business Park Kent	Industrial development land.	**100%**	7.8 acres

Governance

One Fleet Place
London

Board of Directors

Raymond Mould
Executive Chairman

Age 70

Raymond Mould qualified as a solicitor in 1964 and in 1976 was a co-founder of Arlington Securities Plc ("Arlington"), of which he became chairman in 1990, having been involved in the UK property market since 1970. Arlington was floated in 1986 and sold to British Aerospace in 1989 for £287 million. He was a director of BAE Systems plc from 1991 to 1992. Mr Mould was instrumental in the establishment of Pillar Property Plc ("Pillar") in 1991 and became its chairman in 1994 when Pillar was floated, a position he held until 2005 when Pillar was sold to British Land plc for £811 million. Mr Mould is also a non-executive director of FF&P Russia Real Estate Limited and FF&P Russia Real Estate Development Limited.

Patrick Vaughan
Chief Executive Officer

Age 63

Patrick Vaughan has also been involved in the UK property market since 1970 and was a co-founder of Arlington in 1976 and of Pillar in 1991. He was chief executive of Arlington, which was floated in 1986, from 1990 to 1993 and of Pillar, which was floated in 1994, from 1994 to 2005. Mr Vaughan also served as an executive director of British Land plc from July 2005 to July 2006, following British Land's acquisition of Pillar.

Martin McGann
Finance Director

Age 50

Martin McGann joined the Group in September 2008. From 2002 to 2005 he worked for Pillar, latterly as finance director. Between 2005 and 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 head of real estate finance for Railtrack PLC. Mr McGann is a qualified chartered accountant having trained and qualified with Deloitte.

Charles Cayzer
Non-Executive Director

Senior Independent Director

Member of the Remuneration and Audit Committees

Age 54

Charles Cayzer having gained experience of merchant banking, commercial banking and corporate and project finance with Baring Brothers, Cayzer Irvine and Cayzer Ltd, was appointed a director of Caledonia Investments in 1985. Mr Cayzer is also chairman of Easybox, Edinmore and The Sloane Club and a non-executive director of Eredene Capital and Quintain.

Mark Burton

Non-Executive Director

Member of the Remuneration and Audit Committees

Age 63

Mark Burton currently serves as a board member of The Hudsons Bay Trading Company, Retail Opportunity Investment Corporation and Value Retail Company, additionally sitting on the real estate advisory board for Norges Bank Investment Management and the investment committee of Internos Real Investors and acting as an adviser to Citic Capital Real Estate.

Mr Burton is a member of the Royal Institute of Chartered Surveyors and was a member of the UK Government Property Advisor Group from 2000 to 2001. He was chairman of Urban Land Institute UK in 1999 and chairman of Investment Property Forum in 1995.

Mr Burton's career has included senior executive roles at United Bank of Kuwait, AXA REIM and AIG Global Real Estate Investment Europe. In 2001 Mr Burton became chief investment officer of the Real Estate Department at Abu Dhabi Investment Authority, subsequently becoming chief investment officer of the Real Estate Department at Abu Dhabi Investment Council in 2007, from where he retired in June 2010.

Richard Crowder

Non-Executive Director

Member of the Remuneration and Audit Committees

Age 61

Richard Crowder holds a range of directorships and consultancy appointments. Having worked as an investment manager with Ivory & Sime in Edinburgh and as a head of investment research with W.I. Carr in the Far East, he undertook a wide range of responsibilities for Schroders in London and the Far East, culminating in the role of managing director for Schroders' Singapore associate. Having then worked as 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 is a member of the Securities Institute and he resides in Guernsey.

James Dean

Non-Executive Director

Chairman of the Remuneration Committee

Age 56

James Dean is a Chartered Surveyor. Mr Dean has worked with Savills plc since 1973 and was a director from flotation in 1988 to 1999. He is a non-executive director of Branston Holdings, a partner in Heracles LLP and also chairman of Pearlcrown, London & Lincoln and Patrick Dean which are family property investment and farming businesses.

Humphrey Price

Non-Executive Director

Chairman of the Audit Committee

Age 69

Humphrey Price was finance director of Arlington from 1982 to 1992. He was a director of Pillar from its formation and finance director from 1993 to 2004, resigning from the board in 2005 on its sale to British Land plc. Mr Price was a non-executive director of the London & Stamford Property Group until April 2009. Mr Price is a non-executive director of Hansteen Holdings Plc and is a qualified Chartered Accountant.

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 March 2011.

Principal activities and business review

The principal activity of the Group continues to be 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 and residential property, principally in the United Kingdom and also overseas, as and when profitable opportunities arise.

A detailed review of the Group's business during the year, position at year end, future prospects, key performance indicators and principal risks and uncertainties is contained in the Chairman's statement and Operating and financial review on pages 3 to 4 and pages 8 to 16 respectively and should be read as part of this report.

Results and dividends

The Group reported profits for the year of £43.3 million (2010: £106.1 million) as shown on page 30. A second interim dividend for 2010 of 2.2p per share was paid on 1 April 2010. An interim dividend for 2011 of 3.0p per share was paid on 20 December 2010 and a final dividend of 3.3p per share is recommended for shareholder approval at the forthcoming Annual General Meeting.

Investment properties

A valuation of the Group's investment properties at 31 March 2011 was undertaken by CB Richard Ellis Limited and Savills Plc on the basis of market value as reflected in note 9 to these accounts. Details of the current property portfolio is given on pages 15 to 16.

Share capital

The Company was incorporated on 13 January 2010 under the Companies Act 2006 as a public limited company domiciled in the United Kingdom.

On 1 October 2010 the Company acquired the entire issued share capital of the London & Stamford Property Limited by way of a Scheme of Arrangement sanctioned by the Guernsey Court. The Company's shares were admitted to the premium listing of the Official List to trade on the Main Market of the London Stock Exchange. Trading in London & Stamford Property Limited's shares on AIM was cancelled on the same day. In addition, the business and assets of the Group's property advisor, LSI Management LLP, were acquired by issuing 45,795,171 new ordinary shares at 115p per share.

Following Admission, the Group converted to a UK-REIT. London & Stamford Property Plc is the principal Company of the UK-REIT Group.

Directors

The Directors of the Company who held office during the year and as at the date of this report are as follows:

Raymond Mould	Appointed 29 July 2010
Patrick Vaughan	Appointed 13 January 2010
Martin McGann	Appointed 13 January 2010
Mark Burton	Appointed 29 July 2010
Charles Cayzer	Appointed 29 July 2010
Richard Crowder	Appointed 29 July 2010
James Dean	Appointed 29 July 2010
Humphrey Price	Appointed 29 July 2010

Directors' biographies are shown on pages 18 to 19. The interests of the Directors and their families in the shares of the Company are set out in the Remuneration report.

In accordance with the Articles of Association, and UK Corporate Governance Code, all Directors are proposed for election at the forthcoming Annual General Meeting of the Company by recommendation of the Board.

Corporate governance statement

A statement on Corporate governance is set out on pages 23 to 24.

Substantial shareholders

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 Asset Management	73,984,060	13.56
Taube Hodson Stonex Partners Limited	39,702,022	7.27
Caledonia Investments Plc	31,497,094	5.77
Electra Partners Europe	30,000,000	5.50
Blackrock Investment Management	25,878,859	4.74
Worldstar Limited	24,105,067	4.42
JP Morgan Asset Management	19,954,916	3.66
Legal & General Investment Management	17,621,560	3.23
Fidelity International	16,723,615	3.06

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 2011 was 20 days (2010: 22 days).

Charitable and political contributions

During the year the Group made charitable donations of £52,000 (2010: £nil). No political donations were made during the year (2010: £nil).

Going concern

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Group has considered its cash balances, its debt maturity profile, including undrawn facilities, and the long-term nature of tenant leases. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Disclosure of information to auditors

So far as the Directors who held office at the date of approval of this Directors' report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

A resolution to reappoint BDO LLP as auditors of the Company will be proposed at the Annual General Meeting.

Approved by the Board on 26 May 2011 and signed on its behalf by

Martin McGann
Finance Director

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- prepare a Directors' report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom 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' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description or the principal risks and uncertainties that they face.

Approved by the Board on 26 May 2011 and signed on its behalf by

Martin McGann
Finance Director

Corporate governance

Statement by the Directors on compliance with the provisions of the code

The Board is committed to maintaining high standards of corporate governance and considers that the Company has complied with the provisions set out in section 1 of the UK Corporate Governance Code throughout the period from its admission to the Main Market of the London Stock Exchange on 1 October 2010 to 31 March 2011, except for the non-independence of one of the Non-Executive Directors as noted below. The role of the Chairman is an executive position.

The Company's principal governance policies and practices are set out below.

The Board of Directors

The Board comprises the Chairman, two Executive Directors and five Non-Executive Directors. The Board meets for scheduled Board meetings six times during the year and additionally as may be required. The following table shows Directors' attendance at Board meetings they were eligible to attend during the period:

	Board	Audit Committee
Number of meetings	4	2
Attended:		
Raymond Mould	3	–
Patrick Vaughan	4	–
Martin McGann	4	–
Mark Burton	4	2
Charles Cayzer	4	2
Richard Crowder	4	2
James Dean	4	2*
Humphrey Price	4	2

* With effect from 25 May 2011 James Dean has stepped down from the Audit Committee.

The biographies of all members of the Board are set out on pages 18 and 19.

There are clearly defined roles for the Chairman (Raymond Mould) and Chief Executive (Patrick Vaughan). The Chairman is responsible for the leadership and effectiveness of the Board and the Chief Executive is responsible for the day to day management of the Group and delivery of strategic objectives.

The Chairman is also a non-executive director of FF&P Russia Real Estate Limited and FF&P Russia Real Estate Development Limited, for which he received fees of £65,000 and £75,000 respectively in the year. The Board is satisfied that this appointment does not adversely affect his commitment as the Company's Chairman.

The Board is responsible to the shareholders for the strategy, control and effective leadership of the Group. There is a formal schedule of matters reserved for its approval, including:

- approval of financial statements and dividends;
- setting overall strategy;
- acquisitions and disposals;
- approval of major capital expenditure projects;
- treasury and financing arrangements; and
- internal control, risk management and corporate governance.

The Board is assisted by an Investment Committee comprising the Executive Directors and the senior management team. The Investment Committee meets monthly to discuss risk, property investment activities and the ongoing management of the Group.

The Directors are kept up to date on corporate governance matters through bulletins and training materials provided from time to time by the Company Secretary. The Board receives comprehensive reports and briefing papers one week prior to the Board and Committee meetings to enable them to fulfil their responsibilities.

Directors have access at all times to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

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.

In accordance with the Company's Articles of Association, all Directors are required to submit themselves for election at the first opportunity following their appointment by the Board and thereafter for re-election at least every three years. All Directors are proposed for election at the forthcoming Annual General Meeting.

Non-Executive Directors

The Board is satisfied that the Non-Executive Directors are independent of management and have no business or other relationship which could materially interfere with the exercise of their independent judgement (with the exception of Humphrey Price). Humphrey Price is not considered to be independent within the meaning of the Corporate Governance Code as a result of his long working association with the three Executive Directors at Pillar Property Plc and Arlington Securities. The Board nevertheless considers that the knowledge and experience he brings, having been the Finance Director of these very successful listed property companies, and his ability to act independently, make him a most qualified and appropriate Non-Executive Director and Chairman of the Audit Committee.

The Non-Executive Directors have significant and relevant external commercial experience which enables them to make a valuable contribution to the Board.

On their appointment, Non-Executive Directors are provided with a comprehensive Board pack and are briefed on the Group's assets, finances, risks and strategy.

The Non-Executive Directors, chaired by the Senior Independent Director, Charles Cayzer, have met separately from the Board and will continue to meet as necessary, but at least annually, without the Executive Directors present to address any matters which they may wish to raise.

Board performance and evaluation

The Board is committed to undertaking a formal evaluation of its own performance and that of its Committees and individual Directors annually. This process will take place later in the year as the Board approaches the end of its first year. The evaluation process will be led by the Chairman and will be used constructively to improve Board effectiveness and tackle any weaknesses.

Board committees

The Board has two Committees, the Audit and the Remuneration Committees, each having written terms of reference which are reviewed annually by the Board and which are available on written request.

The Board considers it appropriate that appointments to the Board are decided by the full Board. Accordingly, the Company does not have a Nominations Committee.

Audit Committee

The Audit Committee comprises the Non-Executive Directors of the Company (except for James Dean) and is chaired by Humphrey Price. Its responsibilities include monitoring the integrity of the Company's financial statements, reviewing the effectiveness of the Company's internal controls and risk management systems, reviewing whistleblowing arrangements, overseeing the relationship with the external auditor, monitoring the external auditor's independence and objectivity and reviewing the scope and results of audits.

The Committee meets at least twice each year, with meetings organised around the Company's financial reporting requirements. Since its formation on 1 October 2010, the Committee has met twice and all members attended both meetings. The Finance Director and other senior management and the external auditors attend meetings by invitation.

BDO LLP has confirmed to the Audit Committee that they remain independent and have maintained internal safeguards to ensure the objectivity of the engagement partner and audit staff is not impaired.

Sums payable to BDO LLP in relation to the 2011 audit were £192,000 and in relation to non-audit services provided in the year were £529,000.

The Committee has considered the level of non-audit fees and nature of non-audit services provided and is satisfied that auditor independence has been maintained.

PwC have been appointed to advise the Company and Group on tax compliance and planning.

Due to the size and structure of the Group, the Committee does not believe an internal audit function is necessary, but this requirement is kept under regular review. The Company does, however, undertake a regular review of key controls and processes in conjunction with the external audit team.

Remuneration Committee

The Remuneration Committee comprises the Non-Executive Directors of the Company (except for Humphrey Price) and is chaired by James Dean.

Its responsibilities include agreeing with the Board the policy for the remuneration of the Chairman of the Board, the Executive Directors and other senior executives, determining awards and targets under management incentives schemes and determining the individual remuneration packages of the Chairman and Executive Directors.

The Remuneration Committee's role is described further in the Remuneration report on pages 25 to 27.

Relations with shareholders

Peel Hunt LLP and Credit Suisse Securities (Europe) Limited act as Joint Corporate Brokers to the Company and assist the Board in communicating on a regular basis with major shareholders and fund managers. Following the announcement of the interim and year end results, the Executive Directors and the Senior Independent Director host a series of formal meetings and presentations with shareholders and investors and report feedback to the Non-Executive Directors.

The Board is kept updated on shareholder related issues by regular meetings between the Executive Directors and shareholders at other times during the year.

The Executive Directors are available, as appropriate, as a contact for shareholders and the whole Board attends and is available to answer shareholder questions at the Company's Annual General Meeting. Full interim and annual reports are sent to all shareholders and details of the resolutions to be proposed at the Annual General Meeting on 6 July 2011 can be found in the Notice of Meeting on pages 56 to 58. Details of the number of proxy votes for, against and withheld for each resolution will be disclosed at the meeting and posted to the Company's website.

Internal controls

The Board is responsible for establishing and maintaining the Group's system of internal controls and risk management and for reviewing its effectiveness at least annually.

The main elements of the internal control framework are:

- a comprehensive and documented system of financial budgeting and reporting;
- a management structure that enables effective and efficient decision making, with close involvement of the Executive Directors in day to day operations. Monthly meetings of the Investment Committee, which assesses and monitors strategic and operational risk, are a key element of this structure; and
- the maintenance of a risk register and a financial reporting procedures memorandum, both of which identify key financial and other internal controls.

During the year the Group undertook a comprehensive assessment of governance procedures, risk management and internal controls with assistance from BDO LLP. Key findings and recommendations were reported to the Audit Committee.

The system is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives. The system can only provide reasonable but not absolute assurance against material misstatement or loss.

Jadzia Duzniak
Company Secretary
26 May 2011

Remuneration report

The Remuneration Committee (the "Committee") has prepared this report in accordance with the requirements of the UK Corporate Governance Code, the Companies Act 2006 and the listing rules of the Financial Services Authority. A resolution will be proposed for its approval at the Annual General Meeting of the Company on 6 July 2011.

The Committee comprises the Non-Executive Directors of the Company (except for Humphrey Price) and is chaired by James Dean.

The Committee's responsibilities are set out in its terms of reference which are available to shareholders on request. These responsibilities include agreeing with the Board the policy for the remuneration of the Chairman of the Board, the Executive Directors and other senior executives and determining the individual remuneration packages of the Chairman and Executive Directors.

The Committee intends to meet at least twice a year to review its own performance, constitution and terms of reference and to ensure it is operating at maximum effectiveness, as well as to review and approve remuneration awards. It will report formally to the Board on proceedings following each meeting. During the period since its formation on 1 October 2010, the Committee has met once to review and approve Executive Directors' salary and bonus awards.

The Committee is advised as required by Hewitt New Bridge Street, a firm of independent remuneration consultants.

Remuneration policy

The Committee's overriding objective in determining the Company's remuneration policy is to ensure it continues to attract, motivate and retain individuals of the highest calibre who individually and collectively contribute to the long term success of the Group. It seeks to provide incentives to encourage and reward individual performance and success as well as aligning interests with shareholders by implementing rewards and incentives that are dependent on the overall performance and growth of the Group. The Committee considers annual performance bonuses and long term share-based incentive plans to be the most effective means of achieving these aims.

No Executive Director is involved in the determination of his own remuneration and fees for Non-Executive Directors are determined by the Board as a whole. In setting the Executive Directors' remuneration the Committee takes into account pay and employment conditions applicable across the Group.

The remuneration packages for Executive Directors and senior executives consist of the following elements:

Basic salary and benefits

Basic salaries for Executive Directors and senior executives are reviewed annually by the Committee at the same time and on the same basis as the review by the Executive Directors of all other staff salaries. Their assessment has regard to individual and corporate performance, responsibility and comparable salary levels.

Benefits for all Executive Directors and employees include and are restricted to medical insurance and life assurance cover. All staff excluding the Chairman and the Chief Executive receive a 15% monthly contribution to their individual personal pension plans. The Chief Executive, with the approval of the Committee, received a contribution to his individual personal pension plan in the year of £20,000.

Annual discretionary bonus

The Committee considers on an annual basis the award of bonuses. These are non-pensionable awards which are entirely discretionary and dependent upon the earnings and net asset value performance of the Group, as well as the achievement of individual targets and outstanding performance. Bonuses are restricted to a maximum of 100% of basic salary.

The Committee has approved cash bonuses of 100% of basic salary for each of the three Executive Directors for the six month period from 1 October 2010, which have been accrued in these accounts. Consideration has been given to the considerable business achievements and net asset growth in a challenging business environment in determining such awards and to the relativity of remuneration (excluding long term incentives) of the Executive Directors within the Real Estate sector.

Long term incentives

The Company seeks to align the long term interests of executives with those of shareholders and to reward and encourage continued and sustained growth.

The Executive Directors are not subject to any long term incentive arrangements and are not eligible to participate in the Staff Incentive Plan.

The Executive Directors have significant interests in the shares of the Company, the performance of which creates direct alignment for the Executive Directors with other shareholders.

Pursuant to the acquisition of LSI Management LLP (the former Property Advisor to the Group) by the Company on 1 October 2010, the Executive Directors and other senior executives who were former partners in LSI Management LLP, received, as consideration, shares in the Company. The consideration payable was £55 million, satisfied by the issue of 45,795,171 ordinary shares in the Company, of which 26,565,698 were issued to the Executive Directors, at a price of 120.1p each, representing the net asset value per share of the Group as at 31 March 2010.

There are certain lock-in arrangements that prevent the sale of such shares within a three year period to 30 September 2013. In addition, shares representing £10 million of consideration (8,326,395 shares) are subject to clawback arrangements if performance targets are not met in the same three year period ("the clawback shares"). The performance targets are to achieve an average increase in the net asset value after adjusting for dividends paid and the issue of new shares of at least 11.5% per annum. If the performance target for the first year is met then one third of the clawback shares are released and are free of the clawback arrangement. If the target is not met, the clawback shares continue to be subject to the clawback arrangement. If the cumulative target for the second year is met then two thirds of the clawback shares will be released. The clawback is only enforced at the end of the third year. If the cumulative target at the end of the third year is not met, then all of the clawback shares will be subject to clawback except those that have been previously released.

The Executive Directors and senior executives who were former members of the Property Advisor and who received shares in the Company on acquisition, are not eligible to participate in the Staff Incentive Plan or any other incentive schemes until 30 September 2013.

Staff incentive plan

The Staff Incentive Plan was established in January 2011 to align the interests of management who were not party to the arrangements noted above, thereby attracting and retaining high calibre individuals throughout the organisation.

Subject to the exclusions noted, all current and future employees of the Group are eligible to participate in the Plan at the Company's discretion.

The Plan provides for the grant of a conditional award to receive ordinary shares in the Company at no cost. The awards vest on or after the third anniversary of the date granted and are subject to the same lock-in and performance conditions and targets as the consideration shares issued to the former partners of LSI Management LLP.

The intention is that share awards will be made annually and will be a function of basic salary.

On 1 October 2010 conditional awards were granted to employees to receive 417,791 shares in the Company. The shares were acquired by the Company's Employee Benefit Trust in the year.

Non-Executive Directors' remuneration

The fees payable to the Non-Executive Directors are determined and reviewed by the Board and reflect the time commitment and responsibility taken by them. Each Non-Executive Director is paid a basic fee of £50,000 per annum and, in addition, James Dean and Humphrey Price receive a fee of £10,000 per annum to act as chairmen of the Remuneration Committee and Audit Committee respectively.

Non-Executive Directors are not eligible for performance related bonuses, participation in the Staff Incentive Plan, pensions or other benefits from the Company.

Audited information

Directors' emoluments

	Salary and fees £	Bonus £	Benefits in kind £	**Total excluding pension contributions £**	Pension £
Executive					
Raymond Mould	146,700	150,000	9,724	**306,424**	–
Patrick Vaughan	150,000	150,000	3,106	**303,106**	20,000
Martin McGann	125,000	125,000	2,369	**252,369**	18,750
	421,700	425,000	11,899	**858,599**	38,750
Non executive					
Charles Cayzer	25,000	–	–	**25,000**	–
James Dean	30,000	–	–	**30,000**	–
Humphrey Price	30,000	–	–	**30,000**	–
Mark Burton	25,000	–	–	**25,000**	–
Richard Crowder	51,250	–	–	**51,250**	–
	161,250	–	–	**161,250**	–

Service arrangements

The Executive Directors entered into Service Agreements with the Company on 1 October 2010 with notice periods terminable by either party of twelve months. Apart from salary and benefits in the notice period, there are no other contractual terms which would give rise to compensation payable for early termination.

The Non-Executive Directors have letters of appointment effective from 1 October 2010 for an initial term of three years, which are subject to a notice period of three months by either party.

Interests of Directors in Company's shares

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

	Ordinary shares of 10p each 31 March 2011
Raymond Mould	18,400,000
Patrick Vaughan	18,383,510
Martin McGann	3,823,795
Mark Burton	–
Charles Cayzer	–
Richard Crowder	100,000
James Dean	–
Humphrey Price	2,143,127

There were no movements in Director's shareholdings between 31 March 2011 and the date of this report.

Shareholder remuneration

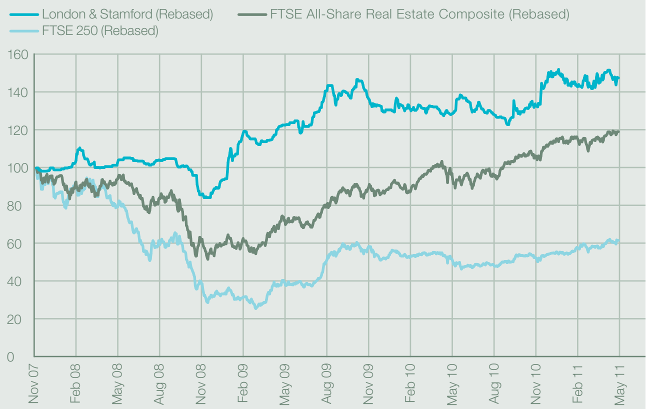
The graph below shows the Company's total shareholder return from 7 November 2007 to 31 March 2011 compared to a composite measure of the FTSE All-Share Real Estate Investment Trusts Index and the FTSE All-Share Real Estate Investment and Services Index and also to the FTSE 250 Index. These indices have been chosen by the Committee as they are considered the most appropriate benchmarks against which to assess the relative performance of the Company.

Total shareholder return measures price growth, with dividends deemed to be reinvested on the ex-dividend date.

The period from 7 November 2007 to 30 September 2010 relates to the performance of the Group headed by London & Stamford Property Limited. The period from 1 October 2010 relates to the performance of the Group headed by London & Stamford Property Plc.

Performance graph

Total Return



Source: Thomson Reuters Datastream

James Dean
Chairman of the Remuneration Committee
26 May 2011

Radial Point
Stoke

Financial statements

Independent auditor's report to the members of London & Stamford Property Plc

We have audited the Group financial statements of London & Stamford Property Plc for the year ended 31 March 2011 which comprise the Group Income Statement, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern;
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matters

We have reported separately on the Parent Company financial statements of London & Stamford Property Plc for the period ended 31 March 2011 and on the information in the Directors' remuneration report that is described as having been audited.

Russell Field
Senior Statutory Auditor
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
26 May 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group Income Statement

For the year ended 31 March

	Note	2011 £000	2010 £000
Net rental income	2	**36,056**	16,140
Property advisory fee income		**5,591**	–
Net proceeds from sales of trading properties	2	**181**	–
Net income		**41,828**	16,140
General corporate costs		**(10,699)**	(11,695)
Share-based payments	3	**(6,609)**	–
Negative goodwill on acquisition of subsidiaries	16	**42,917**	–
Write down of positive goodwill on acquisition of subsidiaries	16	**(7,544)**	–
Write down and amortisation of intangible asset	16	**(36,871)**	–
Acquisition costs	16	**(9,026)**	–
Total administrative costs		**(27,832)**	(11,695)
Profit on revaluation of investment properties	9	**30,080**	72,099
Profit on sale of investment properties		**2,609**	10,634
Share of profits of associates	10	**21,961**	29,412
Operating profit	3	**68,646**	116,590
Finance income	5	**1,165**	1,465
Finance costs	5	**(19,960)**	(8,772)
Change in fair value of derivative financial instruments	5	**6,923**	(4,451)
Profit before tax		**56,774**	104,832
Taxation	6	**(12,307)**	1,234
Profit for the year and total comprehensive income attributable to:			
Equity shareholders		**43,312**	106,066
Minority interest		**1,155**	–
		44,467	106,066
Earnings per share			
Basic and diluted	8	**8.3p**	24.8p

All amounts relate to continuing activities.

The notes on pages 34 to 51 form part of these financial statements.

Group Balance Sheet

As at 31 March

	Note	2011 £000	2010 £000
Non current assets			
Investment properties	9	**748,275**	357,695
Investment in equity accounted associates	10	**115,345**	89,285
Intangible asset	11	**16,389**	–
Other tangible assets		**348**	–
Deferred tax assets	6	**7,883**	7,071
		888,240	454,051
Current assets			
Trading properties		**5,760**	–
Trade and other receivables	12	**45,291**	7,678
Cash and cash equivalents	13	**156,785**	276,593
		207,836	284,271
Total assets		**1,096,076**	738,322
Current liabilities			
Trade and other payables	14	**18,574**	9,631
Corporation tax payable		**14,197**	654
		32,771	10,285
Non current liabilities			
Borrowings	15	**382,956**	121,565
Derivative financial instruments	15	**6,642**	5,902
		389,598	127,467
Total liabilities		**422,369**	137,752
Net assets		**673,707**	600,570
Equity			
Called up share capital	17	**54,580**	50,000
Special reserve		**–**	446,620
Other reserve		**47,551**	–
Retained earnings		**566,589**	103,950
Equity shareholders' funds		**668,720**	600,570
Minority interest		**4,987**	–
Total equity		**673,707**	600,570
Net asset value per share	8	**122.5p**	120.1p

The financial statements were approved and authorised for issue by the Board of Directors on 26 May 2011 and were signed on its behalf by:

M F McGann
Finance Director

The notes on pages 34 to 51 form part of these financial statements.

Group Statement of Changes in Equity

For the year ended 31 March

	Note	Share capital £000	Special reserve £000	Other reserve £000	Retained earnings £000	Subtotal £000	Minority interest £000	Total £000
At 1 April 2010		50,000	446,620	–	103,950	600,570	–	600,570
Profit for the year		–	–	–	43,312	43,312	1,155	44,467
Minority interest on acquisition of subsidiary		–	–	–	–	–	4,169	4,169
Distribution paid to minorities		–	–	–	–	–	(337)	(337)
Reverse acquisition and share for share exchange		–	(446,620)	–	446,620	–	–	–
Share issue on acquisition of Property Advisor		4,580	–	48,084	–	52,664	–	52,664
Purchase of shares held in trust		–	–	(533)	–	(533)	–	(533)
Share-based payments		–	–	–	81	81	–	81
Dividends paid	7	–	–	–	(27,374)	(27,374)	–	(27,374)
At 31 March 2011		54,580	–	47,551	566,589	668,720	4,987	673,707

	Note	Share capital £000	Special reserve £000	Other reserve £000	Retained earnings £000	Subtotal £000	Minority interest £000	Total £000
At 1 April 2009		28,500	248,597	–	14,584	291,681	–	291,681
Profit for the year		–	–	–	106,066	106,066	–	106,066
Issue of ordinary share capital		21,500	198,023	–	–	219,523	–	219,523
Dividends paid	7	–	–	–	(16,700)	(16,700)	–	(16,700)
At 31 March 2010		50,000	446,620	–	103,950	600,570	–	600,570

The notes on pages 34 to 51 form part of these financial statements.

Group Cash Flow Statement

For the year ended 31 March

	2011 £000	2010 £000
Cash flows from operating activities		
Profit before tax	**56,774**	104,832
Adjustments for non-cash items:		
Profit on revaluation of investment properties	**(30,080)**	(72,099)
Profit on sale of investment properties	**(2,609)**	(10,634)
Share of post-tax profit of associates	**(21,961)**	(29,412)
Share-based payment	**6,609**	–
Negative goodwill on acquisition of subsidiaries	**(35,373)**	–
Write down of intangible asset	**36,871**	–
Net finance costs	**11,872**	11,758
Cash flows from operations before changes in working capital	**22,103**	4,445
Change in trade and other receivables	**(1,984)**	(3,710)
Movement in lease incentives	**(2,862)**	–
Change in trade and other payables	**1,316**	5,328
Acquisition of trading properties	**(5,760)**	–
Change in provisions	**–**	(210)
Cash flows from operations	**12,813**	5,853
Interest received	**1,160**	1,562
Interest paid	**(11,441)**	(5,990)
Tax paid	**(1,123)**	(44)
Financial arrangement fees and break costs	**(10,768)**	(3,076)
Cash flows from operating activities	**(9,359)**	(1,695)
Investing activities		
Purchase of subsidiary undertakings net of cash acquired	**(77,844)**	–
Purchase of investment properties	**(59,656)**	(199,030)
Purchase of rent guarantee arrangements	**–**	(2,679)
Capital expenditure on investment properties	**(7,708)**	(869)
Sale of investment property	**103,168**	52,224
Cash flow (to)/from associates	**(4,099)**	2,971
Cash flows from investing activities	**(46,139)**	(147,383)
Financing activities		
Proceeds from share issue	**–**	219,523
Dividends paid	**(27,711)**	(16,700)
Purchase of shares held in trust	**(533)**	–
New borrowings	**151,565**	147,995
Repayment of loan facilities	**(187,631)**	(95,003)
Cash flows from financing activities	**(64,310)**	255,815
Net (decrease)/increase in cash and cash equivalents	**(119,808)**	106,737
Opening cash and cash equivalents	**276,593**	169,856
Closing cash and cash equivalents	**156,785**	276,593

The notes on pages 34 to 51 form part of these financial statements.

Notes forming part of the Group financial statements

For the year ended 31 March 2011

1 Accounting policies

a) General information

London & Stamford Property Plc was incorporated on 13 January 2010 under the Companies Act 2006 as a public limited company domiciled in the United Kingdom. The address of its registered office is 21 St James's Square, London SW1Y 4JZ.

On 1 October 2010 the Company acquired the entire issued share capital of London and Stamford Property Limited by way of a Scheme of Arrangement sanctioned by the Guernsey Court. The Company's shares were admitted to the premium listing segment of the Official List to trade on the Main Market of the London Stock Exchange. Trading in London & Stamford Property Limited's shares on AIM was cancelled on the same day. In addition, the business and assets of the Group's Property Advisor, LSI Management LLP, were acquired thereby internalising the management of the Company.

Following Admission the Group converted to a UK-REIT. London & Stamford Property Plc is the principal Company of the UK-REIT Group.

b) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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.

Under IFRS 3 "Business Combinations", the acquisition of London & Stamford Property Limited by London & Stamford Property Plc has been accounted for as a reverse acquisition. Although the consolidated financial statements have been prepared in the name of the legal parent, London & Stamford Property Plc, they are in substance a continuation of the financial statements of the legal subsidiary, London & Stamford Property Limited. The following accounting treatment has been applied in respect of the reverse acquisition:

The assets and liabilities of the legal subsidiary, London & Stamford Property Limited, are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value.

The retained earnings and special reserve recognised in the consolidated financial statements represent those of London & Stamford Property Limited to the date of the combination, and from this date to the period end represent those of London & Stamford Property Limited and London & Stamford Property Plc.

The equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent, London & Stamford Property Plc, including the equity instruments issued as part of the acquisition of London & Stamford Property Limited. Comparative numbers presented in the consolidated financial statements are those reported in the financial statements of the legal subsidiary, London & Stamford Property Limited.

The assets and liabilities of the Parent Company, London & Stamford Property Plc, are recognised on combination at their fair value.

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, amortisation of intangible assets 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, intangible assets, 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.

1 Accounting policies (continued)

ii) Adoption of new and revised standards
Standards and interpretations effective in the current period

The adoption of the following standard issued by the International Accounting Standards Board ("IASB") has led to a change in the Group's accounting policies:

IFRS 3 Business Combinations (revised) requires all acquisition costs relating to a business combination to be written off to profit and loss in the period.

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
IFRIC 19	Extinguishing financial liabilities with equity instruments	01/07/2010
IAS 24	Revised related party disclosures	01/01/2011
	Improvements to IFRSs	01/01/2011
IFRS 7	Amendments to IFRS 7	01/07/2011
IAS 12	Amendments to IAS 12	01/01/2012
IFRS 9	Financial instruments	01/01/2013

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 IFRIC 14 and IFRS 1 which are not relevant to the operations of the Company or the Group.

d) Basis of consolidation

i) Subsidiaries

The consolidated financial statements 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) Intangible assets

Intangible assets, such as property advisory agreements acquired through business combinations, are measured initially at fair value and are amortised on a straight-line basis over their estimated useful lives. Intangible assets are subject to regular reviews for impairment.

iv) 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.

1 Accounting policies (continued)

e) Property portfolio

i) Investment properties

Investment properties are properties owned or leased by the Group which are held for long-term rental income and for capital appreciation. Investment property is 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.

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) Trading properties

Trading properties are initially recognised at cost and subsequently at the lower of cost and net realisable value.

iv) 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.

v) 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.

vi) 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 in the balance sheet when the Group becomes a party to the contractual terms of the instrument. Unless otherwise indicated, the carrying amounts of the financial assets and liabilities are a reasonable approximation of their fair values.

1 Accounting policies (continued)

i) Loans and receivables

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

ii) Other financial assets

These comprise deposits held with banks where the original maturity was more than three months.

iii) Equity instruments

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

iv) Other financial liabilities

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

v) Derivative financial instruments

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

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

1 Accounting policies (continued)

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.

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.

k) Share-based payments

The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

The cost of the Company's shares held by the Employee Benefit Trust is deducted from equity in the Group balance sheet. Any shares held by the Trust are not included in the calculation of earnings per share.

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.

The Group has one business activity, being property investment and development and operates in the United Kingdom. The Group's investment properties are managed as a single portfolio by an asset management team whose responsibilities are not segregated by asset type or location, but on an asset by asset basis. The Board receives financial information for the portfolio as a whole and not as separate businesses or divisions. The Directors have considered the nature of the business, how the business is managed and how they review performance and, in their judgement believe that the Group has only one reportable business segment.

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 Net income

	2011 £000	2010 £000
Gross rental income	**38,766**	17,251
Property outgoings	**(2,710)**	(1,111)
	36,056	16,140
Proceeds from sales of trading properties	**1,700**	–
Cost of sales of trading properties	**(1,519)**	–
	181	–

For the year ended 31 March 2011 15% (2010: 34%) of the Group's gross rental income was receivable from one tenant.

Property outgoings of £0.5 million (2010: £0.5 million) related to investment properties that did not generate rental income in the year.

3 Profit from operations

	2011 £000	2010 £000
This has been arrived at after charging:		
Property advisor management fees	**4,711**	6,769
Property advisor performance fees	**–**	4,010
Share-based payments	**6,609**	–
Auditors' remuneration:		
Audit of the Group and Company Financial Statements, pursuant to legislation	**192**	134
Fees payable to the Company's auditors for other services to the Group:		
– Statutory audit of subsidiary accounts, pursuant to legislation	**22**	9
– Taxation compliance work	**46**	48
– Corporate advisory services	**441**	96
– Other advisory services	**20**	–

4 Employee costs

	2011 £000	2010 £000
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	**2,624**	–
Social security costs	**151**	–
Other pension costs	**137**	–
Share-based payment	**81**	–
	2,993	–

The emoluments and pension benefits of the Directors are set out in detail within the Directors' remuneration report on pages 25 to 27.

The share incentive scheme allows eligible employees to receive an award of shares, held in trust, dependent on performance conditions based on the net asset value of the Group over a three-year period. The Group expenses the estimated number of shares likely to vest over the three-year period based on the market price at the date of grant.

On 1 October 2010 awards were granted over 417,791 shares, with a share price at grant date of 115p and a vesting date three years from the date of grant. During the period an expense of £81,000 was recognised in profit or loss in respect of the scheme.

The average number of employees including Executive Directors during the period was:

	2011 Number	2010 Number
Head office and property management	**20**	–

Notes forming part of the Group financial statements
For the year ended 31 March 2011

5 Finance income and costs

	2011 £000	2010 £000
Finance income		
Interest on short-term deposits	**1,165**	1,465
	1,165	1,465
Finance costs		
Interest on bank loans	**12,384**	6,757
Amortisation of loan issue costs and loan break costs	**7,576**	2,015
Fair value (profit)/loss on derivative financial instruments	**(6,923)**	4,451
	13,037	13,223

6 Taxation

	2011 £000	2010 £000
The tax charge/(credit) comprises:		
Current tax		
UK tax charge on profit	**1,611**	665
REIT charges	**13,055**	–
Deferred tax		
Change in deferred tax	**(2,359)**	(1,899)
	12,307	(1,234)

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

	2011 £000	2010 £000
Profit before tax	**56,774**	104,832
Profit at the standard rate of corporation tax in the UK of 28% (2010: 28%)	**15,897**	29,353
Effects of:		
Expenses not deductible for tax purposes	**16,686**	1,069
Tax effect of income not subject to tax	**(24,735)**	(21,252)
Share of post tax profit of associate	**(5,867)**	(8,270)
Capital allowances	**(147)**	–
Prior year tax adjustments	**133**	–
Difference in tax rates	**(356)**	(235)
UK tax charge on profit	**1,611**	665

Deferred tax asset

	Revaluation deficit £000	Other temporary and deductible differences £000	Losses £000	Intangible assets £000	Total £000
At 31 March 2010	1,945	1,652	3,474	–	7,071
Acquisition of subsidiary	(1,547)	–	–	–	(1,547)
(Charged)/credited during the year	(398)	(1,652)	(1,666)	6,075	2,359
At 31 March 2011	**–**	**–**	**1,808**	**6,075**	**7,883**

Deferred tax arising on the revaluation deficit and on other temporary and deductible differences has been fully written off in the year as a result of the Group entering the REIT Regime on 1 October 2010.

The Group does not have unprovided deferred tax assets (2010: nil).

7 Dividends

For the year to 31 March	2011 £000	2010 £000
Ordinary dividends paid		
2009 Final dividend: 2.0p per share	–	5,700
2010 Interim dividend: 2.2p per share	–	11,000
2010 Second interim dividend: 2.2p per share	11,000	–
2011 Interim dividend: 3.0p per share	16,374	–
	27,374	16,700
Proposed for approval by shareholders at Annual General Meeting		
2011 Final dividend: 3.3p per share	18,011	–

The proposed final dividend was approved by the Board on 25 May 2011 and is subject to approval at the Annual General Meeting on 6 July 2011. It has not been included as a liability or deducted from retained profits in these accounts. The final dividend is payable on 7 July 2011 to ordinary shareholders on the register at the close of business on 10 June 2011 and will be recognised as an appropriation of retained earnings in 2012.

8 Earnings and net assets per share

Earnings per share of 8.3p (2010: 24.8p) is calculated on a weighted average of 522,688,690 (2010: 428,333,333) ordinary shares of 10p each and is based on profits attributable to ordinary shareholders of £43.3 million (2010: £106.1 million). There are no potentially dilutive or anti-dilutive share options in the year.

Net assets per share is based on equity shareholders' funds at 31 March 2011 of £668.7 million (2010: £600.6 million) and 545,795,171 ordinary shares in issue at that date (2010: 500,000,000).

Adjusted earnings and adjusted net assets per share are calculated in accordance with guidance issued by the European Public Real Estate Association (EPRA) as follows:

For the year to 31 March	2011 £000	2010 £000
Basic and adjusted earnings		
Basic earnings attributable to ordinary shareholders	43,312	106,066
Revaluation of investment property (including share of associates)	(51,033)	(101,945)
Fair value of derivatives (including share of associates)	(6,975)	4,210
Goodwill on acquisitions (including share of associates)	(35,343)	(441)
Write down of intangible assets	36,871	–
Share-based payments	6,529	–
Acquisition costs	9,026	–
REIT charges	13,055	–
Deferred tax	(2,359)	(872)
Cost on closing out of derivatives	5,920	868
Profit on disposal of investment and trading property	(2,790)	(10,634)
Minority interest in respect of the above	(435)	–
EPRA adjusted earnings	15,778	(2,748)

Notes forming part of the Group financial statements
For the year ended 31 March 2011

8 Earnings and net assets per share (continued)

As at 31 March	2011 Number of shares	2010 Number of shares
Number of shares		
Opening ordinary share capital	**500,000,000**	285,000,000
Placing and Open Offer of 500 million ordinary shares (30 July 2009)	**–**	143,333,333
Issue of 45,795,171 ordinary shares (1 October 2010)	**22,897,586**	–
Shares held in employee trust (1 October 2010)	**(208,896)**	–
Weighted average number of ordinary shares	**522,688,690**	428,333,333
Basic earnings per share	**8.3p**	24.8p
EPRA adjusted earnings per share	**3.0p**	(0.6)p

As at 31 March	2011 £000	2010 £000
Net assets per share		
Equity shareholders' funds	**668,720**	600,570
Fair value of derivatives	**4,740**	5,902
Fair value of associate's derivatives	**815**	867
Deferred tax	**(6,075)**	(3,597)
EPRA adjusted net assets	**668,200**	603,742
Basic net assets per share	**122.5p**	120.1p
EPRA adjusted net assets per share	**122.4p**	120.7p

9 Investment properties

	2011			2010		
As at 31 March	Freehold £000	Long leasehold £000	Total £000	Freehold £000	Long leasehold £000	Total £000
Opening balance	**291,827**	**65,868**	**357,695**	119,306	7,841	127,147
Acquisitions	**356,906**	**93,583**	**450,489**	159,045	40,042	199,087
Other capital expenditure	**7,704**	**4**	**7,708**	472	480	952
Disposals	**(97,708)**	**(2,851)**	**(100,559)**	(40,748)	(842)	(41,590)
Revaluation movement	**22,392**	**7,688**	**30,080**	53,752	18,347	72,099
Movement in tenant incentives and rent free uplifts	**2,432**	**430**	**2,862**	–	–	–
At 31 March valuation	**583,553**	**164,722**	**748,275**	291,827	65,868	357,695

At 31 March 2011, certain of the Group's investment properties were externally valued by CB Richard Ellis Limited, Chartered Surveyors at £665.2 million and by Savills plc, Chartered Surveyors at £84.6 million (£83.1 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.

Included within the investment property valuation is £9.7 million (2010: £0.6 million) in respect of lease incentives and rent free periods.

The historical cost of all of the Group's investment properties at 31 March 2011 was £686.4 million (2010: £296.3 million).

10 Investment in associate

As at 31 March	2011 £000	2010 £000
Opening balance	**89,285**	62,844
Additions at cost	**8,066**	442
Share of profit in the year	**21,961**	29,412
Profit distributions received	**(3,967)**	(3,413)
At 31 March 2011	**115,345**	89,285

In February 2009 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, a Guernsey registered 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 is as follows:

	2011 £000	2010 £000
Summarised income statement		
Net rental income	**12,473**	11,972
Administration expenses	**(3,105)**	(3,994)
Movement in fair value of net assets acquired over consideration paid	**(30)**	441
Surplus on revaluation of investment properties	**20,953**	29,846
Net finance costs	**(8,171)**	(8,695)
Tax	**(159)**	(158)
Profit after tax	**21,961**	29,412
Summarised balance sheet		
Property assets	**239,425**	217,445
Current assets	**4,763**	4,449
Current liabilities	**(6,245)**	(7,638)
Borrowings	**(105,084)**	(107,196)
Other non current liabilities	**(17,514)**	(17,775)
Net assets	**115,345**	89,285

The investment properties were valued on an open market value basis by CB Richard Ellis Limited, Chartered Surveyors, as at 31 March 2011 in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

11 Intangible assets

As at 31 March	2011 £000	2010 £000
Cost		
Opening balance	**–**	–
Additions arising from business combinations	**53,260**	–
At 31 March 2011	**53,260**	–
Amortisation		
Opening balance	**–**	–
Amortisation during the year	**36,871**	–
At 31 March 2011	**36,871**	–

As detailed in note 16, an intangible asset was created on the acquisition by the Company of the LSP Green Park Property Trust Property Advisory Agreement. The asset is being amortised on a straight-line basis over the remaining period of the contract to May 2015.

Notes forming part of the Group financial statements
For the year ended 31 March 2011

12 Trade and other receivables

As at 31 March	2011 £000	2010 £000
Trade receivables	1,603	3,806
Amounts receivable from income guarantees	1,518	2,679
Share-based payment prepayment	32,969	–
Prepayments and accrued income	784	447
Performance fees receivable	5,244	–
Other receivables	3,173	746
	45,291	7,678

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

Trade receivables comprise rental income which is due on contractual quarter days with no credit period. All trade receivables are considered recoverable at the balance sheet date and as such no allowance for doubtful debts has been made. Since the year end all trade receivables have been collected.

At 31 March 2011 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 2011 as the risk of impairment of the amounts outstanding is not considered to be significant.

The Group's minimum lease payments receivable under non-cancellable operating leases, excluding associates, are as follows:

	2011 £000	2010 £000
Less than one year	48,227	20,382
Between one and five years	173,759	74,667
Between six and ten years	162,957	90,221
Between eleven and fifteen years	106,588	73,385
Between sixteen and twenty years	17,844	14,833
Over twenty years	–	2,180
	509,375	275,668

13 Cash and cash equivalents

Cash and cash equivalents include £11.1 million (2010: £1.1 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

14 Trade and other payables

As at 31 March	2011 £000	2010 £000
Trade payables	577	457
Amounts payable on property acquisitions and disposals	193	140
Rent received in advance	10,694	3,308
Accrued interest	2,220	1,277
Other payables	2,444	–
Other accruals and deferred income	2,446	4,449
	18,574	9,631

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

15 Borrowings and financial instruments

a) Non current financial liabilities

As at 31 March	2011 £000	2010 £000
Secured bank loans	**386,669**	123,542
Unamortised finance costs	**(3,713)**	(1,977)
	382,956	121,565

The bank loans are secured by fixed charges over certain of the Group's investment properties with a carrying value of £652 million and are repayable within two to five years of the balance sheet date.

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

i) Credit risk

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

The Group's principal financial assets are cash balances and deposits and trade and other receivables. The Group's credit risk is primarily attributable to its cash deposits and trade receivables, the balance of which represents the Group's maximum exposure to credit risk.

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 no available and undrawn bank loan facilities at 31 March 2011 (2010: £150 million).

iii) Market risk

The Group is exposed to market risk through interest rate fluctuations.

15 Borrowings and financial instruments (continued)

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 2011 the Group had £351 million of hedges in place, and its debt was 91% fixed. Consequently, based on year end debt levels, a 1% change in interest rates would increase or decrease the Group's annual profit before tax by £1.0 million and £1.3 million respectively.

The average interest rate payable by the Group on all bank borrowings at 31 March 2011 net of undrawn facility commitment fees was 4.08% (31 March 2010: 5.83%).

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.

vi) Capital risk management

The Group defines its equity as share capital, other 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.

c) Financial instruments

i) Categories of financial instruments

	Loans and receivables	
As at 31 March	**2011 £000**	2010 £000
Current assets		
Cash and cash equivalents	**156,785**	276,593
Trade receivables (note 12)	**1,603**	3,806
Amounts receivable from income guarantees (note 12)	**1,518**	2,679
Performance fees receivable (note 12)	**5,244**	–
Other receivables (note 12)	**3,173**	–
	168,323	283,078

15 Borrowings and financial instruments (continued)

As at 31 March	Measured at amortised cost 2011 £000	Measured at amortised cost 2010 £000	Measured at fair value 2011 £000	Measured at fair value 2010 £000
Non current liabilities				
Borrowings (note 15a)	**382,956**	121,565	**–**	–
Current liabilities				
Trade payables (note 14)	**577**	457	**–**	–
Accrued interest (note 14)	**2,220**	1,277	**–**	–
Other accruals (note 14)	**2,446**	4,449	**–**	–
Other payables (note 14)	**193**	140	**–**	–
Corporation tax payable (note 14)	**14,197**	654	**–**	–
Derivative financial instruments (see 15c(iii))	**–**	–	**6,642**	5,902
	402,589	128,542	**6,642**	5,902

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 2011.

iii) Derivative financial instruments

All derivative financial instruments are carried at fair value following a valuation as at 31 March 2011 by JC Rathbone Associates Limited.

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2011 are provided below:

	Protected rate %	Expiry	Market value 31 March 2010 £000	Acquired in the period £000	Movement recognised in income statement £000	Market value 31 March 2011 £000
£10 million swap*	3.61	October 2012	(497)	–	497	**–**
£38.4 million swap*	3.68	June 2014	(2,035)	–	2,035	**–**
£19.8 million swap*	3.21	January 2015	(586)	–	586	**–**
£46 million swap*	3.16	May 2014	–	(2,279)	2,279	**–**
£41.8 million swap*	3.63	June 2014	–	(3,121)	3,121	**–**
£43 million swap	3.77	October 2014	(2,367)	–	447	**(1,920)**
£17.5 million cap	4.00	October 2014	416	–	(203)	**213**
£12.3 million swap	3.90	October 2014	(833)	–	(103)	**(936)**
£85 million swap	3.68	October 2014	–	(4,165)	207	**(3,958)**
£38.5 million swaption	3.75	October 2014	–	400	(315)	**85**
£48.1 million swap	2.69	January 2015	–	–	(587)	**(587)**
£66.6 million fixed rate	2.98	February 2016	–	–	(749)	**(749)**
£40.0 million cap	3.00	February 2016	–	1,502	(292)	**1,210**
			(5,902)	(7,663)	6,923	**(6,642)**

* Derivatives cancelled in the year

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. For all derivative financial instruments 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.

Notes forming part of the Group financial statements
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16 Acquisitions

(a) On 17 May 2010 the Group completed the corporate acquisition of a 94% interest in Radial Distribution Limited (subsequently renamed London & Stamford (Anglesea) Limited) from Warner Estates for a cash consideration of £1 million. As part of the acquisition the Group used £62.2 million of its cash resources and utilised its loan facility with Bank of Scotland to repay the outstanding bank borrowings acquired. Acquisition costs incurred of £4.0 million have been charged to the profit and loss in the period. The negative goodwill arising on the acquisition of £1.1 million has been credited to the profit and loss in the year.

This acquisition has contributed £14.7 million to Group income and £18.7 million to Group profit (before tax, goodwill and acquisition costs) since acquisition. If the acquisition had occurred on 1 April 2010, the contribution to Group income and Group profit would have been £16.8 million and £19.9 million respectively.

	Book value of net assets acquired £000	Bank loans £000	REIT conversion charge £000	Derivative financial instruments £000	Other £000	Revaluation £000	**Fair value of net assets acquired £000**
Non current assets							
Investment property	204,918	–	–	–	–	18,121	**223,039**
Current assets							
Trade and other receivables	2,009	–	–	–	(1,531)	–	**478**
Cash and cash equivalents	3,931	–	(1,123)	–	–	–	**2,808**
Current liabilities							
Trade and other payables	(3,236)	–	1,123	–	–	–	**(2,113)**
Non current liabilities							
Bank debt	(216,907)	67,735	–	–	(828)	–	**(150,000)**
Shareholder loans	–	(62,248)	–	–	–	–	**(62,248)**
Derivative financial instruments	–	–	–	(4,165)	–	–	**(4,165)**
Deferred tax liabilities	(1,547)	–	–	–	–	–	**(1,547)**
Minority interests	–	–	–	–	(4,169)	–	**(4,169)**
Net assets acquired	(10,832)	5,487	–	(4,165)	(6,528)	18,121	**2,083**
Negative goodwill on acquisition							**(1,083)**
Cost of acquisition							**1,000**

16 Acquisitions (continued)

(b) On 1 October 2010 the Company acquired the entire issued share capital of London & Stamford Property Limited by way of a Scheme of Arrangement sanctioned by the Guernsey Court. In addition, the business and assets of the Group's Property Advisor were acquired thereby internalising the management of the Company. The consideration given to existing shareholders was new ordinary shares in London & Stamford Property Plc in exchange for existing ordinary shares in the same proportion. The fair value of assets acquired in this transaction was £50,000 and the fair value of the reverse acquisition consideration was £50,000. Consequently no goodwill arose on this transaction.

The fair value of the consideration payable by the Company under the LSI Acquisition Agreement to acquire the business of the Property Advisor was £52.7 million, satisfied by the issue of 45,795,171 new ordinary shares at 115p per share. Acquisition costs incurred of £3.9 million have been charged to the profit and loss in the year.

	Book value of net assets acquired £000	Intangible asset £000	Share-based payment £000	**Fair value of net assets acquired £000**
Non current assets				
Intangible assets	–	53,260	–	**53,260**
Tangible assets	385	–	–	**385**
Current assets				
Trade and other receivables	339	1,740	–	**2,079**
Share-based payment	–	–	39,498	**39,498**
Cash and cash equivalents	241	–	–	**241**
Current liabilities				
Trade and other payables	(965)	–	–	**(965)**
Net assets acquired	–	55,000	39,498	**94,498**
Negative goodwill on acquisition				**(41,834)**
Cost of acquisition				**52,664**

The intangible asset created represented the fair value of the two Property Advisory Agreements acquired by the Group. The value attributed to the agreement with London & Stamford Property Limited of £34.9 million has been treated as a payment to avoid making future payments under the contract and has been fully written down in the year. The value attributed to the contract with the LSP Green Park Property Trust of £18.4 million is being amortised over the remaining period of the contract. Amortisation of £2.0 million has been charged to the profit and loss account in the year.

Of the purchase consideration of £52.7 million payable under the LSI Acquisition Agreements, £39.5 million is subject to bad leaver provisions and is contingent on future services being provided by the former members of the Property Advisor for three years post acquisition. This creates a share-based payment prepayment which will be charged to the profit and loss evenly over the three year period. In the year to 31 March 2011, £6.6 million has been charged to the profit and loss account, reducing the share-based payment prepayment to £33.0 million.

The total charge to the profit and loss account in the year to 31 March 2011 reflecting the internalisation was £5.6 million.

16 Acquisitions (continued)

(c) On 5 November 2010 the Group completed the purchase of a portfolio of five distribution assets by acquiring the entire issued share capital of HEREF Green Box Limited from Harbert Management Corporation (Europe) for £34.5 million. Acquisition costs of £0.6 million and goodwill of £2.9 million have been charged to the profit and loss in the year.

This acquisition has contributed £2.4 million to Group income and £0.2 million to Group profit (before tax, goodwill and acquisition costs) since acquisition. If the acquisition had occurred on 1 April 2010, the contribution to Group income and Group profit would have been £5.7 million and £1.3 million respectively.

	Book value of net assets acquired £000	Derivative financial instruments £000	Other £000	**Fair value of net assets acquired £000**
Non current assets				
Investment properties	82,000	–	–	**82,000**
Current assets				
Trade and other receivables	58	–	–	**58**
Cash and cash equivalents	970	–	–	**970**
Current liabilities				
Trade and other payables	(1,440)	–	(190)	**(1,630)**
Non current liabilities				
Bank debt	(40,945)	–	446	**(40,499)**
Shareholder loans	(6,106)	–	–	**(6,106)**
Derivative financial instruments	–	(3,121)	–	**(3,121)**
Net assets acquired	34,537	(3,121)	256	**31,672**
Goodwill on acquisition				**2,865**
Cost of acquisition				**34,537**

(d) On 18 November 2010 the Group completed the purchase of a portfolio of four distribution assets by acquiring the entire issued share capital of EPISO Heathrow Limited (subsequently renamed L & S Heathrow Limited) from EPISO Heathrow s.a.r.l for £35.2 million.

Acquisition costs of £0.5 million and goodwill of £4.7 million have been charged to the profit and loss in the year.

This acquisition has contributed £2.1 million to Group income and £2.0 million to Group profit since acquisition. If the acquisition had occurred on 1 April 2010, the contribution to Group income and Group profit would have been £5.5 million and £4.0 million respectively.

	Book value of net assets acquired £000	Revaluation £000	Derivative financial instruments £000	Other £000	**Fair value of net assets acquired £000**
Non current assets					
Investment properties	87,966	(2,366)	–	–	**85,600**
Current assets					
Trade and other receivables	3	–	–	–	**3**
Cash and cash equivalents	1,992	–	–	–	**1,992**
Current liabilities					
Trade and other payables	(1,749)	–	–	(34)	**(1,783)**
Non current liabilities					
Bank debt	(46,000)	–	–	–	**(46,000)**
Shareholder loans	(7,000)	–	–	–	**(7,000)**
Derivative financial instruments	–	–	(2,279)	–	**(2,279)**
Net assets acquired	35,212	(2,366)	(2,279)	(34)	**30,533**
Goodwill on acquisition					**4,679**
Cost of acquisition					**35,212**

17 Share capital

As at 31 March	2011 Number	2011 £000	2010 Number	2010 £000
Authorised				
Ordinary shares of 10p each	**Unlimited**	**Unlimited**	Unlimited	Unlimited

As at 31 March	2011 Number	2011 £000	2010 Number	2010 £000
Issued, called up and fully paid				
Ordinary shares of 10p each	**545,795,171**	**54,580**	500,000,000	50,000

The Company was incorporated on 13 January 2010 with issued share capital of two subscriber shares of £1 each. On 26 January 2010 these were subdivided into 20 ordinary shares of 10p each. These initial shares were cancelled on 22 September 2010.

On 10 June 2010, 500,000 ordinary shares were issued and the Company entered into Initial Share Buyback Agreements granting call and put options in relation to these. Under the Initial Share Buyback Agreements, the Company granted options to purchase all of the 500,000 shares for a sum equal to the nominal value of such shares and the relevant shareholders granted options to the Company to sell all of the 500,000 shares to the Company for such sum. These shares were redeemed on 5 October 2010.

On 1 October 2010 the Company acquired the entire share capital of London & Stamford Property Limited by way of a share for share exchange by issuing 500,000,000 ordinary shares.

On 1 October 2010 the Company also acquired the entire share capital of LSI Management Limited by way of a share for share exchange by issuing 45,795,171 ordinary shares.

18 Reserves

The Statement of Changes in Equity is shown on page 32.

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.
Other reserve	A reserve relating to the application of merger relief in the acquisition of LSI Management Limited by London & Stamford Property Plc and the cost of shares held in trust to provide for the Company's future obligations under share award schemes.
Retained earnings	The cumulative profits and losses after the payment of dividends.

19 Related party transactions and balances

Details of Directors' remuneration and interests are given in the Remuneration report on pages 25 to 27.

Raymond Mould, Patrick Vaughan and Martin McGann were members of LSI Management LLP, the former property advisor to the Group. During the year, LSI Management LLP received £4.6 million (2010: £6.8 million) for the services of property management. At 31 March 2011 and 31 March 2010, none of the fee remained outstanding.

On 1 October 2010 LSI Management LLP was acquired by the Group and details of the consideration payable to the Executive Directors is given in the Remuneration report. The consideration payable was £55 million satisfied by the issue of 45,795,171 ordinary shares in the Company.

During the year the Group received property advisory fees of £5.6 million (2010: £nil) from LSP Green Park Property Trust, in which it has a 31.4% interest. Of these, performance fees of £5.2 million were outstanding at 31 March 2011 and have been reflected in debtors.

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

20 Events after the balance sheet date

On 27 April 2011 the Group exchanged contracts for the acquisition of One Carter Lane and Two Old Change Court, London for £75.0 million from UBS Triton Property Fund.

On 6 May 2011 the Group completed the disposal of a 50% interest in a portfolio of ten prime distribution assets acquired in November 2010 to Green Park Investments for £41.5 million.

On 23 May 2011 the Group exchanged contracts to acquire Unit 5110, Magna Park, Lutterworth from Nippon Express (UK) Limited for £8.95 million.

Independent auditor's report to the members of London & Stamford Property Plc

We have audited the Parent Company financial statements of London & Stamford Property Plc for the period from 13 January 2010 to 31 March 2011 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of London & Stamford Property Plc for the year ended 31 March 2011.

Russell Field
Senior Statutory Auditor
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
26 May 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Company Balance Sheet

As at 31 March

	Note	2011 £000
Fixed assets		
Investment in subsidiaries	iii	452,933
		452,933
Current assets		
Debtors	iv	169,656
Cash at bank		9,485
		179,141
Current liabilities		
Creditors: amounts falling due within one year	v	3,714
Net current assets		175,427
Total assets less current liabilities		628,360
Net assets		628,360
Capital and reserves		
Called up share capital	vi	54,580
Other reserve	vi	397,739
Retained earnings	vi	176,041
Shareholders' funds		628,360

The notes on pages 54 to 55 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 26 May 2011 and were signed on its behalf by:

M F McGann
Finance Director

Notes forming part of the Company financial statements

For the year ended 31 March 2011

i Accounting policies

Accounting convention

The Company financial statements are prepared under UK GAAP and the historical cost convention as modified by the revaluation of investments in subsidiary undertakings. The Company has prepared its financial statements on a going concern basis.

The accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group, except as noted below.

Subsidiary undertakings

Investments in subsidiary companies are stated at cost less any provision for impairment.

ii Profit attributable to members of the parent undertaking

As permitted by Section 408 Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit dealt with in the accounts of the Company was £17.5 million.

Audit fees in relation to the Company only were £192,000 in the year (2010: £nil).

iii Fixed asset investments

	Subsidiary undertakings £000
At 1 April 2010	–
Additions to cost	627,745
Impairment in the year	(174,812)
At 31 March 2011	**452,933**

The Company is the ultimate holding company of the Group and has the following principal subsidiary undertakings:

	Country of incorporation or registration	Proportion of voting rights held (by way of share capital or units held)	Nature of business
London & Stamford Property Limited	Guernsey	100%	Intermediate holding company
LSI Management Limited	Guernsey	100%	Management company
LSI (Investments) Limited	England	100%	Property investment
London & Stamford Investments Limited*	England	100%	Intermediate holding company
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 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
L&S Distribution Limited*	Guernsey	93.75%	Intermediate holding company
London & Stamford (Anglesea) Limited*	England	93.75%	Property investment
L&S Battersea Limited*	Guernsey	100%	Property investment
L&S Distribution II Limited*	Guernsey	100%	Property investment
L&S Distribution III Limited*	Guernsey	100%	Property investment
L&S Distribution IV Limited*	Guernsey	100%	Property investment

* Undertakings held indirectly by the Company.

All of the undertakings listed above operate in their country of incorporation except those who are tax resident in the United Kingdom. All shares held are ordinary shares.

iv Debtors

As at 31 March	2011 £000
Dividend receivable from subsidiary undertakings	**169,619**
Prepayments and accrued income	**37**
	169,656

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

v Creditors: amounts falling due within one year

As at 31 March	2011 £000
Trade payables	**25**
Other payables	**361**
Other accruals and deferred income	**3,328**
	3,714

vi Reserves

	Share capital £000	Other reserve £000	Retained earnings £000
At 1 April 2010	–	–	–
Retained profit for the year	–	–	17,522
Issue of ordinary share capital	54,580	–	
Merger relief on acquisition of subsidiaries	–	573,084	–
Purchase of shares held in trust	–	(533)	–
Capital contribution to subsidiary	–	–	81
Reserve transfer on impairment in subsidiary	–	(174,812)	174,812
Dividends paid	–	–	(16,374)
At 31 March 2011	**54,580**	**397,739**	**176,041**

vii Related party transactions

Dividends of £200 million were receivable from subsidiaries in the year. At 31 March 2011, £169.6 million of this remained outstanding. Other related party transactions for the Company are as noted for the Group in note 19 to the Group financial statements.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of London & Stamford Property Plc (Registered number 7124797) will be held at the Cavendish London Hotel, 81 Jermyn Street, London SW1Y 6JF, on 6 July 2011 at 10 am.

Resolutions 1 to 14 will be proposed as ordinary resolutions and resolutions 15 to 17 will be proposed as special resolutions.

1. To consider and receive the Annual Report and Audited Financial Statements for the year to 31 March 2011.
2. To approve the Directors' remuneration report for the year ended 31 March 2011.
3. To approve the final dividend for the year to 31 March 2011 of 3.3p per share.
4. To appoint BDO LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
5. To authorise the Board to determine the remuneration of the auditors.
6. To consider the re-election of Mr Raymond Mould as a Director of the Company.
7. To consider the re-election of Mr Patrick Vaughan as a Director of the Company.
8. To consider the re-election of Mr Martin McGann as a Director of the Company.
9. To consider the re-election of Mr Mark Burton as a Director of the Company.
10. To consider the re-election of Mr Charles Cayzer as a Director of the Company.
11. To consider the re-election of Mr Richard Crowder as a Director of the Company.
12. To consider the re-election of Mr James Dean as a Director of the Company.
13. To consider the re-election of Mr Humphrey Price as a Director of the Company.
14. That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "2006 Act") in substitution for all existing authorities:

    a. to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together "relevant securities") up to an aggregate nominal amount of £18,193,172; and

    b. to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of the 2006 Act) up to an additional aggregate nominal amount of £18,193,172 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

    provided that the authorities in 14a and 14b shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of the Annual General Meeting, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted after such expiry and the Directors may allot Relevant Securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired.
15. That the Directors be and are empowered, in accordance with Section 570 of the 2006 Act, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution number 14 or by way of a sale of treasury shares as if Section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

    a. the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority granted conferred by paragraph 14b, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever;

    b. and the allotment (otherwise than pursuant to paragraph 15a above) of equity securities up to an aggregate nominal amount of £2,728,976.

    and shall expire upon the expiry of the general authority conferred by Resolution 14 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

16. That the Company be and is hereby generally and unconditionally authorised, in accordance with Section 701 of the 2006 Act, to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") on such terms and in such manner as the Directors may from time to time determine provided that:
    a. the maximum number of ordinary shares authorised to be purchased is 54,579,517;
    b. the minimum price which may be paid for an ordinary share is 10p (exclusive of expenses payable by the Company);
    c. the maximum price which may be paid for an ordinary share (exclusive of expenses payable by the Company) cannot be more than the higher of:
        (i) 105% of the average market value of an ordinary share for the five business days prior to the day on which the ordinary share is contracted to be purchased; and
        (ii) the value of an ordinary share calculated on the basis of the higher of:
            (A) the last independent trade of; or
            (B) the highest current independent bid for,

        any number of ordinary shares on the trading venue where the market purchase by the Company will be carried out; and

    the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.
17. That the Company is authorised to call any general meeting of the Company other than the Annual General Meeting by notice of at least 14 clear days during the period beginning on the date of the passing of this resolution and ending on the conclusion of the next Annual General Meeting of the Company.

By order of the Board

Jadzia Duzniak
Company Secretary
26 May 2011

Notes to Annual General Meeting 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, provided that each proxy is appointed to exercise the rights attaching to different shares held by him or her.

(ii) Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form.

(iii) Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in paragraph (i) above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the Company.

(iv) 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 (vi) below.

(v) 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 10 am on 4 July 2011. 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. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

(vi) 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 pm on 4 July 2011. 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.

(vii) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(viii) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA10) by 10 am on 4 July 2011. 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 by enquiry to CREST in the manner prescribed by CREST.

(ix) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(x) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(xi) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

(xii) You may not use any electronic address provided either in this notice of Annual General Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

(xiii) As at 24 May 2011 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 545,795,171 ordinary shares carrying one vote each.

(xiv) Members satisfying the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to:

(a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or

(b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting.

The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

(xv) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:

(a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

(b) the answer has already been given on a website in the form of an answer to a question; or

(c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(xvi) A copy of this notice, and other information required by Section 311A of the Companies Act 2006, can be found at www.londonandstamford.com

(xvii) The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:

(a) copies of the Executive Directors' service contracts with the Company; and

(b) copies of letters of appointment of Non-Executive Directors.

Financial calendar

Announcement of results	26 May 2011
Financial dividend – Ex dividend date	8 June 2011
– Record date	10 June 2011
– Payable on	7 July 2011
Annual General Meeting	6 July 2011
Anticipated 2012 Interim dividend	December 2011

Shareholder information

Advisors to the Company

Joint Financial Advisors and Brokers

Peel Hunt LLP
111 Old Broad Street
London EC2N 1PH

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Property Valuers

CB Richard Ellis Limited
St Martin's Court
10 Paternoster Row
London EC4M 7HP

Savills plc
20 Grosvenor Hill
London W1K 3HQ

Solicitors to the Company

Jones Day
21 Tudor Street
London EC4Y 0DJ

Nabarro LLP
Lacon House
84 Theobald's Road
London WC1X 8RW

Mourant Ozannes
PO Box 186
1 Le Marchant Street
St Peter Port
Guernsey
Channel Islands GY1 4HP

Registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent
BR3 4TU

Secretary and Registered Address

Jadzia Duzniak
21 St James's Square
London SW1Y 4JZ
londonandstamford.com

REIT status and taxation

As a UK REIT, the Group is exempt from corporation tax on rental income and UK property gains. Dividend payments to shareholders are split between Property Income Distributions (PIDs) and non-PIDs.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. There is a form on the Company's website for shareholders to certify that they qualify to receive PIDs without withholding tax.

Payment of dividends

Shareholders who would like their dividends paid direct to a bank or building society account should notify Capita Registrars. Tax vouchers will continue to be sent to the shareholder's registered address.

Radley Yeldar www.ry.com
Design & Production

The report is printed on Amadeus 50% Silk which is FSC® certified and contains 50% recycled waste and 50% virgin fibre.

MIX
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