

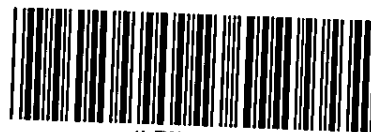
**Hypo Property Investment Limited**

**Directors' report and financial  
statements**

**2486729**

**31 December 2007**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### **Principal activity, business review and future prospects**

The principal activity of the company and its subsidiary consists of investment in commercial property. The results for the year ended 31 December 2007 are summarised in the profit and loss account on page 6.

The directors are actively searching for new properties in which to invest, and remain confident regarding future prospects.

### **Dividends**

No ordinary dividend (2006 £nil) was paid during the year.

### **Directors**

The directors who served during the year ended 31 December 2007 were:

F Lamby                      Chairman  
H J Thaker

There were no changes to the board of directors between the 31 December 2007 and the date of this directors' report.

All directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

### **Disclosure of information to auditors**

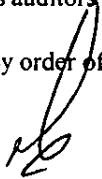
The directors who held office at the date of approval of this directors' report confirm that, so far as each is aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself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

## Directors' report *(continued)*

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



**G Pirie**  
*Secretary*

21<sup>st</sup> Floor  
30 St Mary Axe  
London  
EC3A 8BF

*30<sup>th</sup> October* 2008

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to -

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



8 Salisbury Square  
London EC4Y 8BB  
United Kingdom

## **Independent auditors' report to the members of Hypo Property Investment Limited**

We have audited the financial statements of Hypo Property Investment Limited for the year ended 31 December 2007 which comprise Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Hypo Property Investment Limited**  
*(continued)*

**Opinion**

**In our opinion**

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*KPMG Audit Plc.*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

*31-10-* 2008  
London

**Profit and loss account**  
*for the year ended 31 December 2007*

	<i>Notes</i>	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Administrative expenses		(42)	(39)
<b>Loss on ordinary activities before interest</b>	<b>2</b>	<b>(42)</b>	<b>(39)</b>
Interest receivable and similar income	<b>4</b>	<b>18,490</b>	<b>6,219</b>
Interest payable and similar charges	<b>5</b>	<b>(6,755)</b>	<b>-</b>
<b>Profit on ordinary activities before taxation</b>		<b>11,693</b>	<b>6,180</b>
Tax credit on profit on ordinary activities	<b>6</b>	<b>12</b>	<b>12</b>
<b>Profit for the financial year</b>		<b>11,705</b>	<b>6,192</b>



**Statement of total recognised gains and losses**  
*for the year ended 31 December 2007*

	2007 £	2006 £
Profit for the financial year	11,705	6,192
Total recognised gains and losses relating to the financial year	11,705	6,192

The Company has no recognised gains or losses other than the profit (2006 *profit*) appearing in the profit and loss account


**Reconciliation of movements in shareholders' funds**  
*year ended 31 December 2007*

	Note	2007 £	2006 £
Profit attributable to shareholders of the company		11,705	6,192
Net increase to shareholders' funds		11,705	6,192
Opening shareholders' funds		340,220	334,028
Closing shareholders' funds		351,925	340,220

**Balance sheet**  
*at 31 December 2007*

	<i>Notes</i>	<b>2007</b> £	<b>2006</b> £
<b>Fixed assets</b>			
Investments	7	3	3
		<hr/>	<hr/>
		3	3
<b>Current assets</b>			
Debtors	8	167,230	158,362
Cash at bank and in hand	9	304,154	294,562
		<hr/>	<hr/>
		471,384	452,924
<b>Creditors: amounts falling due within one year</b>	10	(119,462)	(112,707)
		<hr/>	<hr/>
<b>Net current assets</b>		351,922	340,217
		<hr/>	<hr/>
<b>Net assets</b>		351,925	340,220
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	11	200,000	200,000
Profit and loss account		151,925	140,220
		<hr/>	<hr/>
<b>Shareholders' funds</b>		351,925	340,220
		<hr/>	<hr/>

These financial statements were approved by the board of directors on *30<sup>th</sup> October* 2008 and signed on their behalf by

  
**H J Thaker**  
 Director

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

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

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost accounting rules

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary, the company's voting rights are controlled within the group headed by Flint Nominees Limited, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Flint Nominees Limited, within which this Company is included, can be obtained from the address disclosed in note 12 of these accounts

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for accounting and taxation purposes which have arisen but not reversed by the balance sheet date

#### ***Investments***

Investments are stated at cost less provision for impairment

### **2 Loss on ordinary activities before interest**

The audit fee of these financial statements is borne by the Parent Company in both the current and preceding financial years and the amount paid by the Parent Company on behalf of the Company was £870 (2006 £806) The Parent Company produces consolidated financial statements and these consolidated accounts disclose the amounts paid by the group to the auditors for audit and other services

### **3 Remuneration of directors**

The directors received no emoluments for services provided to the Company

All directors benefited from qualifying third party indemnity provisions provided by another Group Company

**Notes (continued)**

**4 Interest receivable and similar income**

	2007 £	2006 £
Interest on bank balances	9,034	6,219
Interest receivable from parent undertaking	9,456	-
	<u>18,490</u>	<u>6,219</u>

**5 Interest payable and similar charges**

	2007 £	2006 £
Interest payable to subsidiary undertaking	6,755	-
	<u>6,755</u>	<u>-</u>

**6 Tax credit on profit on ordinary activities**

*Analysis of charge in period*

	2007 £	2006 £
UK corporation tax		
Current tax credit	(12)	(12)
	<u>(12)</u>	<u>(12)</u>

*Factors affecting tax charge for period*

The tax assessed for the period is lower (2006 lower) than the standard rate of corporation tax in the UK - 30% (2006 30%) The differences are explained below

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	11,693	6,180
	<u>11,693</u>	<u>6,180</u>
Current tax at 30% (2006 30%)	3,508	1,854
<i>Effects of -</i>		
Utilisation of tax losses	(3,508)	(1,854)
Group relief receivable	(12)	(12)
	<u>(3,520)</u>	<u>(1,866)</u>
Total current tax credit (see above)	<u>(12)</u>	<u>(12)</u>

There are tax losses of £1,054,037 (2006 £1,065,772) which can be carried forward to be set off against future taxable profits

## Notes (continued)

### 7 Investments

#### Investment in subsidiary undertaking:

	2007 £	2006 £
As at 1 January and 31 December	2	2

The £2 investment in a subsidiary undertaking is represented by 100% of the issued share capital of The Greater Manchester Property Enterprise Fund Limited, a property investment company registered in England and Wales. As at 31 December 2007 the aggregate capital and reserves of The Greater Manchester Property Enterprise Fund Limited was a surplus of £128,112 (2006 £123,253) and its profit for the year to 31 December 2007 was £4,859 (2006 £177).

#### Investment in fellow subsidiary undertaking:

	2007 £	2006 £
As at 1 January and 31 December	1	1

The £1 investment is represented by 0.001% of the issued ordinary share capital of a fellow subsidiary, Hypo Property Services Limited, a property management company registered in England and Wales. The remaining shares are held by Flint Nominees Limited, the Parent undertaking. As at 31 December 2007 the aggregate share capital and reserves of Hypo Property Services Limited was a surplus of £107,487 (2006 £102,243) and its profit for the year to 31 December 2007 was £5,244 (2006 £1,884).

### 8 Debtors

	2007 £	2006 £
Prepayments and accrued income	-	600
Amounts owed by parent undertaking	167,218	157,762
Amounts owed by fellow subsidiary undertakings – group relief	12	-
	<u>167,230</u>	<u>158,362</u>

### 9 Cash at bank and in hand

The cash at bank balance as at 31 December 2007 is £304,154 (2006 £294,562).

**Notes (continued)**

**10 Creditors: amounts falling due within one year**

	2007 £	2006 £
Amounts owed to subsidiary undertaking	119,462	112,707
	<u>119,462</u>	<u>112,707</u>

**11 Called up share capital**

	2007 £	2006 £
<b>Authorised</b>		
2,000,000 ordinary shares of £1 each	2,000,000	2,000,000
	<u>2,000,000</u>	<u>2,000,000</u>
<b>Allotted as nil paid:</b>		
1,800,000 ordinary shares of £1 each	1,800,000	1,800,000
	<u>1,800,000</u>	<u>1,800,000</u>
<b>Allotted, called up and fully paid:</b>		
200,000 ordinary shares of £1 each	200,000	200,000
	<u>200,000</u>	<u>200,000</u>

**12 Ultimate parent company**

The largest group in which the results of the Company are consolidated is that headed by Hypo Real Estate Holding A G incorporated in Germany which is the ultimate Parent Company. The smallest group in which they are consolidated is that headed by Flint Nominees Limited, a Company registered in England and Wales. The consolidated accounts of Flint Nominees Limited are available to the public and may be obtained from The Registrar of Companies, Companies House, Crown Way, Mandy, Cardiff CF14 3UX.

The consolidated accounts for Hypo Real Estate Holding A G may be obtained from Unsöldstrasse 2, 80538 Munich.