

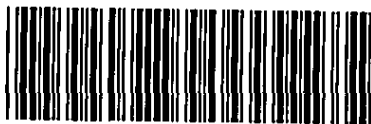
Hypo Property Services Limited

**Directors' report and financial
statements**

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31 December 2008

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activity, business review and future prospects

The principal activity of the Company consists of the management of commercial property investments by fellow subsidiaries or third parties. The results for the year ended 31 December 2008 are summarised in the profit and loss account on page 6.

Dividends

No ordinary dividend (2007: *£nil*) was paid during the year.

Directors and directors' interests in shares

The directors who served during the year ended 31 December 2008 were:

F Lamby	Chairman	Resigned 31 December 2008
C Balch		Appointed 5 March 2009
H J Thaker		

There were no changes to the board of directors between the 31 December 2008 and the date of this directors' report, other than the changes noted above.

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.

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

21st Floor
30 St Mary Axe
London
EC3A 8BF

6th July 2009

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 Services Limited

We have audited the financial statements of Hypo Property Services Limited for the year ended 31 December 2008 which comprise Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds 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 Services 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 2008 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

6 July 2009
London

Profit and loss account
for the year ended 31 December 2008

	<i>Notes</i>	2008 £	2007 £
Turnover - continuing operations	2	-	1,316
Operating profit - continuing operations	3	-	1,316
Interest receivable and similar income	5	6,436	6,112
Interest payable and similar charges	6	(31)	-
Administrative expenses		(1,766)	-
Profit on ordinary activities before taxation		4,639	7,428
Tax charge on profit on ordinary activities	7	(1,484)	(2,184)
Profit for the financial year		3,155	5,244

Statement of total recognised gains and losses
for the year ended 31 December 2008

	2008 £	2007 £
Profit for the financial year	3,155	5,244
Total recognised gains and losses relating to the financial year	3,155	5,244

The Company has no recognised gains or losses other than the profit (2007: *profit*) appearing in the profit and loss account.

Reconciliation of movements in shareholders' funds
year ended 31 December 2008

	Note	2008 £	2007 £
Profit attributable to shareholders of the company		3,155	5,244
Net increase to shareholders' funds		3,155	5,244
Opening shareholders' funds		107,487	102,243
Closing shareholders' funds		110,642	107,487

Balance sheet
at 31 December 2008

	<i>Notes</i>	2008 £	2007 £
Fixed assets			
Investments	8	1	1
		<hr/>	<hr/>
		1	1
Current assets			
Debtors	9	111,994	109,534
Creditors: amounts falling due within one year	10	(1,353)	(2,048)
		<hr/>	<hr/>
Net current assets		110,641	107,486
		<hr/>	<hr/>
Net assets		110,642	107,487
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	100,000	100,000
Profit and loss account		10,642	7,487
		<hr/>	<hr/>
Shareholders' funds		110,642	107,487
		<hr/>	<hr/>

These financial statements were approved by the board of directors on behalf by:

6 July 2009 and signed on their

H J Thaker
 Director

C Balch
 Director

Notes

(forming part of the financial statements)

1 Principal 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.

2 Turnover

Turnover represents management fees receivable. The fees are an annual contribution from the entity which owns the commercial properties that the Company used to manage. A contractual agreement states that the Company is able to invoice for a contribution to its running costs, whilst any of the relevant properties are still owned by the entity.

3 Operating profit

The audit fee is borne by the parent undertaking in both the current and preceding financial years. The audit fee paid by the parent undertaking on behalf of the Company was £870 (2007: £870). The parent undertaking produces consolidated financial statements and these consolidated accounts disclose the amounts paid by the group to the auditors for audit and other services.

4 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)

5 Interest receivable and similar income

	2008 £	2007 £
Other interest	-	22
Interest receivable from parent undertaking	6,436	6,090
	<u>6,436</u>	<u>6,112</u>

6 Interest payable and similar charges

	2008 £	2007 £
Other interest	31	-
	<u>31</u>	<u>-</u>

7 Tax charge on profit on ordinary activities

Analysis of charge in period

	2008 £	2007 £
<i>UK corporation tax</i>		
Current tax charge on income for the year	1,322	2,047
Deferred tax charge – timing differences	162	180
Adjustment in respect of prior period	-	(43)
	<u>1,484</u>	<u>2,184</u>

Factors affecting tax charge for period

The tax assessed for the period is equal to (2007: lower than) the standard rate of corporation tax in the UK – 28.5% (2007: 30%). The differences are explained below:

	2008 £	2007 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	4,639	7,428
	<u>4,639</u>	<u>7,428</u>
Current tax at 28.5% (2007: 30%)	1,322	2,228
<i>Effects of:-</i>		
Capital allowances for period in excess of depreciation	(129)	(181)
Adjustment in respect of prior period	-	(43)
Costs disallowed for tax purposes	129	-
	<u>1,322</u>	<u>2,004</u>

Total current tax charge (see above)

Notes (continued)

8 Investments

	2008 £	2007 £
As at 1 January and 31 December	1	1

The investment represents 50% of the issued share capital of Hypo Property Investment (1992) Limited, a property investment company registered in England and Wales. The remaining 50% is held by Flint Nominees Limited, the parent undertaking. As at 31 December 2008 the aggregate capital and reserves of Hypo Property Investment (1992) Limited was a surplus of £1,411 (2007: £1,361) and it made a profit for the year to 31 December 2008 of £50 (2007: loss £205).

9 Debtors

	2008 £	2007 £
Amounts owed by parent undertaking	111,614	107,676
Other debtors	-	1,316
Deferred tax assets (note 10)	380	542
	<u>111,994</u>	<u>109,534</u>

9 Creditors: amounts falling due within one year

	2008 £	2007 £
Corporation tax	1,353	2,048
	<u>1,353</u>	<u>2,048</u>

10 Deferred tax provisions

	2008 £	2007 £
Fixed assets written down value for tax purposes being in excess of net book value for accounts purposes	(542)	(542)
Provision at 1 January	(542)	(722)
Deferred tax charge in profit and loss for the year	162	180
Provision at 31 December	<u>(380)</u>	<u>(542)</u>

Notes (continued)

11 Called up share capital

	2008 £	2007 £
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>
<i>Called up, allotted and fully paid</i>		
100,000 ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>

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, Maindy, Cardiff CF14 3UX.

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

13 Subsequent events

The Company is a subsidiary within the Hypo Real Estate Group. The German Financial Markets Stabilisation Fund ("SoFFin") provided additional framework guarantees to the Hypo Real Estate Group on 20 January 2009 (EUR12 billion) and 11 February 2009 (EUR10 billion). The total framework guarantees from SoFFin to the Hypo Real Estate Group currently total EUR52 billion and they have a current availability up to 19 August 2009.

On 28 March 2009, SoFFin confirmed its intention to take stabilisation measures for the benefit of the Hypo Real Estate Group, particularly by way of adequate recapitalisation of the ultimate parent undertaking and by issuing further guarantees.

On 8 June 2009, SoFFin provided a capital increase of EUR2.96 billion into the holding company of the Hypo Real Estate Group by way of a new issue of shares which had the approval of the existing shareholders. Following this issue of shares, SoFFin now holds 90% of the registered share capital of the holding company of the Hypo Real Estate Group.