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Business Space Services Limited

Report and Financial Statements

9 months to 31 December 2005



BDO

BDO Stoy Hayward
Chartered Accountants

Business Space Services Limited

Annual report and financial statements for the 9 months to 31 December 2005

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Directors

D.S. Mitchell
J. Whittingham

Secretary and registered office

D. S.Mitchell
121 Mount Street
London
W1K 3NW

Company number

2734911

Auditors

BDO Stoy Hayward LLP
Commercial Buildings
11-15 Cross Street
Manchester
M2 1WE

Business Space Services Limited

Report of the directors for the 9 months to 31 December 2005

The directors present their report together with the audited financial statements for the 9 months to 31 December 2005.

Principal activities, business review and future developments

The company is a wholly owned subsidiary of Hampton Trust PLC which went through a major solvent restructuring on 30 December 2005. However, there is no change in the structure or the activities of this company.

The company did not trade during the period and there is no intention for the company to trade in the future. During the period, the company made a provision of £1,557,673 against debtor balances receivable from former group undertakings. This has resulted in a loss of £1,557,673 for the period.

Results and dividends

The loss for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend (31 March 2005 - £nil).

Directors

The directors who served the company during the period and changes since the year end were:

P. Sellars (appointed 9 June 2005 and resigned 30 June 2006)
J. Whittingham (appointed 9 June 2005)
G. Jackson (resigned 9 June 2005)
N.M. Ankers (resigned 8 June 2005)
D.S. Mitchell (appointed 30 June 2006)

At 31 December 2005, P. Sellars and J. Whittingham were also directors of Hampton Trust PLC, the ultimate parent company, and their interests in the shares of that company are disclosed in its accounts.

The directors do not have any other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

Business Space Services Limited

Report of the directors for the 9 months to 31 December 2005 (*Continued*)

Directors' responsibilities (*continued*)

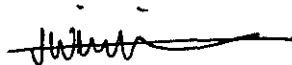
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



J. Whittingham
Director

30 October 2006

Business Space Services Limited

Report of the independent auditors

To the shareholders of Business Space Services Limited

We have audited the financial statements of Business Space Services Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis statement, 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.

Business Space Services Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the period 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

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £1,557,673 during the 9 months ended 31 December 2005 and at that date, the company's current liabilities exceeded its total assets by £1,001,797. These conditions indicate the existence of a material uncertainty which casts significant doubt over the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
Manchester*

31 October 2006

Business Space Services Limited

Profit and loss account for the 9 months to 31 December 2005

	Note	9 months to 31 December 2005 £	Year ended 31 March 2005 £
Administrative expenses	2	(1,557,673)	-
(Loss)/result on ordinary activities before taxation	2	(1,557,673)	-
Tax on (loss)/result from ordinary activities	4	-	-
Retained (loss)/result for the financial period/year	8	(1,557,673)	-

All amounts relate to continuing activities.

The notes on pages 8 to 11 form part of these financial statements.

Business Space Services Limited

Reconciliation of movements in shareholders' funds for the 9 months to 31 December 2005

	9 months to 31 December 2005 £	Year ended 31 March 2005 £
(Loss)/result for the financial period/year	(1,557,673)	-
Opening equity shareholders' funds	555,876	555,876
Closing equity shareholders' (deficit)/funds	<u>(1,001,797)</u>	<u>555,876</u>

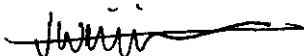
The notes on pages 8 to 11 form part of these financial statements.

Business Space Services Limited

Balance sheet as at 31 December 2005

	Note	31 December 2005 £	31 March 2005 £
Current assets			
Debtors	5	-	555,876
Creditors: amounts falling due within one year	6	(1,001,797)	-
Net current (liabilities)/assets		<u>(1,001,797)</u>	<u>555,876</u>
Capital and reserves			
Called-up equity share capital	7	100	100
Profit and loss account	8	(1,001,897)	555,776
Shareholders' (deficit)/funds		<u>(1,001,797)</u>	<u>555,876</u>

These financial statements were approved by the Board and were authorised for issue on 30 October 2006.



J. Whittingham
Director

The notes on pages 8 to 11 form part of these financial statements.

Business Space Services Limited

Notes forming part of the financial statements for the 9 months to 31 December 2005

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Going concern

The financial statements have been prepared on the assumption that the company remains a going concern. The following paragraphs summarise the issues and the basis on which the Directors have reached their conclusion.

At the balance sheet date, the Company was owed £nil by group undertakings and owed £1,001,797 to former group companies. The company may not be in a position to repay this debt if should it be required to do so, as all of the group companies are reliant upon on the ability of the Hampton Trust PLC ('the Group') to meet its liabilities as they fall due. The Hampton Trust PLC accounts contained the following issues that could impact the ability of Hampton Trust group to meet its liabilities as they fall due, and as such allow this debt to be repaid:

Business Space Services Limited

Notes forming part of the financial statements for the 9 months to 31 December 2005 (*Continued*)

1 Accounting policies (*continued*)

Going concern (continued)

“The effect of the restructuring that took place in December 2005 was to consolidate the subsidiaries of the Group which either owned properties or provided a management function in relation to the group’s property portfolios to two companies: Mount Street Properties Limited (a newly incorporated company) (“MSP”) and Hampton Investment Properties Limited (“HIP”) both of which are owned by the CULS holders in the same proportions as the CULS is held between them at present. Simultaneously with the restructuring taking effect, the CULS was divided into three series of Stock (Series A, B and C).

The amount of Series B Stock reflected the net asset value of HIP prior to the assumption of the obligation to repay the Series B Stock. The amount of Series C Stock reflected the net asset value of the subsidiaries which were transferred to MSP prior to the assumption of the obligation to repay the Series C Stock. The amount of Series A Stock was the balance of the existing CULS outstanding once the Series B and C Stock had been assigned and remained in Hampton Trust PLC.

The Group was then reorganised (including the consolidation and streamlining of inter-company balances) with the end result that:

- HIP become a stand alone entity, wholly owned by the CULS holders. The transfer of Hampton Trust PLC’s holding of shares in HIP was for nominal consideration. This reflected HIP’s financial position following completion of the agreement entered into between HIP, Hampton Trust PLC and the CULS holders.
- Hampton Trust PLC transferred its shares in its remaining valuable subsidiaries to MSP. The consideration for the transfer was the notation of the Series C Stock and the provision by MSP of an indemnity to Hampton Trust PLC in respect of contingent liabilities.
- The Series A Stock, which remains in Hampton Trust PLC, is limited recourse, depending upon any realisations being made by Hampton Trust PLC.

HIP is not required to make any payment of principal or interest on the Series B Stock for a period of 18 months after the implementation of the restructuring save upon the occurrence of one or more events of default. This also applies to the Series C Stock.

Having taken the foregoing into account and noting in particular the limited recourse nature of the CULS which remains in Hampton Trust PLC and existence of the MSP indemnity, the Directors have formed a judgment that, at the time of the approval of the financial statements, the Group has sufficient resources to continue to operate for the foreseeable future. For these reasons, the Directors continue to prepare the financial statements on a going concern basis”.

Having taken the foregoing into account, the directors have formed a judgement that, at the time of the approval of the financial statements, the Company has sufficient resources to continue to operate for the foreseeable future. For these reasons, the Directors continue to prepare the financial statements on a going concern basis.

Business Space Services Limited**Notes forming part of the financial statements for the 9 months to 31 December 2005 (Continued)****2 Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging:

	9 months to 31 December 2005 £	Year ended 31 March 2005 £
Provision against balances due from group undertakings	1,557,673	-

Auditors' remuneration was borne completely by the ultimate parent company Hampton Trust PLC.

3 Particulars of employees

The average number of staff employed by the company during the financial period amounted to:

	9 months to 31 December 2005 No	Year ended 31 March 2005 No
Number of directors	2	2

No salaries or wages have been paid to employees, including the directors, during the period.

4 Taxation on (loss)/result from ordinary activities

	9 months to 31 December 2005 £	Year ended 31 March 2005 £
(Loss)/result on ordinary activities before tax	(1,557,673)	-
Tax on (loss)/result on ordinary activities at standard UK corporation tax rate of 30% (31 March 2005 – 30%)	(467,302)	-
Effects of: Permanent differences	467,302	-
Current tax charge for the period	-	-

5 Debtors

	31 December 2005 £	31 March 2005 £
Amounts owed by group undertakings	-	555,876

Business Space Services Limited

Notes forming part of the financial statements for the 9 months to 31 December 2005 (Continued)

6 Creditors: audits falling due within one year	31 December 2005 £	31 March 2005 £
Amounts due to former group undertakings	1,001,797	-
	<hr/>	<hr/>
7 Share capital	31 December 2005 £	31 March 2005 £
Authorised share capital:		
100 ordinary shares of £1.00 each	100	100
	<hr/>	<hr/>
Allotted, called-up and fully paid:		
100 ordinary shares of £1.00 each	100	100
	<hr/>	<hr/>
8 Profit and loss account	31 December 2005 £	31 March 2005 £
Balance brought forward	555,776	555,776
Loss for the financial period	(1,557,673)	-
	<hr/>	<hr/>
Balance carried forward	(1,001,897)	555,776
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9 Related party transactions

As permitted by Financial Reporting Standard Number 8, the company has not disclosed transactions with other Group undertakings as it is a wholly owned subsidiary undertaking of Hampton Trust PLC, incorporated in England and Wales, which has produced consolidated accounts for the Group.

10 Ultimate parent company

The company's ultimate parent company, and ultimate controlling party, is Hampton Trust PLC, a company incorporated in the United Kingdom and registered in England and Wales. The largest and smallest group in which the accounts of the company are consolidated is that headed by Hampton Trust PLC and these accounts can be obtained from that company at 121 Mount Street, London, W1K 3NW.