

REGISTERED NUMBER: 4680323 (England and Wales)

ARENA CENTRE (STOCKLEY) LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

Bessler Hendrie
Chartered Accountants
Registered Auditor
Albury Mill
Mill Lane
Chilworth
Guildford
Surrey
GU4 8RU



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ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)

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for the year ended 31 December 2010

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ARENA CENTRE (STOCKLEY) LIMITED

COMPANY INFORMATION
for the year ended 31 December 2010

DIRECTORS:

C P Oliver
S C Loggie

SECRETARY:

C P Oliver

REGISTERED OFFICE:

10 Ivory House
Plantation Wharf
London
SW11 3TN

REGISTERED NUMBER:

4680323 (England and Wales)

AUDITORS:

Bessler Hendrie
Chartered Accountants
Registered Auditor
Albury Mill
Mill Lane
Chilworth
Guildford
Surrey
GU4 8RU

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)

REPORT OF THE DIRECTORS
for the year ended 31 December 2010

The directors present their report with the financial statements of the company for the year ended 31 December 2010

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of rental of serviced offices and supply of conferencing facilities

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2010 to the date of this report

C P Oliver
S C Loggie

GOING CONCERN

The company is reliant on the financial resources of the parent company and other group members. The balance sheet includes group borrowings of £486,157 (2009 £368,914) which are financed by loans provided by Lloyds Banking Group and Lehman Commercial Paper Inc (in liquidation) to the parent company. The directors believe the company remains a going concern based on the detailed discussions and negotiations they have had with Lloyds to renew the necessary finance as set out in notes 1 and 13.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 have elected to prepare the 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 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 judgements and accounting estimates that are reasonable and prudent,
- 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 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. 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.

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)

REPORT OF THE DIRECTORS
for the year ended 31 December 2010

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditor, Bessler Hendrie, Chartered Accountants has indicated its willingness to continue in office

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'C P Oliver', written in a cursive style.

C P Oliver - Director

29 September 2011

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ARENA CENTRE (STOCKLEY) LIMITED

We have audited the financial statements of Arena Centre (Stockley) Limited for the year ended 31 December 2010 on pages six to fourteen. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 a Report of the Auditors 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 set out on page two, the directors are responsible for the preparation of the 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 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the company's ability to continue as a going concern.

The matters explained in note 1 and the current economic climate with its uncertain impact on the timing and financial impact of the group's property development transactions, indicate the existence of a material uncertainty which may cause significant doubt about 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ARENA CENTRE (STOCKLEY) LIMITED

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements 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, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Report of the Directors



Peter Nicholls (Senior Statutory Auditor)
for and on behalf of Bessler Hendrie
Chartered Accountants
Registered Auditor
Albury Mill
Mill Lane
Chilworth
Guildford
Surrey
GU4 8RU

29 September 2011

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2010

	Notes	2010 £	2009 £
TURNOVER		168,673	200,518
Cost of sales		<u>(16,306)</u>	<u>(14,667)</u>
GROSS PROFIT		152,367	185,851
Administrative expenses		<u>(254,630)</u>	<u>(308,100)</u>
		(102,263)	(122,249)
Other operating income		<u>-</u>	<u>280</u>
OPERATING LOSS	2	(102,263)	(121,969)
Interest receivable and similar income		<u>52</u>	<u>26</u>
		(102,211)	(121,943)
Interest payable and similar charges	3	<u>(521)</u>	<u>(6)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(102,732)	(121,949)
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u><u>(102,732)</u></u>	<u><u>(121,949)</u></u>

The notes form part of these financial statements

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)

BALANCE SHEET
31 December 2010

	Notes	2010 £	2009 £
FIXED ASSETS			
Tangible assets	5	692	214
CURRENT ASSETS			
Debtors	6	65,321	68,428
Cash at bank and in hand		47,136	31,712
		<u>112,457</u>	<u>100,140</u>
CREDITORS			
Amounts falling due within one year	7	(561,554)	(446,027)
NET CURRENT LIABILITIES		<u>(449,097)</u>	<u>(345,887)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(448,405)</u>	<u>(345,673)</u>
CAPITAL AND RESERVES			
Called up share capital	8	100	100
Profit and loss account	9	(448,505)	(345,773)
SHAREHOLDERS' FUNDS		<u>(448,405)</u>	<u>(345,673)</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved by the Board of Directors on 29 September 2011 and were signed on its behalf by



C P Oliver - Director

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and drawn up on a going concern basis which the directors consider appropriate in view of the matters explained as under

- o The company is dependent on the financial resources of its fellow subsidiary undertakings and the parent company due to the cross guarantees which have been given in respect of mortgage financing on the group's investments in commercial property developments
- o The group has actioned various property transactions with a view to significantly improving its financial position over the next two years. The date and quantum of the net cash realised on these transactions cannot be accurately determined at this stage
- o The group has taken action to reduce its overhead in consequence of the challenging economic environment
- o The group has total borrowings from Lloyds Banking Group of £38,280,521 (2009 £37,968,152) at the balance sheet date with various terms of repayment. The group's trading performance is being reviewed by Lloyds on a quarterly basis, and the banking facilities are being renewed for 3 months at a time based on such reviews. It is considered by the directors that the bank will not withdraw the group's banking facilities whilst the group is continuing to trade in accordance with the revised business plans submitted to the bank
- o The group's main borrowings currently incur interest charges at 1.15% above LIBOR as set out in the group financial statements. The group's fixed interest rate of 6.43% on £25m of its facility expired in November 2009 and therefore the quarterly interest charges incurred by the group are substantially reduced. The company are in negotiations with Lloyds to refinance the main facility which was due for repayment in November 2009. The negotiations are well advanced and the main terms of the proposed refinancing are set out in the post balance sheet event note (note 13)
- o The group has a loan including accrued interest of £7,845,264 (2009 £7,394,869) from Lehman Commercial Paper Inc (in receivership), which was due to be fully repaid by January 2010. Draft terms for restructuring this finance have been agreed with the liquidator (Alvarez & Marsal) and are set out in the post balance sheet event note
- o The documentation for the two loan refinancing deals are currently being prepared by the lawyers, and therefore formal approval has not yet taken place

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of services in the ordinary nature of the business, excluding value added tax

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term or, if shorter, the period ending when prevailing market rentals will become payable

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2010

1 ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Office equipment	-25% on cost
Computer equipment	-33% on cost

Deferred tax

Deferred tax is recognised in respect of all 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.

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

2 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	2010 £	2009 £
Depreciation - owned assets	213	437
Auditors' remuneration	4,000	4,000
Operating lease rentals land and buildings	-	2,335
Operating lease income	<u>(168,673)</u>	<u>(200,518)</u>
Directors' remuneration and other benefits etc	<u>-</u>	<u>-</u>

3 INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges includes the following

	2010 £	2009 £
Bank interest	<u>-</u>	<u>6</u>

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2010

4 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2010 nor for the year ended 31 December 2009

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2010 £	2009 £
Loss on ordinary activities before tax	<u>(102,732)</u>	<u>(121,949)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28%)	(28,765)	(34,146)
Effects of		
Depreciation in excess of capital allowances	60	(340)
Tax losses utilised	(15)	(7)
Losses carried forward	7,207	34,283
Disallowed expenses	-	210
Group relief	<u>21,513</u>	<u>-</u>
Current tax charge	<u>-</u>	<u>-</u>

The company has trading losses available to carry forward of £337,668 (2009 £311,982)

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2010

5 TANGIBLE FIXED ASSETS

	Plant and machinery etc £
COST	
At 1 January 2010	16,158
Additions	691
At 31 December 2010	16,849
DEPRECIATION	
At 1 January 2010	15,944
Charge for year	213
At 31 December 2010	16,157
NET BOOK VALUE	
At 31 December 2010	692
At 31 December 2009	214

6 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade debtors	22,099	31,079
Other debtors	43,222	37,349
	65,321	68,428

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade creditors	11,606	10,946
Amounts owed to group undertakings	486,157	368,914
Taxation and social security	13,710	9,090
Other creditors	50,081	57,077
	561,554	446,027

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2010

8 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value £1	2010 £	2009 £
100	Ordinary	£1	<u>100</u>	<u>100</u>

9 RESERVES

	Profit and loss account £
At 1 January 2010	(345,773)
Deficit for the year	<u>(102,732)</u>
At 31 December 2010	<u>(448,505)</u>

10 ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary undertaking of Picasso Investments Limited, a company registered in England and Wales. The ultimate parent company is Cube Real Estate Limited, a company also registered in England and Wales.

11 CONTINGENT LIABILITIES

At 31 December 2010, the company had together with other group companies, guaranteed certain Bank of Scotland loans and overdrafts by means of an unlimited multilateral cross guarantee. The liability in respect of these bank loans and overdrafts was £36,280,521 (2009 £35,968,202).

The company is part of a VAT group along with the following group companies

- Picasso Investments Limited
- Picasso Investments 1 Limited
- Picasso Investments (Arena) Limited
- Arena Centre (Stockley) Limited
- Picasso Investments (Maidenhead) Limited
- Picasso Investments (Pier) Limited
- Picasso Investments (Plantation Wharf) Limited

Each of these companies is liable to the group VAT creditor

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2010

12 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemptions provided by Financial Reporting Standard No 8 Related Party Disclosures, and has not disclosed transactions with fellow group undertakings on the basis that 100% of the company's voting rights are controlled within the group

13 POST BALANCE SHEET EVENTS

Since the year end the directors of the parent company have progressed negotiations with Lloyds Banking Group and Alvarez & Marsal (liquidators of Lehman Brothers Holdings) to refinance the group's loan facilities. The broad terms of the draft agreements proposed are outlined below, which have been approved by all the parties. The legal agreements have yet to be completed therefore no adjustments have been made to these financial statements to reflect the terms of the refinancing deals.

Lloyds will provide Picasso Investments 1 Limited with a senior term loan facility of £36,281,400 to refinance the term loan facility of £35,281,400 and the overdraft facility of £1 million currently in place. The new facility will expire during 2013. There shall be quarterly repayments made based on surplus cash held. Security will be similar to that currently in place. There will be an arrangement fee estimated at 1% of the facility. Lloyds will also become entitled to 27.5% of any surplus proceeds that may arise within the Picasso group after repayment of the senior facility and £3.5 million to the liquidators of Lehman Commercial Paper Inc.

The liquidators of Lehman Commercial Paper Inc will reduce the mezzanine facility and interest accrued to date totalling £7,845,264 to £3.5 million. In exchange Lehman will receive 51% of the voting rights of the Picasso group and 47.5% of the economic rights of the group once the senior loan facility and £3.5 million loan have been repaid. It is not anticipated that these changes will have a material impact on the tax position shown in these accounts.

These two proposals are dependent on each other and both are subject to approval by their respective Boards.

14 ULTIMATE CONTROLLING PARTY

The ultimate controlling parties are C P Oliver and S C Loggie.

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2010

15 DEFERRED TAX

No deferred tax asset has been recognised in these Accounts in respect of losses carried forward. This is on the basis that there is insufficient evidence when the asset will be recoverable, which depends upon the company's future taxable profits.

	Amount unprovided	
	2010	2009
	£	£
Tax losses carried forward	87,794	87,355
Decelerated capital allowances	1,719	1,792
	<u>89,513</u>	<u>89,147</u>