

Co. House
REGISTERED NUMBER: 4680323 (England and Wales)

ARENA CENTRE (STOCKLEY) LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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

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ARENA CENTRE (STOCKLEY) LIMITED

COMPANY INFORMATION

for the year ended 31 December 2008

DIRECTORS: S C Loggie
C P Oliver

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
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GU4 8RU

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

**REPORT OF THE DIRECTORS
for the year ended 31 December 2008**

The directors present their report with the financial statements of the company for the year ended 31 December 2008.

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.

REVIEW OF BUSINESS

The company operates in the rental property market and, and as such faces the same risks and uncertainties as all other companies in this market. Specifically within this market these are:

- Reductions in occupancy which could lead to fixed costs not being fully recovered.
- Competition from other operators in the same market forcing reduced rental rates.

These risks are controlled by constant monitoring of the rental market and a very proactive approach in marketing to obtain tenants.

During the period the occupancy rate achieved on the serviced offices was in excess of 60% (2007: 80%).

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2008.

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 2008 to the date of this report.

S C Loggie
C P Oliver

Other changes in directors holding office are as follows:

M R Ravenscroft ceased to be a director after 31 December 2008 but prior to the date of this report.

REPORT OF THE DIRECTORS
for the year ended 31 December 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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). 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 judgements and 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 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.

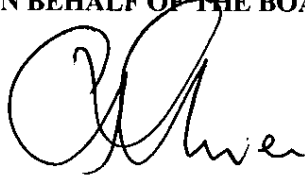
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) 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.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'C P Oliver', is written over the 'ON BEHALF OF THE BOARD:' text.

C P Oliver - Director

27 October 2009

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 2008 on pages six to fourteen. 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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page three.

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 Report of the Directors 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 Report of the Directors 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 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 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.

Opinion

In our opinion:

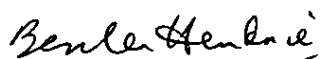
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

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

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.



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

27 October 2009

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

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2008

| | Notes | 2008 £ | 2007 £ |
|--|-------|------------------|------------------|
| TURNOVER | | <u>308,426</u> | <u>347,069</u> |
| Continuing operations | | 237,722 | 244,307 |
| Discontinued operations | | <u>70,704</u> | <u>102,762</u> |
| Cost of sales | 2 | <u>(41,553)</u> | <u>(53,894)</u> |
| GROSS PROFIT | 2 | 266,873 | 293,175 |
| Net operating expenses | 2 | <u>(370,568)</u> | <u>(369,481)</u> |
| OPERATING LOSS | 4 | <u>(103,695)</u> | <u>(76,306)</u> |
| Continuing operations | | (97,040) | (101,010) |
| Discontinued operations | | <u>(6,655)</u> | <u>24,704</u> |
| Interest receivable and similar income | | <u>681</u> | <u>6,860</u> |
| | | (103,014) | (69,446) |
| Interest payable and similar charges | 5 | <u>(57)</u> | <u>(147)</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (103,071) | (69,593) |
| Tax on loss on ordinary activities | 6 | <u>-</u> | <u>-</u> |
| LOSS FOR THE FINANCIAL YEAR AFTER TAXATION | | <u>(103,071)</u> | <u>(69,593)</u> |

TOTAL RECOGNISED GAINS AND LOSSES

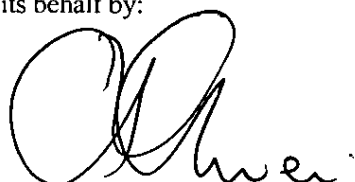
The company has no recognised gains or losses other than the losses for the current year or previous year.

The notes form part of these financial statements

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)**BALANCE SHEET****31 December 2008**

| | Notes | 2008 £ | 2007 £ |
|--|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 651 | 2,574 |
| CURRENT ASSETS | | | |
| Debtors | 8 | 43,392 | 71,691 |
| Cash at bank and in hand | | 40,279 | 58,182 |
| | | <u>83,671</u> | <u>129,873</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 9 | <u>(308,046)</u> | <u>(253,100)</u> |
| NET CURRENT LIABILITIES | | <u>(224,375)</u> | <u>(123,227)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(223,724)</u> | <u>(120,653)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 100 | 100 |
| Profit and loss account | 12 | <u>(223,824)</u> | <u>(120,753)</u> |
| SHAREHOLDERS' FUNDS | 17 | <u>(223,724)</u> | <u>(120,653)</u> |

The financial statements were approved by the Board of Directors on 27 October 2009 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 2008

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 HBOS of £38,246,400 at the balance sheet date with various terms of repayment. The group's trading performance is being reviewed by HBOS 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 various rates above LIBOR as set out in the group financial statements. As a result of the reduction in interest rates over the last twelve months the LIBOR rate is at a significantly lower rate than the rates applicable in 2007, so that the current interest charges incurred by the group are substantially reduced. The company are in negotiations with HBOS to refinance the main facility which is due for repayment in November 2009. The negotiations are progressing satisfactorily and it is anticipated that the current facilities will be re-financed for a three year term.
- o The group has a loan of £6,820,765 from Lehman group (in receivership), which was due to be part repaid in January 2009 with the balance of £6,096,616 due in January 2010. The outcome of any negotiations with the receivers with regard to the extension or repayment of this loan is uncertain.

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.

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 |

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2008

1. ACCOUNTING POLICIES - continued

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. ANALYSIS OF OPERATIONS

| | Continuing | 2008 Discontinued | Total |
|-------------------------|----------------|----------------------|----------------|
| | £ | £ | £ |
| Cost of sales | <u>20,439</u> | <u>21,114</u> | <u>41,553</u> |
| Gross profit | <u>217,283</u> | <u>49,590</u> | <u>266,873</u> |
| Net operating expenses: | | | |
| Administrative expenses | <u>314,323</u> | <u>56,245</u> | <u>370,568</u> |
| | | | |
| | Continuing | 2007 Discontinued | Total |
| | £ | £ | £ |
| Cost of sales | <u>32,001</u> | <u>21,893</u> | <u>53,894</u> |
| Gross profit | <u>212,306</u> | <u>80,869</u> | <u>293,175</u> |
| Net operating expenses: | | | |
| Administrative expenses | <u>313,316</u> | <u>56,165</u> | <u>369,481</u> |

3. STAFF COSTS

| | 2008 £ | 2007 £ |
|-----------------------|---------------|----------------|
| Wages and salaries | 84,817 | 100,544 |
| Social security costs | 8,385 | 10,192 |
| | <u>93,202</u> | <u>110,736</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2008

3. STAFF COSTS - continued

The average monthly number of employees during the year was as follows:

| | 2008 | 2007 |
|----------------|----------|----------|
| Management | 3 | 3 |
| Administration | 3 | 3 |
| | <u>6</u> | <u>6</u> |

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

| | 2008 | 2007 |
|---|------------------|------------------|
| | £ | £ |
| Depreciation - owned assets | 1,924 | 3,421 |
| Auditors' remuneration | 5,000 | 4,614 |
| Operating lease rentals: land and buildings | 26,302 | 10,000 |
| Operating lease income | <u>(212,891)</u> | <u>(208,504)</u> |
| Directors' emoluments | <u>-</u> | <u>-</u> |

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2008 | 2007 |
|---------------|-----------|------------|
| | £ | £ |
| Bank interest | <u>57</u> | <u>147</u> |

6. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2008 nor for the year ended 31 December 2007.

The company has trading losses available to carry forward of £187,732 (2007: £86,189).

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

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2008

7. TANGIBLE FIXED ASSETS

| | Plant & machinery etc £ |
|---|----------------------------------|
| COST | |
| At 1 January 2008 and 31 December 2008 | 16,158 |
| DEPRECIATION | |
| At 1 January 2008 | 13,583 |
| Charge for year | 1,924 |
| At 31 December 2008 | 15,507 |
| NET BOOK VALUE | |
| At 31 December 2008 | 651 |
| At 31 December 2007 | 2,575 |

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2008 £ | 2007 £ |
|--------------------------------|---------------|---------------|
| Trade debtors | 14,219 | 40,875 |
| Other debtors | 60 | 2,565 |
| Prepayments and accrued income | 29,113 | 28,251 |
| | <u>43,392</u> | <u>71,691</u> |

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2008 £ | 2007 £ |
|------------------------------------|----------------|----------------|
| Trade creditors | 18,984 | 11,950 |
| Amounts owed to group undertakings | 233,743 | 175,345 |
| Social security and other taxes | 3,604 | 11,257 |
| Other creditors | 37,484 | 31,004 |
| Accruals and deferred income | 14,231 | 23,544 |
| | <u>308,046</u> | <u>253,100</u> |

ARENA CENTRE (STOCKLEY) LIMITED (REGISTERED NUMBER: 4680323)**NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2008****10. OPERATING LEASE COMMITMENTS**

The following operating lease payments are committed to be paid within one year:

| | Land and buildings | |
|----------------------------|--------------------|--------|
| | 2008 | 2007 |
| | £ | £ |
| Expiring: | | |
| Between one and five years | - | 10,000 |

11. CALLED UP SHARE CAPITAL

| | | | | |
|-------------|----------|----------------|-------|-------|
| Authorised: | | | | |
| Number: | Class: | Nominal value: | 2008 | 2007 |
| | | | £ | £ |
| 1,000 | Ordinary | £1 | 1,000 | 1,000 |

| | | | | |
|----------------------------------|----------|----------------|------|------|
| Allotted, issued and fully paid: | | | | |
| Number: | Class: | Nominal value: | 2008 | 2007 |
| | | | £ | £ |
| 100 | Ordinary | £1 | 100 | 100 |

12. RESERVES

| | Profit and loss account £ |
|----------------------|------------------------------|
| At 1 January 2008 | (120,753) |
| Deficit for the year | (103,071) |
| At 31 December 2008 | (223,824) |

13. 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 and controlling party is Cube Real Estate Limited, a company also registered in England and Wales.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2008

14. CONTINGENT LIABILITIES

At 31 December 2008, 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 £36,246,400 (2007: £36,272,154)

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

- Picasso Investments Limited
- Picasso Investments 1 Limited
- Picasso Investments (Camden) Limited
- Picasso Investments (Camden 135) Limited
- Picasso Investments (Arena) Limited
- Picasso Investments (Redhill) 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.

15. 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 more than 90% of the company's voting rights are controlled within the group.

16. POST BALANCE SHEET EVENTS

The directors took the decision to close the conferencing facility in February 2009 and closure took place at the end of March 2009. This facility was loss making and it was considered more cost effective to convert the space for future use as a short term let.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2008 | 2007 |
|---|------------------|------------------|
| | £ | £ |
| Loss for the financial year | (103,071) | (69,593) |
| Net reduction of shareholders' funds | (103,071) | (69,593) |
| Opening shareholders' funds | (120,653) | (51,060) |
| Closing shareholders' funds | (223,724) | (120,653) |

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2008

18. DEFERRED TAX ASSET

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 | |
|--------------------------------|-------------------|---------------|
| | 2008 | 2007 |
| | £ | £ |
| Tax losses carried forward | 52,565 | 25,857 |
| Decelerated capital allowances | 2,132 | 2,377 |
| | <u>54,697</u> | <u>28,234</u> |