REGISTERED NUMBER: 4680323 (England and Wales)

ARENA CENTRE (STOCKLEY) LIMITED

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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

ARENA CENTRE (STOCKLEY) LIMITED

COMPANY INFORMATION
for the year ended 31 December 2009

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

REPORT OF THE DIRECTORS
for the year ended 31 December 2009

The directors present their report with the financial statements of the company for the year ended 31 December 2009

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

As a result of market conditions rental income has fallen slightly during the year The loss making conference centre was closed in March 2009 and the directors are investigating using the space vacated for short term lets

The results of the continuing and discontinued operations are disclosed in these financial statements

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2009

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 2009 to the date of this report

C P Oliver
S C Loggie

Other changes in directors holding office are as follows

M R Ravenscroft - resigned 21 August 2009

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 £368,914 (2008 £233,743) 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 as they are well advanced in negotiations to renew the necessary finance as set out in notes 1 and 15

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

REPORT OF THE DIRECTORS
for the year ended 31 December 2009

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

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

ON BEHALF OF THE BOARD:

C P Oliver - Director

28 September 2010

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 2009 on pages six to fifteen The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 three, 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 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 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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

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

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

28 September 2010

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

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2009

	Notes	2009 £	2008 £
TURNOVER		200,518	308,426
Continuing operations		188,906	237,722
Discontinued operations		11,612	70,704
Cost of sales	2	(14,667)	(41,553)
GROSS PROFIT	2	185,851	266,873
Net operating expenses	2	(307,820)	(370,568)
OPERATING LOSS	4	(121,969)	(103,695)
Continuing operations		(107,587)	(97,040)
Discontinued operations		(14,382)	(6,655)
Interest receivable and similar income		26	681
		(121,943)	(103,014)
Interest payable and similar charges	5	(6)	(57)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(121,949)	(103,071)
Tax on loss on ordinary activities	6	-	-
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(121,949)	(103,071)

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 2009

	Notes	2009 £	2008 £
FIXED ASSETS			
Tangible assets	7	214	651
CURRENT ASSETS			
Debtors	8	68,428	43,392
Cash at bank and in hand		31,712	40,279
		100,140	83,671
CREDITORS			
Amounts falling due within one year	9	(446,027)	(308,046)
NET CURRENT LIABILITIES		(345,887)	(224,375)
TOTAL ASSETS LESS CURRENT LIABILITIES		(345,673)	(223,724)
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Profit and loss account	11	(345,773)	(223,824)
SHAREHOLDERS' FUNDS	17	(345,673)	(223,724)

The financial statements were approved by the Board of Directors on 28 September 2010 and were signed on its behalf by

C P Oliver - Director

The notes form part of these financial statements

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 £37,968,152 (2008 £38,246,400) 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 various rates above LIBOR as set out in the group financial statements As a result of the reduction in interest rates in recent years the LIBOR rate is at a significantly lower rate than the rates applicable in 2008, 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 15)

- o The group has a loan of £7,394,869 (2008 £6,820,765) from Lehman Commercial Paper Inc (in receivership), which was due to be part repaid in January 2009 with the balance due in 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

continued

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 ANALYSIS OF OPERATIONS

	2009		
	Continuing	Discontinued	Total
	£	£	£
Cost of sales	6,152	8,515	14,667
Gross profit	182,754	3,097	185,851
Net operating expenses			
Administrative expenses	290,621	17,479	308,100
Other operating income	(280)	-	(280)
	290,341	17,479	307,820

continued

2 ANALYSIS OF OPERATIONS - continued

	2008		
	Continuing	Discontinued	Total
	£	£	£
Cost of sales	20,439	21,114	41,553
Gross profit	217,283	49,590	266,873
Net operating expenses			
Administrative expenses	314,323	56,245	370,568

3 STAFF COSTS

	2009	2008
	£	£
Wages and salaries	66,818	84,817
Social security costs	6,205	8,385
	73,023	93,202

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

	2009	2008
Management	2	3
Administration	2	3
	4	6

4 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	2009	2008
	£	£
Depreciation - owned assets	437	1,924
Auditors' remuneration	4,000	5,000
Operating lease rentals land and buildings	2,335	26,302
Operating lease income	(200,518)	(212,891)

Directors' remuneration	-	-

continued

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	£	£
Bank interest	6	57

6 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2009 nor for the year ended 31 December 2008

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

	2009	2008
	£	£
Loss on ordinary activities before tax	(121,949)	(103,071)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 - 28 500%)	(34,146)	(29,375)
Effects of		
Capital allowances in excess of depreciation	(340)	(87)
Tax losses utilised	(7)	-
Losses carried forward	34,283	29,462
Disallowed expenses	210	-
Current tax charge	-	-

The company has trading losses available to carry forward of £311,982 (2008 £189,567)

7 TANGIBLE FIXED ASSETS

	Plant & machinery etc £
COST	
At 1 January 2009 and 31 December 2009	16,158
DEPRECIATION	
At 1 January 2009	15,507
Charge for year	437
At 31 December 2009	15,944
NET BOOK VALUE	
At 31 December 2009	214
At 31 December 2008	651

8 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade debtors	31,079	14,219
Other debtors	17,517	60
Prepayments and accrued income	19,832	29,113
	68,428	43,392

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade creditors	10,946	18,984
Amounts owed to group undertakings	368,914	233,743
Social security and other taxes	9,090	3,604
Other creditors	30,512	37,484
Accruals and deferred income	26,565	14,231
	446,027	308,046

continued

10 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	2009 £	2008 £
100	Ordinary	£1	100	100

11 RESERVES

	Profit and loss account £
At 1 January 2009	(223,824)
Deficit for the year	(121,949)
At 31 December 2009	(345,773)

12 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

13 CONTINGENT LIABILITIES

At 31 December 2009, 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 £35,968,202 (2008 £36,246,400)

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

14 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

continued

15 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 in December 2012 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 £7,394,869 to £3 5 million Unpaid interest amounting to £1,421,535 will be cancelled and the balance of the unpaid principal of £2,473,334 will be converted to equity The equity will provide Lehman with 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

16 ULTIMATE CONTROLLING PARTY

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

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009	2008
	£	£
Loss for the financial year	(121,949)	(103,071)
Net reduction of shareholders' funds	(121,949)	(103,071)
Opening shareholders' funds	(223,724)	(120,653)
Closing shareholders' funds	(345,673)	(223,724)

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	
	2009	2008
	£	£
Tax losses carried forward	87,355	52,565
Decelerated capital allowances	1,792	2,132
	89,147	54,697