

REGISTERED NUMBER: 05525310

PICASSO INVESTMENTS (TT) LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

MONDAY



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COMPANIES HOUSE

PICASSO INVESTMENTS (TT) LIMITED

COMPANY INFORMATION

for the year ended 31 December 2012

DIRECTORS:

C P Oliver
S C Loggie
J M E Lawes

SECRETARY:

C P Oliver

REGISTERED OFFICE:

21A Kingly Street
London
W1B 5QA

REGISTERED NUMBER:

05525310

AUDITORS:

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

PICASSO INVESTMENTS (TT) LIMITED (REGISTERED NUMBER. 05525310)

REPORT OF THE DIRECTORS
for the year ended 31 December 2012

The directors present their report with the financial statements of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of property developers

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 2012 to the date of this report

C P Oliver
S C Loggie
J M E Lawes

GOING CONCERN

The company and other group members are mutually reliant on group financial resources due to cross guarantees in place. The directors are unable to demonstrate that the group will continue to trade for the next 12 months, however they believe the going concern basis provides an accurate reflection of the company's position as at 31 December 2012 as they are working closely with the group's bankers to maximise the value of the group assets and pay third party creditors as they become due

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

PICASSO INVESTMENTS (TT) LIMITED (REGISTERED NUMBER: 05525310)

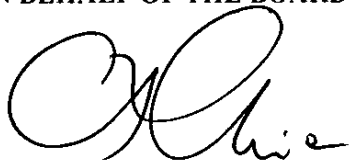
REPORT OF THE DIRECTORS
for the year ended 31 December 2012

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', is written over a horizontal line.

C P Oliver - Director

27 September 2013

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PICASSO INVESTMENTS (TT) LIMITED

We have audited the financial statements of Picasso Investments (TT) Limited for the year ended 31 December 2012 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 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. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for adverse opinion on financial statements

As explained in note 1 to the financial statements the group is being financed for an indefinite period in order to enable it to realise the maximum value of its assets. The ultimate controlling party has been unable to confirm that it will provide ongoing support to enable the group to settle third party creditors as they become due. These facts indicate a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements are prepared on a going concern basis.

Adverse opinion on financial statements

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion paragraph

- the financial statements do not give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended, and
- have not been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

In all other respects, in our opinion the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our adverse opinion on the financial statements, 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 MEMBERS OF
PICASSO INVESTMENTS (TT) 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



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

27 September 2013

PICASSO INVESTMENTS (TT) LIMITED (REGISTERED NUMBER: 05525310)

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2012

	Notes	2012 £	2011 £
TURNOVER		51,502	41,817
Administrative expenses		<u>(24,431)</u>	<u>(108,273)</u>
OPERATING PROFIT/(LOSS)	2	27,071	(66,456)
Group loans forgiven	3	<u>-</u>	<u>(202,000)</u>
		27,071	(268,456)
Interest payable and similar charges	4	<u>(18,218)</u>	<u>7,788</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		8,853	(260,668)
Tax on profit/(loss) on ordinary activities	5	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>8,853</u>	<u>(260,668)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

The notes form part of these financial statements

PICASSO INVESTMENTS (TT) LIMITED (REGISTERED NUMBER: 05525310)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2012

	2012 £	2011 £
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	8,853	(260,668)
Unrealised surplus on revaluation of properties	-	133,000
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>8,853</u>	<u>(127,668)</u>

The notes form part of these financial statements

PICASSO INVESTMENTS (TT) LIMITED (REGISTERED NUMBER: 05525310)

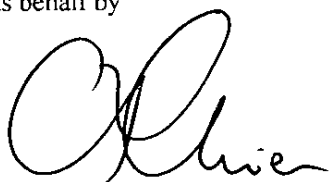
BALANCE SHEET

31 December 2012

	Notes	2012 £	2011 £
FIXED ASSETS			
Tangible assets	6	1,900,000	1,900,000
CURRENT ASSETS			
Debtors	7	26,244	35,264
CREDITORS			
Amounts falling due within one year	8	(1,917,325)	(1,935,198)
NET CURRENT LIABILITIES		(1,891,081)	(1,899,934)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,919</u>	<u>66</u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Revaluation reserve	11	290,306	290,306
Profit and loss account	11	(281,388)	(290,241)
SHAREHOLDERS' FUNDS	17	<u>8,919</u>	<u>66</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

The financial statements were approved by the Board of Directors on 27 September 2013 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 2012

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

Investment properties are accounted for in accordance with Statement of Standard Accounting Practice No 19 Accounting for Investment Properties, which provides that these should not be subject to periodic depreciation charges (unless held on a short lease), but should be shown at open market value. This is contrary to the Companies Act 2006, which states that, subject to any provision for depreciation or diminution in value, fixed assets are normally to be stated at purchase price or production cost. Current cost accounting or the revaluation of specific assets to market value, as determined at the date of their last valuation, is also permitted.

The treatment of investment properties under the Companies Act does not give a true and fair view as these assets are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading operations of the enterprise. In such a case it is the current value of these investments, and changes in that current value, which are of prime importance. Consequently, for the proper appreciation of the financial position, the accounting treatment required by Statement of Standard Accounting Practice No 19 Accounting for Investment Properties is considered appropriate for investment properties.

Details of the current value and historical cost information for investment properties are given in note 6.

Accounting convention

The financial statements have been prepared under the historical cost convention and drawn up on a going concern basis. Although the directors recognise that Picasso Investments Limited is not able to demonstrate that the group will continue to trade for the next 12 months, they believe that the going concern basis provides the most appropriate presentation of the group and each individual subsidiary's affairs, including this company, as at 31 December 2012 as they are working closely with their bankers to maximise the value of the group's assets and to settle third party creditors as they become due.

The current position of the group's finances is as follows:

- The group has total borrowings from LSREF II Royal Investments Limited (LSREF) of £31,735,876 (2011 £36,281,400) at the balance sheet date with various terms of repayment. Since the year end LSREF has extended the final repayment date of this facility to 30 June 2014, however it reserves the right to require the group to market and sell property assets at an earlier date in order to repay this senior debt.
- Since the balance sheet date the group has raised proceeds of £20 million from the sale of property and £19.9 million has been repaid to LSREF. Further details of these transactions are set out in the post balance sheet event note to the financial statements of Picasso Investments Limited.
- As part of the updated facility arrangements LSREF has the right to approve in its sole discretion all significant decisions in relation to the group's properties. In addition LSREF will receive various fees dependent on the proceeds from sale of the group's investment properties and its quarterly rental cash flows in priority to balances due to Lehman Commercial Paper Inc (in liquidation) (see below).
- The group has a loan of £3,500,000 (2011 £3,500,000) from Lehman Commercial Paper Inc (in liquidation) (the group's ultimate controlling party), which has a repayment date of 30 June 2014. The directors consider that it is unlikely that the group will be able to repay this debt in full.

PICASSO INVESTMENTS (TT) LIMITED (REGISTERED NUMBER 05525310)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2012

- Picasso Investments Limited is dependent on the financial resources of its subsidiary undertakings due to the cross guarantees which have been given in respect of mortgage financing on the group's investments in commercial property developments

Both LSREF and Lehman Commercial Paper Inc (in liquidation) receive quarterly management information from the directors and the group is currently trading in accordance with business plans agreed with their bankers

Turnover

Turnover represents net receivable rental income, excluding value added tax. Rental income from operating leases is recognised on a straight line basis over the term of the lease.

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.

Tangible fixed assets

Investment properties are revalued annually by members of the RICS on an open market basis. Changes in market value are recognised in revaluation reserves other than deficits expected to be permanent, which are charged to the profit and loss account for the period. No depreciation is provided on freehold investment properties or on leasehold investment properties where the unexpired lease term exceeds 20 years.

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 recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is a binding agreement to sell the asset and the gain or loss expected to arise on sale has been recognised.

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 PROFIT/(LOSS)

The operating profit (2011 - operating loss) is stated after charging/(crediting)

	2012	2011
	£	£
Auditors' remuneration	4,000	4,000
Operating lease income	<u>(51,062)</u>	<u>(41,817)</u>
Directors' remuneration and other benefits etc	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2012

3 EXCEPTIONAL ITEMS

In the prior year, group debt of £202,000 was forgiven in order to facilitate the group refinancing process which completed in December 2011

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Loan interest - intra-group	18,218	10,931
Cancellation of intra-group interest charged in previous years	-	(18,719)
	<u>18,218</u>	<u>(7,788)</u>

The loan interest has been charged by Picasso Investments 1 Limited and arises in respect of a mortgage from LSREF II Royal Investments Limited (which acquired the mortgage from Bank of Scotland Plc in January 2012) and mezzanine finance from Lehman Commercial Paper Inc (in liquidation) to finance the purchase of the company's property

As part of the refinancing agreement with Lehman Commercial Paper Inc (in liquidation) in December 2011 accrued interest due from Picasso Investments 1 Limited was cancelled. The share previously charged to this subsidiary company was reversed in the prior year

5 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2012 nor for the year ended 31 December 2011

Factors that may affect future tax charges

There are tax losses to carry forward at 31 December 2012 of approximately £1,500 (2011: £29,000)

6 TANGIBLE FIXED ASSETS

	Land and buildings £
COST OR VALUATION	
At 1 January 2012	
and 31 December 2012	<u>1,900,000</u>
NET BOOK VALUE	
At 31 December 2012	<u>1,900,000</u>
At 31 December 2011	<u>1,900,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2012

6 TANGIBLE FIXED ASSETS - continued

Cost or valuation at 31 December 2012 is represented by

	Land and buildings £
Valuation in 2012	1,900,000

If leasehold land and buildings had not been revalued they would have been included at the following historical cost

	2012	2011
	£	£
Cost	1,609,694	1,609,694

Long leasehold land and buildings were valued on 31 January 2013 at £1,900,000. This was an independent valuation carried out on an open market basis by members of the RICS working for CBRE Limited. The directors believe that this valuation is not materially different from the value as at 31 December 2012 and therefore it has been incorporated in these Financial Statements.

As a result of this valuation an unrealised surplus of £Nil (2011 £133,000) has been reported in the Statement of Total Recognised Gains and Losses.

7 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Trade debtors	24,031	17,468
Amounts owed by group undertakings	-	14,715
Other debtors	2,213	3,081
	<u>26,244</u>	<u>35,264</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Trade creditors	8,405	1,732
Amounts owed to group undertakings	1,809,906	1,832,277
Other creditors	99,014	101,189
	<u>1,917,325</u>	<u>1,935,198</u>

PICASSO INVESTMENTS (TT) LIMITED (REGISTERED NUMBER 05525310)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2012

9 SECURED DEBTS

Fixed and floating charges over the undertaking and assets of the company are given as security for loans made to Picasso Investments 1 Limited, a fellow group company. The loans are for £31,735,876 from LSREF II Royal Investments Limited (2011 Bank of Scotland Plc) and for £3,500,000 from Lehman Commercial Paper Inc (in liquidation).

The facilities are available until 30 June 2014. However LSREF II Royal Investments Limited may require repayment at one month's notice.

10 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid				
Number	Class	Nominal value	2012	2011
		£1	£	£
1	Ordinary		<u>1</u>	<u>1</u>

11 RESERVES

	Profit and loss account	Revaluation reserve	Totals
	£	£	£
At 1 January 2012	(290,241)	290,306	65
Profit for the year	<u>8,853</u>		<u>8,853</u>
At 31 December 2012	<u>(281,388)</u>	<u>290,306</u>	<u>8,918</u>

12 ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary undertaking of Picasso Investments (Plantation Wharf) Limited, a company registered in England and Wales. The ultimate parent company is Lehman Commercial Paper Inc (in liquidation), which was incorporated in the US and has filed for voluntary bankruptcy.

The largest and smallest group of which this company is a member for which group accounts are drawn up is headed by Picasso Investments Limited. Copies of the consolidated financial statements can be obtained from The Registrar of Companies, Crown Way, Cardiff, CF14 3UZ.

With effect from 23 August 2013, the company became a wholly owned subsidiary of Cube Asset Management Limited, a company registered in England and Wales. This arose following the transfer of the entire share capital of Picasso Investments (Plantation Wharf) Limited (the immediate parent company) by Picasso Investments 1 Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2012

13 CONTINGENT LIABILITIES

At 31 December 2012, the company had together with other group companies, guaranteed certain LSREF II Royal Investments Limited (2011 Bank of Scotland Plc) and Lehman Commercial Paper Inc (in liquidation) loans by means of an unlimited multilateral cross guarantee. The liability in respect of these bank loans was £35,235,876 (2011 £39,781,400).

14 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemptions provided by the provisions of Financial Reporting Standard No 8 Related Party Disclosures, and has not disclosed transactions with fellow group undertakings on the basis that the company is a wholly owned subsidiary of the group.

15 POST BALANCE SHEET EVENTS

On 19 July 2013 the company completed its purchase of long leases from its fellow subsidiary company, Cinnamon (Plantation Wharf) Limited for a consideration of £17,600,000. On the same day the company sold these leases, together with leases already held, for £20,000,000, thereby realising a profit of £500,000.

The company repaid the net proceeds in full to Picasso Investments Limited.

16 ULTIMATE CONTROLLING PARTY

At the year end, the ultimate controlling party was Lehman Commercial Paper Inc (in liquidation), by virtue of its shareholding in Picasso Investments Limited.

With effect from 23 August 2013 the ultimate controlling party comprises the directors of Cube Asset Management Limited, C P Oliver, S C Loggie and J M E Lawes.

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Profit/(loss) for the financial year	8,853	(260,668)
Other recognised gains and losses relating to the year (net)	-	133,000
Net addition/(reduction) to shareholders' funds	8,853	(127,668)
Opening shareholders' funds	66	127,734
Closing shareholders' funds	8,919	66

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2012

18 DEFERRED TAX

No deferred tax asset was recognised in respect of losses carried forward. This was on the basis that there was insufficient evidence of when the asset would be recoverable.

	Amount unprovided	
	2012	2011
	£	£
Tax losses carried forward	<u>305</u>	<u>6,863</u>