

3 Hardman Street Investments Limited

Company Number 5813898

Report and Financial statements

For the year ended 31 December 2010

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3 Hardman Street Investments Limited
Report and financial statements for the year ended
31 December 2010

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Directors

M J Ingall
F P Graham-Watson

Secretary and registered office

Suresh Gorasia
1st Floor, 33 Cork Street,
London, W1S 3NQ

Company number

5813898

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

3 Hardman Street Investments Limited

Report of the directors for the year ending 31 December 2010

The directors present their annual report and audited financial statements of the company for the year ending 31 December 2010

Activities and future developments

The principal activity of the company is property investment

Review of the business

The company disposed of its interest in its major asset in March 2010. However, leasehold interests in the ground floor and basement of the property were retained. A profit £7,718,113 arose for the year.

The directors of the company are reliant on the parent company for financial support. Whilst there are no binding legal agreements in place at the approval date of these financial statements, the directors are confident that the group will be able to conclude ongoing negotiations satisfactorily in relation to extending and increasing the group's loan facilities and the deferment of payment to a significant creditor of the group. Therefore the directors of the company have prepared the financial statements on a going concern basis. (Refer to Note 1)

Directors

The directors of the company during the financial year were

M J Ingall

F P Graham-Watson

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 judgments 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 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.

Auditors

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

BDO LLP have expressed willingness to continue in office.

By order of the Board



F P Graham-Watson
Director

Date

29th September 2011

3 Hardman Street Investments Limited

Independent Auditor's Report to the Members of 3 Hardman Street Investments Limited

We have audited the financial statements of 3 Hardman Street Investments Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. The financial 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 an auditor's report 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, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's reliance on financial support by the parent company. The parent company's directors are in discussion with the lender to extend and increase its current bank facilities and with a significant creditor of the group to defer settlement of outstanding balances. At the date these financial statements were approved there is no binding agreement with the lender or creditor. This matter indicates the existence of a material uncertainty over the ability of the parent company to provide support which may cast 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the director's report 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

- 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 and the directors' report in accordance with the small companies' regime.

BDO WP.

Alexander Tapp (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 30th September 2011

3 Hardman Street Investments Limited

Profit and Loss account for the year ended 31 December 2010

| | Notes | 2010 £ | 2009 £ |
|--|-------|-------------------------|---------------------------|
| Turnover | 2 | 36,034 | 1,000 |
| Cost of Sales | | (5,078,877) | - |
| Gross (loss) / profit | | <u>(5,042,843)</u> | <u>1,000</u> |
| Administration costs - intergroup management fees | | (250,000) | - |
| Operating (loss) / profit | | <u>(5,292,843)</u> | <u>1,000</u> |
| Profit on sale on investment properties | | 13,619 | - |
| Permanent diminution on value of investment properties | | (1,293,200) | (51,074) |
| Profit on sale of investments | | 15,042,284 | - |
| Interest receivable | | 6,671 | 24,602 |
| Interest payable - third party | | (758,418) | (6,235,882) |
| Profit / (Loss) on ordinary activities before and after taxation and retained profit for the year | 3 | <u><u>7,718,113</u></u> | <u><u>(6,261,354)</u></u> |

All amounts relate to continuing activities

The notes on page 6 to 8 form part of these financial statements

3 Hardman Street Investments Limited

Company Number: 5813898

Balance Sheet as at 31 December 2010

| | Notes | 2010 | 2009 |
|---|-------|--------------------|----------------------|
| | | £ | £ |
| Fixed Assets | | | |
| Investment properties | 4 | - | 1 |
| Investments | 5 | - | 155,309,411 |
| Equipment | 6 | 68,918 | - |
| | | <u>68,918</u> | <u>155,309,412</u> |
| Current Assets | | | |
| Debtors | 7 | 4,070,151 | - |
| Creditors: amounts falling due within one year | 8 | (13,228,358) | (25,807,645) |
| | | <u>(9,158,207)</u> | <u>(25,807,645)</u> |
| Net current liabilities | | | |
| | | (9,158,207) | (25,807,645) |
| Total Assets less Current Liabilities | | (9,089,289) | 129,501,767 |
| Creditors: amounts falling due after one year | 9 | - | (119,514,142) |
| | | <u>(9,089,289)</u> | <u>(119,514,142)</u> |
| Net Liabilities | | <u>(9,089,289)</u> | <u>9,987,625</u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 1 | 1 |
| Revaluation reserve | 11 | - | 26,795,027 |
| Profit and loss account | 11 | (9,089,290) | (16,807,403) |
| | | <u>(9,089,289)</u> | <u>(16,807,403)</u> |
| Shareholders deficit | | <u>(9,089,289)</u> | <u>9,987,625</u> |

These financial statements were approved by the Board of Directors and authorised for issue on 29/9/11


F. P. Graham-Watson
Director

The notes on pages 6 to 8 form part of these financial statements

3 Hardman Street Investments Limited

Additional financial statements for the year ended 31 December 2010

Statement of total recognised gains and losses for the year ended 31 December 2010

| | Notes | 2010 £ | 2009 £ |
|--|-------|---------------------|--------------------|
| Profit / (Loss) for the financial year | | 7,718,113 | (6,261,354) |
| Unrealised surplus/ (deficit) on revaluation | | - | 25,093,841 |
| Revaluation surplus recognised on sale | | (26,795,207) | - |
| Total recognised gains/ (losses) in the year | | <u>(19,077,094)</u> | <u>(9,977,348)</u> |

Reconciliation of movements in shareholders' funds for the year ended 31 December 2010

| | 2010 £ | 2009 £ |
|---|---------------------|-------------------|
| Profit / (Loss) for the financial year | 7,718,113 | (6,261,354) |
| Revaluation surplus | - | 25,093,841 |
| Revaluation surplus recognised on sale | (26,795,207) | - |
| Net (decrease) / increase in shareholders' funds | <u>(19,077,094)</u> | <u>18,832,487</u> |
| Opening shareholders' funds / (deficit) | 9,987,625 | (8,844,862) |
| Closing shareholders' (deficit) / funds | <u>(9,089,469)</u> | <u>9,987,625</u> |

The notes on pages 6 to 8 form part of these financial statements

3 Hardman Street Investments Limited

Notes to the accounts

1 Accounting Policies

The following principal accounting policies have been applied in the preparation of these financial statements

a) Accounting convention

These accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties

b) Going concern

In preparing the financial statements the directors are required to make an assessment of the company's ability to continue to trade as a going concern. As at 31 December 2010 the company has a net deficit on shareholders funds of £9,089,289 and is reliant on the financial support by its parent undertaking.

The main consideration in forming their opinion is the assessment of ongoing discussions by the parent company with the lender in relation to extending and increasing the group's loan facilities that are due to expire in December 2011 and ongoing discussions with a significant creditor of the group to defer settlement of its outstanding balances.

There is currently no binding agreement with the creditors and lender and the directors of the parent company are confident that they will be able to conclude negotiations satisfactorily with the creditor and the lender. Therefore the directors of the company have prepared the financial statements on a going concern basis.

These conditions indicate the existence of material uncertainties which may cast 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.

c) Investment properties

Investment properties are valued annually on an open market basis and the aggregate surplus or temporary deficit arising from such revaluation is transferred to revaluation reserve. Deficits that are expected to be permanent are taken to profit and loss account. Acquisition and disposals of properties are recognised where binding contracts have been exchanged during the accounting year provided completion takes place prior to approval of the accounts.

d) Depreciation investment properties

In accordance with Statement of Standard Accounting Practice No 19, no depreciation is provided in respect of freehold properties and leasehold properties which have leases with over 20 years to run. Depreciation is the only one of the many factors reflected in annual valuation and it is not practicable to quantify separately the amount which might otherwise have been shown.

e) Investments

Investments are stated at valuation.

f) Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

g) Depreciation Equipment

Depreciation is provided on a straight line basis having regard to the estimated useful life and the residual value of the assets at a rate of 25% per annum.

h) Turnover

Turnover is stated net of VAT and comprises rental income and commissions and fees receivable. This is attributable to the company's principal activity wholly undertaken in the United Kingdom.

2 Operating profit

The auditors' remuneration is borne by another group company. The directors are the only employees of the company and they did not receive any remuneration in the year (2009: £Nil). The company has no employees.

3 Taxation on profit on ordinary activities

| | 2010 £ | 2009 £ |
|--|-------------|-------------|
| Reconciliation of current year tax charge | | |
| (Loss) / profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%) | 2,161,072 | (1,753,179) |
| Effects of Group relief | (2,161,072) | 1,753,179 |
| Current tax charge for year | - | - |

3 Hardman Street Investments Limited

Notes to the accounts (continued)

| 4 Investment properties | 2010 £ |
|-------------------------------|-------------|
| At 1 January 2010 | 1 |
| Additions | 1,294,580 |
| Disposals | (1,381) |
| Permanent diminution in value | (1,293,200) |
| At 31 December 2010 | - |

The investment properties were valued by the directors at 31 December 2010 on the basis of open market value
The directors had the benefit of a third party valuation by professional valuers
The historical cost of the property is £1,293,200 (2009: £10,090,964)

| 5 Investments | £ |
|----------------------------|---------------|
| Investments in unit trusts | |
| At 1 January 2010 | 155,309,411 |
| Additions | 4,400,000 |
| Disposals | (159,709,411) |
| At 31 December 2010 | - |

| 6 Equipment | £ |
|---------------------|--------|
| At 1 January 2010 | - |
| Additions | 68,918 |
| At 31 December 2010 | 68,918 |

| 7 Debtors | 2010 £ | 2009 £ |
|--------------------------------|-----------|-----------|
| Trade debtors | 19,977 | - |
| Sale of properties | 3,278,968 | - |
| Other Debtors | 566,374 | - |
| Prepayments and accrued income | 204,832 | - |
| | 4,070,151 | - |

| 8 Creditors amounts falling due within one year | 2010 £ | 2009 £ |
|---|------------|------------|
| Purchase of properties | - | 1,000,000 |
| Other creditors | 689 | 1,656,675 |
| Accruals and deferred income | 1,457,775 | 1,273,081 |
| Onerous leases | 750,909 | - |
| Amount due to group undertaking | 11,018,985 | 21,877,889 |
| | 13,228,358 | 25,807,645 |

3 Hardman Street Investments Limited

Notes to the accounts (continued)

| 9 Creditors amounts falling due after more than one year | 2010 £ | 2009 £ |
|---|-------------------|--------------------|
| Bank term loans due after 5 years | - | 119,514,142 |
| | <u>-</u> | <u>119,514,142</u> |
| The loan was repaid during the year, following the sale of investment | <u>-</u> | <u>-</u> |

10 Share capital

| | | |
|--|--|--------------|
| Authorised | | £ |
| At 1 January 2010 and 31 December 2010 | | |
| Ordinary shares of £1 each | | <u>1,000</u> |
| Allotted, issued and fully paid | | |
| At 1 January 2010 and 31 December 2010 | | |
| Ordinary shares of £1 each | | <u>1</u> |

11 Reserves

| | Revaluation reserve £ | Profit and Loss account £ |
|------------------------------|--------------------------------------|--|
| At 1 January 2010 | 26,795,027 | (16,807,403) |
| Retained profit for the year | - | 7,718,113 |
| Recognised on sale | (26,795,027) | - |
| At 31 December 2010 | <u>-</u> | <u>(9,089,290)</u> |

12 Cash flow statement

A cash flow statement has not been prepared as the company is a wholly owned subsidiary undertaking of Arrow Property Investments Limited and its funds are managed as part of that company's funds. A group cash flow statement is included in the accounts of Arrow Property Investments Limited.

13 Ultimate Parent Company

Arrow Property Investments Limited, a company registered in England, is the parent company of the largest group of which this company is a member and where accounts are publicly available. Copies of the consolidated financial statements of Arrow Property Investments Limited are available from Companies House. The directors consider the ultimate parent company to be Capital Holdco Limited, a company registered in British Virgin Islands.

14 Related Party Transactions

The company has taken advantage of the exemption allowed by Financial Reporting Standard No 8, not to disclose details of related party transactions with entities that are included in the consolidated financial statements of Arrow Property Investments Limited and are 100% owned.