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Company Number BR009170

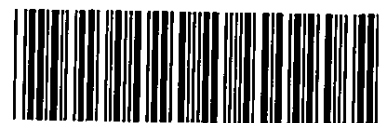
HAMMERSON (125 OBS LP) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2011

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HAMMERSON (125 OBS LP) LIMITED

REPORT OF THE DIRECTORS **Year ended 31 December 2011**

1 PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as a Limited Partner, holding 49.4%, of 125 OBS Limited Partnership ("the Partnership"), the principal business of which is to hold for investment an office property at 125 Old Broad Street, London. The Company also has a 50% interest in 125 OBS (General Partner Jersey) Limited which acts as the General Partner to, and holds a 0.1% interest in, the Partnership. The Directors do not anticipate any significant change in the principal activity in the foreseeable future.

2 RESULTS AND DIVIDENDS

The profit for the year was £1,060,000 (2010: £1,256,000). The Directors do not recommend the payment of a dividend for the year (2010: £nil).

3 BUSINESS REVIEW AND FUTURE PROSPECTS

It is expected that the Company will continue as a Limited Partner of 125 OBS Limited Partnership for the foreseeable future.

The Directors have considered the use of the going concern basis in the preparation of the financial statements as at 31 December 2011 and concluded that it was appropriate. More information is provided in note 1 to the financial statements.

The Company's interest in the Partnership's properties produced net rental income of £5,837,000 in 2011 compared with £4,841,000 in 2010. This increase is due to further lettings in the year. As shown in note 6(a) to the accounts, the Company incurred capital expenditure of £221,000 (2010: £3,328,000) and there was a revaluation surplus of £12,901,000 during the year (2010: £5,103,000). The IPD total return for the property was 16.9% in 2011 (2010: 9.2%).

The key risks facing the Company relate to financing, tenant exposure and the strength of the UK property market. Tenants' covenants are monitored at the start of leasing agreements and on an ongoing basis and collection performance is closely monitored. Quarterly property valuations are used to monitor the valuation performance of the Company's property assets against the IPD benchmark.

A more comprehensive discussion of risks, risk management and key performance indicators is included in the Annual Report of the ultimate controlling party, Hammerson plc which does not form part of this report.

4 DIRECTORS

- a) Mr W S Austin was a Director of the Company throughout the year.
- b) Mr S R Melliss resigned as a Director of the Company on 30 June 2011 and Mr N T Drakesmith was appointed in his place.
- c) Mr J D Aitchison resigned as a Director of the Company on 14 October 2011.

HAMMERSON (125 OBS LP) LIMITED

REPORT OF THE DIRECTORS
Year ended 31 December 2011

4 DIRECTORS (Continued)

- d) In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation
- e) No Director has any interests in contracts entered into by the Company

5 SECRETARY

Dominion Corporate Services Limited acted as Secretary of the Company throughout the year

6 INDEMNITY

The Company's ultimate parent company, Hammerson plc, has made qualifying third party indemnity provisions for the benefit of the Company's Directors which were in place throughout the year and which remain in place at the date of this report

7 AUDITOR

Deloitte LLP shall be deemed to be re-appointed as auditor for a further term under the provisions of section 487(2) of the Companies Act 2006

Deloitte LLP have indicated their willingness to continue in office

8 PROVISION OF INFORMATION TO THE AUDITOR

Each of the persons who is a Director of the Company at the date of approval of this report has confirmed that

- (a) so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- (b) he 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006

By order of the Board



Dominion Corporate Services Limited
Secretary

Date 28 June 2012

Registered Office
47 Esplanade
St Helier
Jersey, JE1 0BD
Registered in England and Wales No BR009170

HAMMERSON (125 OBS LP) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and 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,
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements, and
- 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.

HAMMERSON (125 OBS LP) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SOLE MEMBER OF HAMMERSON (125 OBS LP) LIMITED

We have audited the financial statements of Hammerson (125 OBS LP) Limited for the year ended 31 December 2011, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholder's funds and the related notes 1 to 16. 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 sole member 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 member 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 sole member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 and 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 2011 and of its profit 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.

Opinion on other matter prescribed by the Companies Act 2006

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

HAMMERSON (125 OBS LP) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SOLE MEMBER OF HAMMERSON (125 OBS LP) LIMITED (CONTINUED)

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

Ian Waller

Ian Waller (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
Date *22 June 2012*

HAMMERSON (125 OBS LP) LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2011**

	Notes	2011 £'000	2010 £'000
Gross rental income		6,339	5,606
Rents payable and other property outgoings		(502)	(765)
Net rental income		5,837	4,841
Administration expenses	2	(312)	(298)
Other operating income	3	-	82
Operating profit on ordinary activities before net finance costs		5,525	4,625
Net finance costs	4	(4,465)	(3,369)
Profit on ordinary activities before and after taxation for the financial year	12	1,060	1,256

All amounts derive from continuing activities

HAMMERSON (125 OBS LP) LIMITED**BALANCE SHEET****As at 31 December 2011**

	Notes	2011		2010	
		£'000	£'000	£'000	£'000
Tangible fixed assets					
Investment properties	6		127,086		113,883
Current assets					
Debtors	7	51,498		48,057	
Cash and deposits		<u>482</u>		<u>179</u>	
Total current assets		51,980		48,236	
Current liabilities					
Creditors amounts falling due within one year	8	<u>(2,998)</u>		<u>(3,253)</u>	
Net current assets			48,982		44,983
Total assets less current liabilities			176,068		158,866
Creditors amounts falling due after one year	9		<u>(67,888)</u>		<u>(64,647)</u>
Net assets			108,180		94,219
Capital and reserves					
Called up share capital	11		127,000		127,000
Revaluation reserve	12		(14,342)		(27,324)
Profit and loss account	12		<u>(4,478)</u>		<u>(5,457)</u>
Shareholder's funds			108,180		94,219

The financial statements were approved Board of Directors on 28 June 2012 and authorised for issue on 28 June 2012

Signed on behalf of the Board of Directors



WS Austin

Director

Company Number: BR009170

HAMMERSON (125 OBS LP) LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**For the year ended 31 December 2011

	2011 £'000	2010 £'000
Profit for the financial year	1,060	1,256
Unrealised surplus on revaluation of properties	<u>12,901</u>	<u>5,103</u>
Total recognised gains and losses for the year	<u>13,961</u>	<u>6,359</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDSFor the year ended 31 December 2011

	2011 £'000	2010 £'000
Profit for the financial year	1,060	1,256
Unrealised surplus on revaluation of properties	<u>12,901</u>	<u>5,103</u>
Net increase in shareholder's funds	13,961	6,359
Shareholder's funds at 1 January	<u>94,219</u>	<u>87,860</u>
Shareholder's funds at 31 December	<u>108,180</u>	<u>94,219</u>

HAMMERSON (125 OBS LP) LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2011**

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently throughout the current and preceding year

a) Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and other financial instruments at fair value as permitted by the Companies Act 2006 in accordance with all applicable law and United Kingdom accounting standards, with the exception of the depreciation of investment properties as explained below

b) Going concern

The current economic conditions have created a number of uncertainties which are likely to affect the Company's future performance and these are explained in the Business Review and Future Prospects section of the Directors' Report on page 1. The financial position of the Company is as set out in the Balance Sheet.

The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about the future trading performance. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

c) Cash flow statement

As the Company is a wholly owned subsidiary it has taken exemption under the terms of Financial Reporting Standard 1 (revised 1996) from preparing a cash flow statement, as its cash flows are included in the consolidated financial statements of Hammerson plc, which are publicly available.

d) Joint arrangements

The financial statements include the financial statements of the Company together with the Company's share of results, assets, liabilities and cash flows arising from joint arrangements. The Company, acting as a Limited Partner, has an interest of 49.4% in the results, assets and liabilities of 125 OBS Limited Partnership and a 50% interest in the results, assets and liabilities of 125 OBS (General Partner Jersey) Limited.

HAMMERSON (125 OBS LP) LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2011**

1. ACCOUNTING POLICIES (continued)

e) Net rental income

Rental income from property leased out under an operating lease is recognised in the profit and loss account on a straight-line basis over the lease term. Contingent rents, such as turnover rents, rent reviews and indexation are recorded as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Lease incentives and costs associated with entering into tenant leases are added to the costs of property and are amortised over the period to the first break option or, if the probability that the break option will be exercised is considered low, over the lease term.

Property operating expenses are accounted for on an accruals basis and any property operating expenditure not recovered from tenants through service charges is charged to the profit and loss account.

f) Net finance costs

Net finance costs include interest payable on borrowings, net of interest capitalised, interest receivable on funds invested, and changes in the fair value of derivative financial instruments.

g) Investment properties

Investment properties are stated at fair value, being market value determined by professionally qualified external valuers, and changes in fair value are taken to the revaluation reserve.

All costs directly associated with the purchase and construction of a property are capitalised.

h) Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the balance sheet date, together with any adjustment in respect of previous years.

In accordance with Financial Reporting Standard 19 "Deferred Tax", deferred tax is provided in respect of all timing differences that may give rise to an obligation to pay more or less tax in the future.

i) Depreciation

In accordance with Statement of Standard Accounting Practice No 19, no depreciation is provided in respect of freehold properties or leasehold properties with over twenty years to expiry. This is a departure from the requirements of the Companies Act 2006, which requires all properties to be depreciated. Such properties are not held for consumption, but for investment, and the Directors consider that to depreciate them would not give a true and fair view. Depreciation is only one amongst many factors reflected in the annual valuation of properties and accordingly the amount of depreciation, which might otherwise have been charged, cannot be separately identified or quantified. The Directors consider that this policy results in the accounts giving a true and fair view.

HAMMERSON (125 OBS LP) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

j) Derivative financial instruments

Derivative financial instruments are used to hedge exposure to interest rate risks. Derivative financial instruments are recognised initially at fair value, which equates to cost, and subsequently re-measured at fair value, with changes in fair value being included within finance costs.

2. ADMINISTRATION EXPENSES

	2011 £'000	2010 £'000
Management fee payable to Hammerson UK Properties plc	297	276
Valuation fees	8	8
Other administration costs	7	14
	<u>312</u>	<u>298</u>

The average number of employees during the year, excluding Directors, was nil (2010 nil)

The Directors did not receive any remuneration for services to the Company in either the current or preceding financial year.

Another group company has paid the auditor's fees for the audit of the Company's annual accounts in both the current and preceding financial year. Fees for the audit of the Company were £1,200 (2010 £2,225).

3. OTHER OPERATING INCOME

	2011 £'000	2010 £'000
Recovery from glazing insurance claim (see note 12)	<u>-</u>	<u>82</u>

4. NET FINANCE COSTS

	2011 £'000	2010 £'000
Interest payable on bank loans	3,280	3,674
Interest payable to ultimate parent company	<u>-</u>	<u>471</u>
Total interest payable	3,280	4,145
Interest receivable from ultimate parent company	(1,088)	-
Other interest receivable	<u>(1)</u>	<u>(1)</u>
Net interest payable	2,191	4,144
Change in fair value of interest rate swaps	<u>2,274</u>	<u>(775)</u>
	<u>4,465</u>	<u>3,369</u>

HAMMERSON (125 OBS LP) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2011

5. TAXATION

(a) Tax charge

	2011 £'000	2010 £'000
Current tax charge	-	-

(b) Factors affecting current tax charge

The tax assessed for the year varies from the standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	1,060	1,256
Profit on ordinary activities at the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	281	352
Effect of		
Interest rate swaps fair value adjustment	603	(217)
REIT exempted loss	(884)	(139)
Group relief	-	4
Current tax charge for the year	-	-

The Company's ultimate parent company, Hammerson plc, is taxed as a UK Real Estate Investment Trust ("UK REIT"), and as a consequence, group companies are exempted from UK corporation tax on the profits of a UK property rental business and on the gains on UK investment properties

Group companies remain subject to UK corporation tax on items other than UK property rental profits and gains on UK investment properties but, as the Group has surplus tax losses, the Group's policy is for these taxable profits and losses to be fully offset by group relief surrendered without payment, so that individual subsidiaries do not bear tax

The Company therefore had no tax charge for the year, and this is expected to continue for the foreseeable future. Profits covered by group relief for the year ended 31 December 2011 are £1,000 (2010: £13,000)

HAMMERSON (125 OBS LP) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2011

6. INVESTMENT PROPERTIES

6. INVESTMENT PROPERTIES

	Freehold £'000
(a) The movements in the year on properties were	
At 1 January 2011	113,883
Additions at cost	221
Reclassification of 2010 glazing refund	81
Surplus arising on revaluation	<u>12,901</u>
At 31 December 2011	<u>127,086</u>
(b) Properties are stated at market value at 31 December 2011, valued by professionally qualified external valuers, DTZ Debenham Tie Leung, Chartered Surveyors. The valuations have been prepared in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (the Standards) and with IVA 1 of the International Valuation Standards. The surplus arising on revaluation has been transferred to the revaluation reserve.	
(c) At 31 December 2011 the total amount of interest included in land and buildings is £6,506,000 (2010 £6,506,000) based on the interest incurred by the Company.	
(d) The historical cost of investment properties at 31 December 2011 was £141,427,000 (2010 £141,207,000).	
(e) Capital commitments	
	2011 £'000
	2010 £'000
Contracted for, but not provided	884
	10,595

7. DEBTORS

	2011 £'000	2010 £'000
Trade debtors	3,266	1,886
Amounts owed by ultimate parent company	47,093	46,036
Other debtors and prepayments	<u>1,139</u>	<u>135</u>
	<u>51,498</u>	<u>48,057</u>

All amounts shown under debtors fall due for payment within one year. The amount owed by the ultimate parent company is interest-bearing at variable rates based on LIBOR.

HAMMERSON (125 OBS LP) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2011

8 CREDITORS: FALLING DUE WITHIN ONE YEAR

	2011	2010
	£'000	£'000
Trade creditors	242	422
Amounts owed to fellow group undertakings	86	217
Amounts owed to Hammerson 60 TNS Unit Trust	25	27
Fair value of interest rate swaps	-	564
Accruals and deferred income	2,277	1,776
Other creditors	368	247
	<u>2,998</u>	<u>3,253</u>

The amounts owed to fellow group undertakings and Hammerson 60 TNS Unit Trust are repayable on demand and are non-interest bearing

9. CREDITORS: FALLING DUE AFTER ONE YEAR

	2011	2010
	£'000	£'000
Bank loan	64,284	64,647
Fair value of interest rate swaps	2,838	-
Other creditors		
- From two to five years	42	-
- From five to 25 years	724	-
	<u>67,888</u>	<u>64,647</u>

On 7 June 2010 the Partnership entered into a £135,000,000 five-year loan facility which is secured on the property. Under this facility, the Partnership pays interest at variable rates based on LIBOR. The Partnership's interest rate swap matures on 7 June 2015.

HAMMERSON (125 OBS LP) LIMITED**NOTES TO THE ACCOUNTS**
Year ended 31 December 2011**10. FINANCIAL INSTRUMENTS**

As explained in note 1 derivative financial instruments are used to hedge the Company's exposure to interest rate risks. At 31 December 2011 the fair value of these financial instruments was a liability of £2,838,000 (2010 £564,000)

The bank loan and interest rate swap mature on 7 June 2015. The contractual maturities of the Company's financial liabilities are as follows

	2011			2010		
	Interest rate swaps £'000	Creditors £'000	Total £'000	Interest rate swaps £'000	Creditors £'000	Total £'000
From two to five years	1,377	67,095	68,472	(853)	73,670	72,817
From one to two years	826	3,543	4,369	619	3,073	3,692
Due after more than one year	2,203	70,638	72,841	(234)	76,743	76,509
Due within one year	862	4,295	5,157	1,002	3,576	4,578
	3,065	74,933	77,998	768	80,319	81,087

At 31 December 2011, it is estimated that an increase of one percentage point in interest rates would have increased the Company's annual profit after tax by £2.0 million (2010 £2.4 million) and a decrease of one percentage point would have decreased the Company's annual profit after tax by £3.6 million (2010 £2.5 million). There would have been a corresponding movement in net assets.

11. SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted, called up and fully paid:		
127,000,000 ordinary shares of £1 each	127,000	127,000

12. RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2011	(27,324)	(5,457)
Surplus on revaluation of investment properties	12,901	-
Transfer following reclassification of 2010 glazing refund	81	(81)
Profit for the financial year	-	1,060
At 31 December 2011	(14,342)	(4,478)

HAMMERSON (125 OBS LP) LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2011**

13. ADVANCES, CREDIT AND GUARANTEES

The Company did not grant any credits, advances or guarantees of any kind to its Directors during the year

14. RELATED PARTY DISCLOSURE

The Company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 8, "Related Party Disclosures", not to disclose details of all of its related party transactions with other group companies. In the opinion of the Directors there are no other related party transactions to be disclosed in the current or preceding financial year

15. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2011, the Company's ultimate parent company was Hammerson plc, which is registered in England and Wales and is the largest and smallest group to consolidate these financial statements. At 31 December 2011, the Company's immediate parent company was Hammerson UK Properties plc

Consolidated financial statements of the ultimate parent company, Hammerson plc, are available from that company's registered office, 10 Grosvenor Street, London W1K 4BJ

16. POST BALANCE SHEET EVENTS

On 19 June 2012, Hammerson plc exchanged contracts with Brookfield Office Properties to sell its shares in the Company, with completion due by 30 June 2013