

Prospect Number Three Limited

Report and Financial Statements

Year Ended

30 June 2007

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BDO Stoy Hayward
Chartered Accountants

Prospect Number Three Limited

**Annual report and financial statements
for the year ended 30 June 2007**

Contents

Page:

1	Report of the director
3	Report of the independent auditors
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Director

N A C Candy

Secretary and registered office

M R Reilly, Thames House, Portsmouth Road, Esher, Surrey, KT10 9AD

Company number

04232628

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU

Prospect Number Three Limited

Report of the director for the year ended 30 June 2007

The director presents his annual report and the audited financial statements for the year ended 30 June 2007

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year

A final ordinary dividend of £59,300 per share was paid during the year

Principal activities

The principal activity of the company is that of property development

Director

The director who held office during the year was as follows

N A C Candy

Director's responsibilities

The director is 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 director to prepare financial statements for each financial year which 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 those financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. He is 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

Prospect Number Three Limited

Report of the director for the year ended 30 June 2007 (*Continued*)

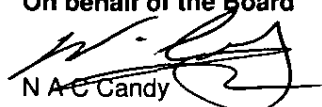
Auditors

The current director has taken all the steps that he ought to have taken to make himself 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 director is not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board


N A C Candy

Director

Date 22 April 2008

Prospect Number Three Limited

Report of the independent auditors

To the shareholders of Prospect Number Three Limited

We have audited the financial statements of Prospect Number Three Limited for the year ended 30 June 2007 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of director and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of director's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the director's report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

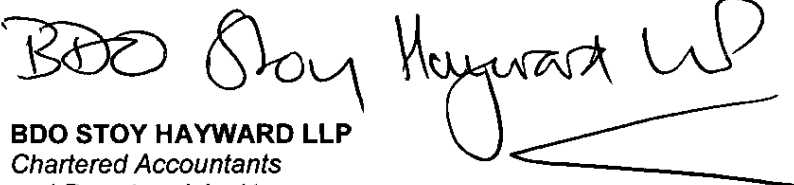
Prospect Number Three Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the director's report is consistent with the financial statements

A large, stylized handwritten signature in black ink, appearing to read 'BDO Stoy Hayward LLP', is written over the printed name of the firm.

BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
London

22 April 2008

Prospect Number Three Limited

Profit and loss account for the year ended 30 June 2007

	Note	2007 £	2006 £
Turnover	2	-	126,219
Cost of sales		-	(7,427)
Gross profit			118,792
Administrative expenses		9,336	(7,412)
Operating (loss)/profit		(9,336)	111,380
Income from shares in group undertakings		4,812,697	-
Interest receivable	4	-	618
Interest payable	5	-	(113,648)
Profit/(loss) on ordinary activities before taxation		4,803,361	(1,650)
Tax on profit/(loss) on ordinary activities	6	1,093,634	-
Profit/(loss) on ordinary activities after taxation	14	5,896,995	(1,650)

The results stated above are derived from continuing operations
All recognised gains and losses are included in the profit and loss account

The notes on pages 7 to 12 form part of these financial statements

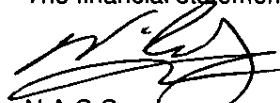
Prospect Number Three Limited

Balance sheet at 30 June 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Investments	8		6		6
Current assets					
Stocks	9	104		3,994,398	
Debtors	10	1,100,906		8,748,474	
		<u>1,101,010</u>		<u>12,742,872</u>	
Creditors. amounts falling due within one year	11	1,093,595		(10,742,427)	
		<u>1,101,010</u>		<u>12,742,872</u>	
Net current assets			7,415		2,000,445
Total assets less current liabilities			7,421		2,000,451
Creditors: amounts falling due after more than one year	12		-		(1,960,025)
			<u>-</u>		<u>(1,960,025)</u>
Net assets			7,421		40,426
			<u>7,421</u>		<u>40,426</u>
Capital and reserves					
Called up share capital	13		100		100
Capital redemption reserve	14		100		100
Profit and loss account	14		7,221		40,226
			<u>7,421</u>		<u>40,426</u>
Shareholders' funds			7,421		40,426
			<u>7,421</u>		<u>40,426</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved and authorised for issue on 22 April 2008.


N A C Candy
Director

The notes on pages 7 to 12 form part of these financial statements

Prospect Number Three Limited

Notes forming part of the financial statements for the year ended 30 June 2007

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of preparation

The company is exempt by virtue of S 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Candy & Candy Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Candy & Candy Group Limited, within which this company is included, can be obtained from the address given in note 17.

Turnover

Turnover is derived from the sale of properties and is recognised at the point when unconditional contracts are exchanged in relation to the property.

Fixed asset investments

Fixed asset investments are held at cost less amounts provided for permanent diminution in value. The carrying value of fixed asset investments is reviewed for impairment where events or changes in circumstances indicate that the carrying value may not be recoverable.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

Stocks consist of development properties that are in the process of being developed or are available for sale. Development properties are often owned by Single Purpose Vehicles ('SPV's'). These are invariably non-UK incorporated limited liability companies. When the company acquires a development property it occasionally acquires the shares in the SPV rather than the property itself. In these circumstances the shares in the SPV are held as trading stock at the lower of cost or net realisable value.

Taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Dividends

In accordance with FRS 21, interim dividends are included in the profit and loss account when they are paid and final dividends are recognised when they are approved by shareholders at a general meeting.

Prospect Number Three Limited

Notes forming part of the financial statements
for the year ended 30 June 2007 (*Continued*)

2 Turnover

The turnover for the year arose from the principal activity of the company and arose wholly in the United Kingdom

3 Director's remuneration

The director received no remuneration in the year

4 Interest receivable

	2007 £	2006 £
Bank interest	-	618
	<u> </u>	<u> </u>

5 Interest payable

	2007 £	2006 £
Bank interest	-	113,649
	<u> </u>	<u> </u>

6 Taxation

	2007 £	2006 £
Analysis of credit in year		
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Adjustments in respect of prior years	1,093,634	-
	<u> </u>	<u> </u>
	1,093,634	-
	<u> </u>	<u> </u>

Prospect Number Three Limited

Notes forming part of the financial statements
for the year ended 30 June 2007 (*Continued*)

6 Taxation (*Continued*)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2006 - lower) than the standard rate of corporation tax in the UK 30%, (2006 - 30%) The differences are explained below

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	4,803,361	(1,650)
Current tax at 30% (2006 - 30%)	1,441,008	(495)
Effects of		
Group relief	2,801	-
Increase in tax losses	-	495
Adjustments in respect of prior years	1,093,634	-
Non taxable income	(1,443,809)	-
Total current tax credit (see above)	1,093,634	-

In November 2003, HM Revenue and Customs commenced an investigation into the taxation affairs of Candy & Candy Group Limited, its subsidiaries, of which this company is one, and related parties. As disclosed in previous years' financial statements, the director considered that this would not have a material affect on the company and that adequate provision for all tax liabilities had been made. In September 2007, HM Revenue & Customs concluded the investigation, and all taxes were settled up to date. Any provisions for taxation that were not required have been reversed and taken to reserves.

7 Dividends

	2007 £	2006 £
<i>Equity shares</i>		
Final dividend paid	5,930,000	670,000

Prospect Number Three Limited

Notes forming part of the financial statements
for the year ended 30 June 2007 (*Continued*)

8 Fixed asset investments

	Shares in group undertakings £
<i>Cost</i>	
At beginning and end of year	6
<i>Provisions</i>	
At beginning and end of year	-
<i>Net book value</i>	
At 30 June 2007	6
At 30 June 2006	6

The companies in which the company's interest at the year end is more than 20% are as follows

<i>Subsidiary undertakings</i>	Country of Incorporation	Principal activity	Class and percentage of shares held
Townplant Limited	England and Wales	Dormant	Ordinary 100%
Chelsea Square Investments Limited	England and Wales	Property investment	Ordinary 100%
Prospect Group Limited	Guernsey	Dormant	Ordinary 74%
Tucanor Holdings Limited	Panama	Property development	Ordinary 100%

9 Stocks

	2007 £	2006 £
Work in progress	-	1,540,974
Shares held as trading stock	104	2,453,424
	104	3,994,398

Prospect Number Three Limited

Notes forming part of the financial statements
for the year ended 30 June 2007 (*Continued*)

10 Debtors

	2007 £	2006 £
Amounts owed by group undertakings	1,097,009	8,744,577
Other debtors	3,897	3,897
	<u>1,100,906</u>	<u>8,748,474</u>

11 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank overdraft	-	3,793,206
Trade creditors	76,419	327,901
Amounts owed to group undertakings	1,017,176	5,264,823
Taxation and social security	-	1,356,497
	<u>1,093,595</u>	<u>10,742,427</u>

12 Creditors amounts falling due after more than one year

	2007 £	2006 £
Bank loans	-	1,960,025
	<u>-</u>	<u>1,960,025</u>
Analysis of debt.		
Debt can be analysed as falling due		
Between two and five years	-	1,960,025
	<u>-</u>	<u>1,960,025</u>

13 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
200 ordinary shares of £1 each	200	200
10,000 'A' ordinary shares of 1p each	100	100
	<u>300</u>	<u>300</u>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

Prospect Number Three Limited

Notes forming part of the financial statements
for the year ended 30 June 2007 (*Continued*)

14 Reserves

	Capital redemption reserve £	Profit and loss account £
At beginning of year	100	40,226
Profit/(loss) for the year	-	5,896,995
Dividends paid	-	(5,930,000)
	<hr/>	<hr/>
At end of year	100	7,221
	<hr/>	<hr/>

15 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit/(loss) for the financial year	5,896,995	(1,650)
Dividends	(5,930,000)	(670,000)
	<hr/>	<hr/>
Net (reduction)/increase in shareholders' funds	(33,005)	(671,650)
Opening shareholders' funds	40,426	712,076
	<hr/>	<hr/>
Closing shareholders' funds	7,421	40,426
	<hr/>	<hr/>

16 Related party transactions

The company is controlled by Candy & Candy Holdings II Limited, the parent company. The ultimate controlling party is Candy & Candy Group Limited, the ultimate parent company.

17 Ultimate parent company

The company is a subsidiary undertaking of Candy & Candy Group Limited incorporated in The British Virgin Islands.

The largest group in which the results of the company are consolidated is that headed by Candy & Candy Group Limited incorporated in The British Virgin Islands. The smallest group in which they are consolidated is that headed by Candy & Candy Holdings Limited, incorporated in the United Kingdom. The consolidated accounts of these groups are available to the public and may be obtained from Craigmuir Chambers, P O Box 71, Road Town, Tortola, British Virgin Islands and 100 Brompton Road, London SW3 1ER, respectively.