

Company Registration No 03229749 (England and Wales)

**FAIRHOLD FREEHOLDS NO.2 LIMITED**  
**(Previously Peverel Freeholds No.2 Limited)**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

WEDNESDAY



\*L10RSZHM\*

LD3

18/01/2012

#118

COMPANIES HOUSE

# **FAIRHOLD FREEHOLDS NO.2 LIMITED**

## **COMPANY INFORMATION**

---

<b>Directors</b>	W K Procter C C McGill	(Appointed 25 October 2011) (Appointed 25 October 2011)
<b>Secretary</b>	A Wolfson	
<b>Company number</b>	03229749	
<b>Registered office</b>	Molteno House 302 Regents Park Road London N3 2JX	
<b>Auditors</b>	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL	
<b>Bankers</b>	Bank of Scotland 2nd Floor Pentland House 8 Lochside Avenue Edinburgh EH12 9DJ	

---

# **FAIRHOLD FREEHOLDS NO.2 LIMITED**

## **CONTENTS**

---

	<b>Page</b>
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the cash flow statement	8
Notes to the financial statements	9 - 14

---

# **FAIRHOLD FREEHOLDS NO.2 LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

---

The directors present their report and financial statements for the year ended 31 December 2010

#### **Principal activities and review of the business**

The principal activity of the company continued to be that of an investment company

The company changed its name on 25 October 2011 from Peverel Freeholds No2 Limited to Fairhold Freeholds No 2 Limited

#### **Future Developments**

The company is confident that the long term future property market will enable income streams within the business to be increased

Note 1 provides information on future developments affecting the group of which the company is a subsidiary

#### **Results and dividends**

The results for the year are set out on page 5

#### **Post balance sheet events**

Note 16 provides information on post balance sheet events affecting the company

#### **Directors**

The following directors have held office since 1 January 2010

D C Edwards	(Resigned 14 July 2011)
N G Bannister	(Resigned 31 March 2011)
M J Gaston	(Resigned 11 June 2010)
W K Procter	(Resigned 2 September 2010, Appointed 25 October 2011)
C C McGill	(Appointed 25 October 2011)
C A Wadlow	(Appointed 28 June 2011, Resigned 25 October 2011)
P J Cummings	(Appointed 28 June 2011, Resigned 25 October 2011)
L E Middleburgh	(Appointed 28 June 2011, Resigned 25 October 2011)
A Davey	(Appointed 28 June 2011, Resigned 25 October 2011)
I Rapley	(Resigned 31 March 2011)

#### **Auditors**

In accordance with the company's articles, a resolution proposing that BDO LLP be reappointed as auditors of the company will be put at a General Meeting

# **FAIRHOLD FREEHOLDS NO.2 LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

---

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

On behalf of the board

  
W K Procter  
Director  
16/01/12

# **FAIRHOLD FREEHOLDS NO.2 LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF FAIRHOLD FREEHOLDS NO.2 LIMITED**

---

We have audited the financial statements of Fairhold Freeholds No 2 Limited for the year ended 31 December 2010 set out on pages 5 to 14. 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 an auditors' 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 Directors' Responsibilities Statement set out on pages 1 - 2, 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**

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](http://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 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.

#### **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 of the financial statements concerning the company's ability to continue as a going concern. The note sets out details of breach of loan covenants in relation to borrowings of the company and other borrowings of related parties, subsequent to which the company and the related parties have entered into a formal standstill agreement with the lender to enable a re-financing of the borrowings. The standstill agreement is for the period to 31 March 2012 although it may be shortened, or lengthened until 30 June 2012, under certain conditions set out in the agreement. Although the directors expect the re-financing to be completed within this timescale and if not for the standstill agreement to be extended there is no guarantee that these events can be achieved. Such circumstances indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern should the re-financing not occur as envisaged. 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **FAIRHOLD FREEHOLDS NO.2 LIMITED**

### **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

#### **TO THE MEMBERS OF FAIRHOLD FREEHOLDS NO.2 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

*BDO LLP*

**Kim H Hayward (Senior Statutory Auditor)**  
**for and on behalf of BDO LLP**

*17 January, 2012*

**Chartered Accountants**  
**Statutory Auditor**

Arcadia House  
Maritime Walk  
Ocean Village  
Southampton  
SO14 3TL

BDO LLP is a limited liability partnership registered in England and Wales (registered number OC305127)

## **FAIRHOLD FREEHOLDS NO.2 LIMITED**

### **PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

---

	Notes	2010 £	2009 £
Turnover	2	247,935	175,533
Administrative expenses		(51,776)	(4,127)
Operating profit	3	196,159	171,406
Other interest receivable and similar income	4	9,724	23,340
Interest payable and similar charges	5	(143,904)	(129,171)
Profit on ordinary activities before taxation		61,979	65,575
Tax on profit on ordinary activities	6	-	-
Profit for the year	11	61,979	65,575

---

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account



# FAIRHOLD FREEHOLDS NO.2 LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2010

	Notes	2010 £	£	2009 £	£
<b>Fixed assets</b>					
Tangible assets	7		2,748,148		2,747,925
<b>Current assets</b>					
Debtors	8	3,193,777		3,052,007	
Cash at bank and in hand		56,134		20,055	
		<u>3,249,911</u>		<u>3,072,062</u>	
<b>Creditors amounts falling due within one year</b>	9	<u>(5,880,023)</u>		<u>(5,763,930)</u>	
<b>Net current liabilities</b>			(2,630,112)		(2,691,868)
<b>Total assets less current liabilities</b>			<u>118,036</u>		<u>56,057</u>
<b>Capital and reserves</b>					
Called up share capital	10		1		1
Profit and loss account	11		118,035		56,056
<b>Shareholders' funds</b>	12		<u>118,036</u>		<u>56,057</u>

Approved by the Board and authorised for issue on

16 JAN 2012

  
W K Procter  
Director

Company Registration No 03229749

# FAIRHOLD FREEHOLDS NO.2 LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	£	2010 £	£	2009 £
<b>Net cash inflow from operating activities</b>		608,948		1,061,852
<b>Returns on investments and servicing of finance</b>				
Interest received	9,724		23,340	
Interest paid	(143,904)		(129,171)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(134,180)		(105,831)
<b>Financial investment</b>				
Payments to acquire investments	(223)		(949,449)	
<b>Net cash outflow for capital expenditure</b>		(223)		(949,449)
<b>Net cash inflow before management of liquid resources and financing</b>		474,545		6,572
<b>Financing</b>				
New short term bank loans	2,466,163		-	
Repayment of other short term loans	(2,904,629)		-	
<b>Net cash outflow from financing</b>		(438,466)		-
<b>Decrease in cash in the year</b>		36,079		6,572

# FAIRHOLD FREEHOLDS NO.2 LIMITED

## NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

1 Reconciliation of operating profit to net cash outflow from operating activities		2010	2009
		£	£
Operating profit		196,159	171,406
(Increase)/decrease in debtors		(141,770)	1,538,234
Increase/(decrease) in creditors within one year		554,559	(647,788)
Net cash inflow from operating activities		608,948	1,061,852

2 Analysis of net debt	1 January 2010	Cash flow	Other non-cash changes	31 December 2010
	£	£	£	£
Net cash				
Cash at bank and in hand	20,055	36,079	-	56,134
Bank deposits	-	-	-	-
Debt				
Debts falling due within one year	(2,904,629)	438,466	-	(2,466,163)
Net debt	(2,884,574)	474,545	-	(2,410,029)

3 Reconciliation of net cash flow to movement in net debt	2010	2009
	£	£
Increase in cash in the year	36,079	6,572
Cash outflow from decrease in debt	438,466	-
Movement in net debt in the year	474,545	6,572
Opening net debt	(2,884,574)	(2,891,146)
Closing net debt	(2,410,029)	(2,884,574)

# **FAIRHOLD FREEHOLDS NO.2 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

---

### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention

#### **1.2 Going concern**

The company is party to a related party cross collateralised funding structure. The directors have assessed the operation of the structure and, despite the company's net current liabilities, have determined that the company has, or can expect to have, subject to the further matters set out hereafter, together with an interest shortfall guarantee from a related party, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this, the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

On 26 October 2011, the related parties entered into a formal standstill agreement in respect of its borrowings referred to above to enable a restructuring/re-financing of the borrowings. This agreement covers the period ending 31 March 2012 and allows for an extension of 3 months under certain circumstances.

The financial statements have been prepared on the going concern basis which assumes that the principal lender will not withdraw its loan facilities as a result of the events of default that have arisen and that facility extensions will be agreed as necessary to enable new financing facilities to be put in place. The principal direct and indirect effects of the withdrawal by the principal lender are that:

i. the cross collateralised borrowings of the company's principal lender, as set out in note 13 totaling £229,038,636 at the year end, become immediately repayable and further costs could arise in respect of the interest rate arrangements that fix the interest rates on those loans, the level of which would depend on the market rates of interest prevailing at the time of such a termination, and

ii. if not repaid when due, the principal lender could exercise its share pledges over the company and take control or could exercise its security direct over the company's investment properties. The principal lender may seek to sell the company or dispose of assets separately or together and at a time of its own choosing. This process may not represent an orderly realisation in the normal course of business so the company's investment properties would, probably, only be realised at values significantly less than their carrying values in these financial statements.

Such circumstances indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

#### **1.3 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### **1.4 Turnover**

Turnover represents the amounts derived from ground rents and transfer fees from freehold and leasehold reversionary interests, stated net of value added tax.

# FAIRHOLD FREEHOLDS NO.2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

### 1 Accounting policies

(Continued)

#### 1.5 Tangible fixed assets and depreciation

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

#### 1.6 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

### 3 Operating profit

Fees payable to the company's auditor in the current and the prior year were paid by fellow subsidiary undertakings.

### 4 Investment income

2010  
£

2009  
£

Bank interest

9,724

23,340

### 5 Interest payable

2010  
£

2009  
£

On bank loans and overdrafts

143,891

129,174

Other interest

13

(3)

143,904

129,171

# FAIRHOLD FREEHOLDS NO.2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

<b>6</b>	<b>Taxation</b>	<b>2010</b>	<b>2009</b>
	Total current tax	-	-
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	61,979	65,575
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	17,354	18,361
	Effects of		
	Non deductible expenses	14,707	1,381
	Group relief	(34,638)	-
	Movement on unutilised tax losses	-	1,567
	Transfer pricing adjustments	2,577	(21,309)
		(17,354)	(18,361)
	<b>Current tax charge for the year</b>	-	-

<b>7</b>	<b>Tangible fixed assets</b>	<b>Investment properties</b>
		<b>£</b>
	<b>Cost</b>	
	At 1 January 2010	2,747,925
	Additions	223
	At 31 December 2010	2,748,148
	<b>Net book value</b>	
	At 31 December 2010	2,748,148
	At 31 December 2009	2,747,925

Investment properties held are freehold reversionary interests. At the year end the carrying value of the reversionary interests portfolio was re-assessed by a director whose opinion was that their market value is not materially different from the carrying values.

# FAIRHOLD FREEHOLDS NO.2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

8 Debtors	2010 £	2009 £
Amounts owed by parent and fellow subsidiary undertakings	1,378,481	1,378,957
Other debtors	1,798,059	1,673,050
Prepayments and accrued income	17,237	-
	<u>3,193,777</u>	<u>3,052,007</u>

Other debtors includes an amount of £183,094 (2009 £nil) owed by a related party

9 Creditors: amounts falling due within one year	2010 £	2009 £
Bank loans and overdrafts	2,466,163	-
Trade creditors	4,722	-
Amounts owed to parent and fellow subsidiary undertakings	3,000	65,000
Taxes and social security costs	238	-
Other creditors	3,373,488	5,671,294
Accruals and deferred income	32,412	27,636
	<u>5,880,023</u>	<u>5,763,930</u>

Included within Bank loans and overdrafts is a loan of £1,742,304 (2009 £nil) payable to Bank of Scotland. The rate of interest payable is hedged at 4.888% plus a 1.756% margin. The loan is secured by charges over various freehold properties of the company.

Also included within Bank loans and overdrafts is a loan of £723,859 (2009 £nil) payable to Bank of Scotland. The rate of interest payable is bank base rate plus a margin of 3%. The loan is cross-collateralised against the freehold properties of various related parties.

During the year there were defaults in relation to the loan covenants governing these facilities. In accordance with the requirements of Financial Reporting Standard 25, the loans have been disclosed as due within one year, as at the year end, the loans were capable of being called on demand.

Other creditors of £3,373,488 (2009 £3,373,488) are due to a related party. This is considered interest free.

Other creditors includes a further amount of £nil (2009 £2,274,676) due to a related party. The prior year balance of £2,274,676 comprises an interest bearing loan of £2,904,629 offset by an interest free debtor of £629,953. The rate of interest payable on the interest bearing loan is bank base rate plus a margin of 3%. The loan is secured by charges over various freehold properties of the company.

10 Share capital	2010 £	2009 £
Allotted, called up and fully paid		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

# FAIRHOLD FREEHOLDS NO.2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2010**

### 11 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 January 2010	56,056
Profit for the year	61,979
Balance at 31 December 2010	<u>118,035</u>

### 12 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit for the financial year	61,979	65,575
Opening shareholders' funds	56,057	(9,518)
Closing shareholders' funds	<u>118,036</u>	<u>56,057</u>

### 13 Contingent liabilities

The company has given an unlimited guarantee in respect of the bank loans of various related parties. These parties are related by virtue of common directors and common control. At 31 December 2010 the amount outstanding under these guarantees was £229,038,636 (2009 £229,499,737). The guarantee is supported by a debenture and a charge over the company's investment properties.

### 14 Directors emoluments

Other than the directors, who received no remuneration, no persons were employed during the year.

### 15 Control

As at 31 December 2010, the company's UK parent undertaking was Aztec Opco Developments Limited, a company registered in England and Wales. On 25 October 2011 the company was acquired by Fairhold Holdings (2008 Q4A) Limited. The company's ultimate parent undertaking is Euro Investments Overseas Inc, a company incorporated in the British Virgin Islands. The ultimate controlling party is the Tchenguiz Family Trust.



# **FAIRHOLD FREEHOLDS NO.2 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

---

#### **16 Post balance sheet events**

On 14 March 2011 Peverel Limited, Peverel Group Limited and Aztec Acquisitions Limited, each intermediate UK parent companies of Fairhold Freeholds No 2 Limited, and Aztec Opco Developments Limited, the ultimate UK parent undertaking of Fairhold Freeholds No 2 Limited, were placed into administration

As a result of Peverel Limited going into administration, the intercompany debtor of £1,373,481 owed by Peverel Limited became uncollectable. As this does not reflect a condition that existed at the balance sheet date it is a non-adjusting event under FRS21

The results of Fairhold Freeholds No 2 Limited were previously included in the consolidated financial statements of Peverel Group Limited and Aztec Opco Developments Limited. As a result of Peverel Group Limited and Aztec Opco Developments Limited going into administration consolidated financial statements will not be prepared for these companies for the year ended 31 December 2010

On 25 October 2011 the entire issued share capital of the company was acquired by a related party, Fairhold Holdings (2008 Q4A) Limited and all group indebtedness was repaid

#### **17 Related party relationships and transactions**

The company has taken advantage of the exemption available in accordance with FRS 8 'Related party disclosures' not to disclose transactions entered into between two or more members of a group, as the company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions

Peverel Freeholds Limited, a company incorporated in England and Wales, is regarded as a related party, due to it having a common ultimate parent undertaking

As at 31 December 2010, the company owed Peverel Freeholds Limited £3,373,488 (2009 £3,373,488) This is interest free

Fairhold Services Limited, a company incorporated in England and Wales, is regarded as a related party, due to it having a common ultimate parent undertaking

As at 31 December 2010, the company was owed £183,094 (2009 £nil) by Fairhold Services Limited. This is interest free

As at 31 December 2010, the company owed Fairhold Services Limited £nil (2009 £2,274,676). Interest payments on this loan amounted to £nil (2009 £129,174)