

**Company's Registered Number 4058708**

**PEDSTOWE LIMITED**

**Report and accounts  
for the year ended**

**31 MARCH 2010**

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## **PEDSTOWE LIMITED**

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# **PEDSTOWE LIMITED**

## **DIRECTORS AND ADVISERS**

<b>Directors</b>	John McLean Nigel Cartwright Michael Nower
<b>Secretary</b>	Nigel Cartwright
<b>Registered office</b>	49 Whitehall London SW1A 2BX
<b>Bankers</b>	Barclays Bank plc PO BOX 46116 London EC4N 8WB
<b>Auditors</b>	Nexia Smith & Williamson Chartered Accountants 25 Moorgate London EC2R 6AY
<b>Solicitors</b>	Fasken Martineau Stringer Saul LLP 17 Hanover Square London W1S 1HU
<b>Company's registered number</b>	4058708

# **PEDSTOWE LIMITED**

## **CHAIRMAN'S STATEMENT**

### **Introduction**

I am pleased to report an increase in balance sheet net assets to £404,000 from £147,000 at the previous year end, due to a combination of settling creditor claims at less than estimated amounts and to the recovery of corporation tax refunds in excess of estimated amounts

The Company no longer has any trading operations or employees and the Board's strategy continues to be to wind the Company's activities down on a solvent basis. For this reason, the accounts have been prepared on a break up rather than a going concern basis

### **Background**

Under the strategy of the previous Board of directors, the Company's former subsidiaries, trading predominantly under the Humberts brand, grew rapidly through acquisition in 2006 and 2007, with the aim of providing a national chain of residential estate agents. By the year ended 30 September 2007 turnover had grown to £31.9 million

However, in mid 2007, the residential property market started to experience a sharp decline in business volumes, which combined with high overhead and operational costs had an adverse impact on the Group's trading and cash flow. The loss before tax, including goodwill write offs, in the year ended 30 September 2007 was £17.5 million and a further £15.9 million of losses were incurred in the eighteen months ended 31 March 2009, with resulting net assets at 31 March 2009 of only £147,000. This put the economic sustainability of the business model at risk as the Company was no longer generating sufficient cash to settle deferred consideration and to support the business operationally

### **Appointment of new board**

In view of the rapidly declining fortunes of the Group, together with a profits warning, between mid 2007 and early 2008 the Board was completely restructured. I was appointed a director in December 2007 and then as Chairman in January 2008. Michael Nower was appointed as interim CEO in February 2008

### **Non-fulfilment of conditions for the £2.25 million re-financing**

After carefully reviewing the Company's options in this very weak residential property market, the new Board resolved to pursue a package of measures including the disposal of certain businesses, head count reductions and office closures, together with a fund raising of £2.25 million, by way of secured convertible loan notes. However, following the general meeting on 14 May 2008 to approve the £2.25 million fund raising, the conditions attaching to it could not subsequently be fulfilled as the Company was then unsustainable in its current structure and did not have an adequate working capital facility

### **Disposing of the Company's businesses**

Farley Management Company Limited and the management business of Farleys Estate Agents had already been sold in April 2008 to raise additional working capital. The Board then commenced an orderly disposal of Halls Participations Limited, Thomson Currie, Richard Harding Estate Agents, Blenheim Bishop Estate Agents, and BTFL, incorporating Weald Property Management

## **PEDSTOWE LIMITED**

### **CHAIRMAN'S STATEMENT (continued)**

The Board appointed Smith & Williamson, the accountancy and financial advisory group, to act in the restructuring and administration for Humberts, the only remaining part of the Group left. The Company and the Administrators agreed the sale to Mercantile Group of the assets of Humberts Limited (including the Humberts name) and certain subsidiaries of Humberts Limited, together with the assets of the Company's London-based subsidiaries of Wellingtons Estate Agents Limited, Wellingtons Estate Agents (Battersea) Limited and Farleys Limited.

#### **Progress on winding down**

Following the disposal of all of the Company's operating businesses the Board commenced a solvent winding down of the Company by realising its assets and settling all liabilities. This has been a highly complex and time consuming process due to the high number of former subsidiaries, the existence of an intermediate holding company, cross guarantees and parent company guarantees, together with both difficult and prolonged negotiations with creditors and debtors. However, I am pleased to report that most of the major contentious issues surrounding the winding down process have now been resolved.

#### **Balance sheet at 31 March 2010**

The balance sheet position at 31 March 2010 comprises debtors, creditors and cash.

##### *(1) Debtors*

Debtors include a final amount owing from the Administrators of certain of the former Humberts subsidiaries, now in administration, together with the agreed debt to be paid by Chesterton Humberts Group in February and March 2011.

##### *(2) Creditors*

Creditors include liabilities for known amounts paid since the year end and estimates to conclude the winding down process.

A principal risk for achieving the Company's planned solvent winding down was initially considered to be a large scale default by tenants of businesses disposed of, which may then have reverted to the Company under possible parent company guarantees, thereby rendering a solvent winding down un-achievable.

However, I am pleased to report a small number of operating company leases reverted to the Company under tenant default situations and for these leases negotiated settlements have been made.

#### **Audit Report**

For the year to 31<sup>st</sup> March 2010, the Auditors have reported on the Accounts without qualification. However, Shareholders will note that for the year to 31<sup>st</sup> March 2009, the Accounts were qualified as the accounting records of the subsidiary companies, which were sold, were passed over to the purchasers at the time of sale.

## **PEDSTOWE LIMITED**


### **Distribution of funds to shareholders**

Before the end of the current financial year, 31 March 2011, the Board expects to have resolved all of the outstanding matters in connection with the remainder of the Company's winding down process, when all of the assets have been converted into cash and all known current creditors have been paid. The Board will then evaluate the least costly and quickest method of returning cash to shareholders. I currently anticipate that this will be by way of a Members Voluntary Liquidation, which should see funds returned to shareholders as set out in the enclosed letter.



**John McLean**  
Chairman

16<sup>th</sup> February 2011



# **PEDSTOWE LIMITED**

## **DIRECTORS' REPORT**

The directors present their report and the accounts for the year ended 31 March 2010

### **Principal activities**

Prior to June 2008, the principal activity of the Group was as a residential estate agency chain. Between April and June 2008, all of the Group's trading operations were disposed of as set out in the Chairman's Statement and the Company is now being wound down on a solvent basis.

The Company's registered number at Companies House is 4058708.

### **Business review**

A review of the circumstances leading up to the break up of the Group between April and June 2008 is set out in the Chairman's Statement, together with a progress report on the winding down process.

### **Key performance indicators**

Primary key performance ("KPIs") indicators were revenue, underlying profit before tax and operating cash flow as these best reflected the amount of work undertaken by the Group, its profitability, and how successful it had been in converting profits into cash. Staff numbers showed the growth of the business in terms of its principal resource.

Following the break up of the Group in June 2008 the directors can see no benefit in disclosing details of these KPIs as, in their opinion, they will be of no benefit to any user of the accounts.

### **Financial risk management**

The principal risk affecting the successful outcome of a solvent winding down is claims by potential creditors of which the Company is currently unaware, including potential liabilities arising under the Company's former property leases.

### **Results for the period and dividends**

The profit for the year after taxation was £257,000 (2009 loss £15.9 million). The directors do not recommend the payment of a dividend.

## **PEDSTOWE LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Directors**

The directors of the company who served during the year were

John McLean

Michael Nower

Nigel Cartwright

James Lugg (Left the Board on 2nd December 2010)

#### **Disclosure of information to the auditors**

In the case of each person who was a director at the time this report was approved

- so far as that director was aware there was no relevant available information of which the Group's auditors were unaware, and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Group's auditors were aware of that information

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006

#### **Auditors**

A resolution to re-appoint the auditors, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting

**Approved by the board of directors  
and signed on behalf of the board**



**Nigel Cartwright**  
Director

16th February 2011



## **PEDSTOWE LIMITED**

### **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 group and of the profit or loss of the company and group 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 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 and group 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

# Nexia Smith & Williamson

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEDSTOWE LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Pedstowe Limited for the year ended 31 March 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 23. 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 page 7, 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### Qualified opinion on the financial statements arising from limitation in audit scope

Following the sale of the Company's interest in the share capital of Halls Participations Limited and Farleys Management Company Limited, the sale of business, assets and liabilities of the subsidiary companies Pedstowe Mayfair Limited, Farleys Limited, Farleys Management Limited, Pedstowe Fulham Limited, Pedstowe (Battersea) Limited and Pedstowe (Canterbury) Limited, the sale of the Company's interest in the capital of the unincorporated business known as Richard Harding and the sale of certain subsidiary undertakings of Pedstowe Group Holdings Limited by the appointed administrator during the period ended 31 March 2009, the Directors were unable to obtain access to the accounting records of these businesses. A loss of £11.9m is included in the consolidated profit and loss account for the 18 month period ended 31 March 2009 which relates to these disposed businesses.

Except for the financial effects on the comparatives of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the loss in relation to the disposed businesses for the period ended 31 March 2009, in our opinion the financial statements

- give a true and fair view of the state of the group's affairs as at 31 March 2010 and of the group's 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 – basis of preparation

In forming our opinion on the financial statements we have considered the appropriateness of the basis of preparation of the financial statements and the adequacy of the disclosures made in note 1 to the accounts. As disclosed in note 1, the group has disposed of all its operating businesses, either by way of Administration or disposals to third parties. The group financial statements have therefore been prepared on the basis that the group is no longer a going concern.

# Nexia Smith & Williamson

## **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

## **Matters on which we are required to report by exception**

In respect solely of the limitation of our work as to the loss in relation to the disposed businesses for the period ended 31 March 2009, described above

- we were unable to obtain all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether proper accounting records have been maintained

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

- returns adequate for our audit have not been received from branches not visited by us, or
- certain disclosures of directors' remuneration specified by law are not made, or
- the parent company financial statements are not in agreement with the accounting record or returns

## **Other matter**

We have reported separately on the parent company financial statements of Pedstowe Limited for the year ended 31 March 2010. That report is modified by the inclusion of an emphasis of matter

Nexia Smith & Williamson

Sancho Simmonds  
Senior Statutory Auditor, for and on behalf of  
Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants

25 Moorgate  
London  
EC2R 6AY

17 FEBRUARY 2011

## **Nexia Smith & Williamson**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEDSTOWE LIMITED ON THE PARENT COMPANY FINANCIAL STATEMENTS**

We have audited the parent company financial statements of Pedstowe Limited for the year ended 31 March 2010 which comprise the Balance Sheet and the related notes 1 to 23. 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 page 7, 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **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 March 2010,
- 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 – basis of preparation**

In forming our opinion on the accounts we have considered the appropriateness of the basis of preparation of the financial statements and the adequacy of the disclosures made in note 1 to the accounts. As disclosed in note 1, the group has disposed of all its operating business, as either by way of administration or disposals to third parties and the Directors are in the process of winding down the parent company. The parent company financial statements have therefore been prepared on the basis that the company is no longer 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.

#### **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.

#### **Other matter**

We have reported separately on the consolidated financial statements of Pedstowe Limited for the year ended 31 March 2010. That report includes a limitation of scope and an emphasis of matter.

*Nexia Smith & Williamson*

Sancho Simmonds  
Senior Statutory Auditor, for and on behalf of  
Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants

25 Moorgate  
London  
EC2R 6AY

17 FEBRUARY 2011

# **PEDSTOWE LIMITED**

## **CONSOLIDATED PROFIT AND LOSS ACCOUNT** for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £000	18 months ended 31 March 2009 £000
<b>Turnover</b>	1	—	19,509
Staff costs	4	—	(12,919)
Other operating income/(charges)		<b>131</b>	(10,159)
Depreciation and other amounts written off tangible and intangible fixed assets		—	(9,342)
<b>Operating profit/(loss)</b>	6	<b>131</b>	(12,911)
<b>Non-operating items</b>			
Loss on disposal of subsidiary undertakings	22	—	(2,463)
Loss on disposal of business activities	22	—	(7,053)
Gain on de-consolidation of subsidiary undertakings subject to severe long term restrictions	22	—	6,837
Net interest receivable and similar items	5	—	98
<b>Profit/(loss) on ordinary activities before tax</b>	6	<b>131</b>	(15,492)
Tax on profit/(loss) on ordinary activities	7	<b>126</b>	(391)
<b>Profit/(loss) for the period</b>	15	<b>257</b>	(15,883)

All of the group's trading operations were disposed of between April and June 2008 either by way of Administration or disposals to third parties. The Company no longer has any trading operations or employees. As a result, the profit and loss account has been prepared on the basis that all operations are discontinued operations.

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

# **PEDSTOWE LIMITED**

## **CONSOLIDATED BALANCE SHEET**

as at 31 March 2010

	Notes	31 March 2010 £000	31 March 2009 £000
<b>Fixed assets</b>			
Investments	8	280	700
		<b>280</b>	<b>700</b>
<b>Current assets</b>			
Debtors	10	104	183
Cash at bank and in hand		401	179
		<b>505</b>	<b>362</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(381)</b>	<b>(451)</b>
<b>Net current assets/(liabilities)</b>		<b>124</b>	<b>(89)</b>
<b>Total assets less current liabilities</b>		<b>404</b>	<b>611</b>
<b>Provisions for liabilities</b>	12	<b>—</b>	<b>(464)</b>
<b>Net assets</b>		<b>404</b>	<b>147</b>
<b>Shareholders' equity</b>			
Called up share capital	13	3,110	3,110
Share premium account	14	20,028	20,028
Other reserves	14	870	870
Profit and loss account	14	(23,604)	(23,861)
<b>Total shareholders' funds</b>	15	<b>404</b>	<b>147</b>

The accounts were approved and authorised for issue by the Board of Directors on 16th February 2011 and were signed on its behalf by



**N Cartwright**  
Director

# **PEDSTOWE LIMITED**

## **COMPANY BALANCE SHEET** as at 31 March 2010

	Notes	31 March 2010 £000	31 March 2009 £000
<b>Fixed assets</b>			
Investments	9	—	—
<b>Current assets</b>			
Debtors falling due within one year	10	384	879
Cash at bank and in hand		401	129
		785	1,008
<b>Creditors: amounts falling due within one year</b>	11	(381)	(348)
<b>Net current assets</b>		404	660
<b>Total assets less current liabilities</b>		404	660
<b>Provisions for liabilities</b>	12	—	(464)
<b>Net assets</b>		404	196
<b>Shareholders' equity</b>			
Called up share capital	13	3,110	3,110
Share premium account	14	20,028	20,028
Other reserves	14	1,218	1,218
Profit and loss account	14	(23,952)	(24,160)
		404	196

The accounts were approved and authorised for issue by the Board of Directors on 16th February 2011 and were signed on its behalf by



**N Cartwright**  
Director

**PEDSTOWE LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £000	18 months ended 31 March 2009 £000
<b>Net cash outflow from operating activities</b>	19	<b>(442)</b>	<b>(4,082)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		—	98
		<b>(442)</b>	<b>(3,984)</b>
<b>Taxation</b>			
Corporation tax received		244	126
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		—	(501)
<b>Acquisitions and disposals</b>			
Settlement of deferred consideration and purchase of subsidiary undertakings		—	(2,256)
Net cash with subsidiaries sold		—	(757)
Disposal of businesses	8	420	3,250
		<b>420</b>	<b>237</b>
<b>Cash inflow/(outflow) before management of liquid resources and financing</b>		<b>222</b>	<b>(4,122)</b>
<b>Management of liquid resources</b>		<b>—</b>	<b>1,465</b>
<b>Financing</b>			
Issue of share capital		—	3
Repayment of capital element of finance lease rentals		—	(133)
		<b>—</b>	<b>(130)</b>
<b>Increase/(decrease) in cash in the period</b>	22	<b>222</b>	<b>(2,787)</b>



# **PEDSTOWE LIMITED**

## **NOTES TO THE ACCOUNTS for the year ended 31 March 2010**

### **1 Accounting policies**

The accounts have been prepared in accordance with the Companies Act 2006 and applicable United Kingdom Generally Accepted Accounting Practices. A summary of the more important accounting policies adopted are described below.

#### **Basis of preparation**

The accounts have been prepared under the historical cost convention, as modified by the revaluation of fixed asset investment properties. The accounts for the 18 months ended 31 March 2009 and the financial year ended 31 March 2010 have been prepared on a break up basis following the disposal of all of the group's operating businesses between April and June 2008, either by way of Administration or disposals to third parties, as disclosed in the Chairman's Statement. Accordingly, full provision has been made in these accounts for all known liabilities and anticipated losses on realisation of assets.

#### **Basis of consolidation**

The group accounts consolidate the accounts of Pedstowe Limited and all its subsidiary undertakings drawn up to 31 March 2010, except where stated. The results of subsidiaries acquired or sold are consolidated for periods from or to the date on which control passes. Acquisitions are accounted for under the acquisition method.

Where Administration procedures are in progress at the period end the effected subsidiaries are consolidated up to the date of Administration and are excluded after that date on the basis that severe long term restrictions are in place as the parent company is unable to exercise its rights over the assets of the subsidiaries, in accordance with Financial Reporting Standard 2. Subsidiaries subject to severe long term restrictions are treated as fixed asset investments and are initially carried at a fixed amount calculated using the equity method of accounting, less any provision for impairment.

No profit and loss account is presented for Pedstowe Limited as permitted by section 230 of the Companies Act 2006. The results after taxation of the parent undertaking for the period ended 31 March 2010 showed a profit of £208,000 (2009: £12.9 million loss).

#### **Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life of 7 years. No amortisation is charged in the year of disposal.

In the 18 months ended 31 March 2009, full provision was made for impairment of goodwill in respect of those subsidiaries where the trade and assets have been disposed of. Goodwill relating to subsidiaries subject to severe long term restrictions has been transferred to fixed asset investments.

# **PEDSTOWE LIMITED**

## **NOTES TO THE ACCOUNTS for the year ended 31 March 2010 (continued)**

### **1 Accounting policies (continued)**

#### **Investments**

Fixed asset investments are shown at cost, or a fixed amount calculated using the equity method of accounting where they represent subsidiaries subject to severe long term restrictions, less provision for impairment. In the 18 months ended 31 March 2009, full provision was made for impairment of fixed asset investments in respect of those subsidiaries where the trade and assets have been disposed of.

#### **Deferred taxation**

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.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted.

Any assets and liabilities recognised have not been discounted.

#### **Pension costs**

Contributions to defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **Leases**

Assets held under finance leases are included in fixed assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments and the corresponding liabilities are shown as obligations under finance leases within creditors. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit over the period of the lease.

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Rent free periods or any inducement to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

## **PEDSTOWE LIMITED**

### **NOTES TO THE ACCOUNTS for the year ended 31 March 2010 (continued)**

#### **1 Accounting policies (continued)**

##### **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Provisions which are deemed to be material, such as the provision for contingent consideration, are discounted at a risk free rate over the period to maturity.

#### **2 Segmental reporting**

No segmental reporting of information has been presented for the current period as the directors do not consider that it is practicable to do so following the break up of the Group.

## **PEDSTOWE LIMITED**

### **NOTES TO THE ACCOUNTS for the year ended 31 March 2010 (continued)**

#### **3 Directors' emoluments**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<i>All directors</i>		
Aggregate emoluments	<b>103</b>	392
Company pension contributions to money purchase schemes	—	12
Compensation for loss of office	—	193
No retirement benefits are accruing to any directors under the company's money purchase pension scheme		
<i>Highest paid director</i>	<b>49</b>	223
Company pension contributions to money purchase scheme	—	10

## **PEDSTOWE LIMITED**

### **NOTES TO THE ACCOUNTS** **for the year ended 31 March 2010 (continued)**

#### **4 Employee information**

The average number of persons, including directors, employed by the group during the period was

	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
Sales and administration	<b>4</b>	653

Average employee numbers in the comparative period relate to the period from 1 October 2007 to the break up of the Group on 11 June 2008

	<b>£000</b>	<b>£000</b>
Staff costs for the above persons were		
Wages and salaries	<b>103</b>	11,496
Social security costs	—	1,193
Other pension costs	—	230
	<b>103</b>	12,919

The average number of persons, including directors, employed by the company during the period was

	<b>Number</b>	<b>Number</b>
Administration	<b>4</b>	4

	<b>£000</b>	<b>£000</b>
Staff costs for the above persons were		
Wages and salaries	<b>103</b>	617
Social security costs	—	109
Other pension costs	—	27
	<b>103</b>	753

# **PEDSTOWE LIMITED**

## **NOTES TO THE ACCOUNTS** for the year ended 31 March 2010 (continued)

<b>5</b>	<b>Net interest receivable and similar items</b>	<b>2010</b>	<b>2009</b>
		<b>£000</b>	<b>£000</b>
	Interest payable on finance leases	—	(30)
	Total interest receivable	—	128
	Net interest receivable and similar items	—	98
<b>6</b>	<b>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)</b>	<b>2010</b>	<b>2009</b>
		<b>£000</b>	<b>£000</b>
	Depreciation		
	- owned assets	—	973
	- assets held under finance leases	—	178
	Impairment of fixed asset investments and goodwill	—	8,191
	Loss on disposal of subsidiary undertakings	—	2,463
	Loss on disposal of business activities	—	7,053
	Gain on de-consolidation of subsidiary undertakings subject to severe long term restrictions	—	(6,827)
	Exceptional items		
	- winding down costs	—	646
	- employee termination costs	—	260
			906
	Operating lease rentals		
	- hire of plant and machinery	—	576
	- other operating leases	—	1,540
	<b>The analysis of auditors' remuneration is as follows:</b>		
	Auditors' remuneration for audit services	6	25
	Auditors' remuneration for non-audit services		
	- tax services	35	20
		<b>41</b>	<b>45</b>

# **PEDSTOWE LIMITED**

## **NOTES TO THE ACCOUNTS** for the year ended 31 March 2010 (continued)

<b>7 Tax on profit/(loss) on ordinary activities</b>		<b>2010</b>	<b>2009</b>
		<b>£000</b>	<b>£000</b>
(a)	The tax credit comprises:		
	<b>Current tax</b>		
	UK corporation tax	—	—
	Adjustment in respect of prior years	126	73
	<b>Total current tax credit</b>	<b>126</b>	<b>73</b>
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	—	(464)
	<b>Total deferred tax</b>	<b>—</b>	<b>(464)</b>
	<b>Total tax on profit/(loss) on ordinary activities</b>	<b>126</b>	<b>(391)</b>
		<b>£000</b>	<b>£000</b>
(b)	Factors affecting tax charge for period		
	Profit/(loss) on ordinary activities before tax	131	(15,492)
	Profit/ (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK 28.5% (2009 30%)	(37)	4,415
	Effects of		
	Tax adjustments in relation to goodwill	—	(2,334)
	Expenses not deductible for tax purposes	—	(815)
	Capital allowances for period in excess of depreciation	—	(33)
	Adjustments to tax charge in respect of previous periods	126	73
	Timing differences and unutilised tax losses	37	(1,233)
	<b>Current tax credit for period</b>	<b>126</b>	<b>73</b>

At 31 March 2010 the Group had unutilised tax losses of approximately £4.7 million (2009 £4.7 million)

## **PEDSTOWE LIMITED**

### **NOTES TO THE ACCOUNTS** **for the year ended 31 March 2010 (continued)**

#### **8 Fixed asset investments**

<b>Group</b>	<b>Subsidiary undertakings</b>
	<b>£000</b>
<b>Cost</b>	
1 April 2009	8,891
Recovery	(420)
<b>31 March 2010</b>	<b>8,471</b>
<b>Impairment</b>	
1 April 2009 and 31 March 2010	(8,191)
<b>Net book value</b>	
<b>31 March 2010</b>	<b>280</b>
<b>31 March 2009</b>	<b>700</b>

At 31 March 2010 the carrying value of investments represents the amount which the Group expects to recover from the administrators in respect of those subsidiaries subject to severe long term restrictions



## **PEDSTOWE LIMITED**

### **NOTES TO THE ACCOUNTS for the year ended 31 March 2010 (continued)**

#### **9 Fixed asset investments**

<b>Company</b>	<b>Subsidiary undertakings</b>
	<b>£000</b>
<b>Cost</b>	
1 April 2009 and 31 March 2010	7,767
<b>Impairment</b>	
1 April 2009 and 31 March 2010	(7,767)
<b>Net book value</b>	
<b>31 March 2010</b>	—
<b>31 March 2009</b>	—

Following a review by the directors, all remaining fixed asset investments were impaired in full at 31 March 2009 on the basis that the trades and assets of the remaining subsidiaries have been disposed of

## PEDSTOWE LIMITED

### NOTES TO THE ACCOUNTS

for the year ended 31 March 2010 (continued)

10 Debtors	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Amounts owed by subsidiary undertakings	—	—	280	841
Other debtors	104	28	104	38
Corporation tax	—	155	—	—
	<b>104</b>	<b>183</b>	<b>384</b>	<b>879</b>

At 31 March 2010, the Company held an interest free loan to subsidiary undertakings of £280,000 (2009 £841,000) repayable on demand, against which a provision of £nil (2009: £nil) has been made to reflect the amount deemed to be irrecoverable

# **PEDSTOWE LIMITED**

## **NOTES TO THE ACCOUNTS** for the year ended 31 March 2010 (continued)

### **11 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade creditors	—	197	—	197
Corporation tax	—	37	—	25
Other taxes and social security costs	—	91	—	—
Deferred consideration for acquisitions	—	12	—	12
Accruals and deferred income	<b>381</b>	<b>114</b>	<b>381</b>	<b>114</b>
	<b>381</b>	<b>451</b>	<b>381</b>	<b>348</b>

## **PEDSTOWE LIMITED**

### **NOTES TO THE ACCOUNTS for the year ended 31 March 2010 (continued)**

#### **12 Provisions for liabilities (all expected to mature within one year)**

	Onerous leases £000	Litigation £000	Contingent consideration £000	Total £000
<b>Group and Company</b>				
At 1 April 2009	259	130	75	464
Released to profit and loss account	(239)	(130)	(55)	(424)
Utilised	(20)	—	(20)	(40)
<b>At 31 March 2010</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

Onerous lease provisions were previously made against specific onerous property leases. In addition, there may be a number of outstanding obligations in respect of property leases that have been assigned to third parties. To date no claims have been notified or received in respect of any such potential obligations.

Litigation provisions related to disputes with suppliers in respect of certain finance leases and other obligations, which have now been settled.

Contingent consideration totalling £55,000 payable on the acquisition of subsidiaries has been waived on the break up of the group under the sale and purchase agreements in place.

# **PEDSTOWE LIMITED**

## **NOTES TO THE ACCOUNTS** for the year ended 31 March 2010 (continued)

<b>13 Share capital</b>	<b>2010 £000</b>	<b>2009 £000</b>
<b>Authorised</b>		
656,708,073 (2009 656,708,073 of 5p each) ordinary shares of 2p each	<b>13,134</b>	13,134
62,194,618 (2009 62,194,618 of 20p each) deferred shares of 3p each	<b>1,866</b>	1,866
	<b>15,000</b>	15,000
<b>Allotted, called up and fully paid</b>		
<b>Ordinary shares of 2p each</b>		
At beginning of period	<b>1,244</b>	3,100
Allotted in placing	—	1
Allotted on acquisitions	—	9
Division of ordinary share capital	—	(1,866)
At end of period (62,194,618 shares of 2p each)	<b>1,244</b>	1,244
<b>Deferred shares of 3p each</b>		
At beginning of period	<b>1,866</b>	—
Division of ordinary share capital (see below)	—	1,866
At end of period (62,194,618 shares of 3p each)	<b>1,866</b>	1,866
<b>Total share capital</b>	<b>3,110</b>	3,110

On 14 May 2008 a resolution was passed to increase the authorised share capital of the company to £15,000,000 by the creation of additional ordinary shares of 5p each ranking parri passu in all respects with the existing ordinary shares of 5p each in the company

Also on 14 May 2008, a resolution was passed that each of the 62,194,618 issued ordinary shares of 5p each in the capital of the company be divided with immediate effect in to one ordinary share of 2p each and one deferred share of 3p each, and that every two of the existing authorised but unissued ordinary shares of 5p each be divided with immediate effect in to five ordinary shares of 2p each

Deferred shares carry no rights to dividends, carry no right to attend or vote at general meetings and are only entitled to receive capital on the winding up or other return of capital after payment to ordinary shareholders of paid up capital, dividends and £1,000,000 in respect of each ordinary share

# PEDSTOWE LIMITED

## NOTES TO THE ACCOUNTS for the year ended 31 March 2010 (continued)

### 14 Reserves

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
<b>Profit and loss</b>				
At beginning of period	(23,861)	(11,761)	(24,160)	(14,997)
Profit/(loss) for the period	257	(15,883)	208	(12,878)
Transfer from revaluation reserve	—	68	—	—
Transfer from merger reserve	—	3,715	—	3,715
At end of period	(23,604)	(23,861)	(23,952)	(24,160)
<b>Share premium account</b>				
At beginning and end of period	20,028	20,028	20,028	20,028

	Group			Company		
Other reserves	1 April 2009	Movement	31 Mar 2010	1 April 2009	Movement	31 Mar 2010
	£000	£000	£000	£000	£000	£000
Warrants reserve	60	—	60	60	—	60
Own share purchase reserve	(330)	—	(330)	(330)	—	(330)
Non-distributable reserve	200	—	200	548	—	548
Capital redemption reserve	940	—	940	940	—	940
	870	—	870	1,218	—	1,218

As part of the consideration for the acquisition of the Humberts Partnership on 2 November 2005, 500,000 warrants for the value of £60,000 were issued. The warrants were exercisable at any time before 30 November 2010 and give the holders collectively the right to subscribe for 500,000 ordinary shares at the price of 60p per share.

## **PEDSTOWE LIMITED**

### **NOTES TO THE ACCOUNTS** **for the year ended 31 March 2010 (continued)**

#### **15 Reconciliation of movements in group shareholders' funds**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Profit/(loss) for the financial year	<b>257</b>	(15,883)
Nominal value of ordinary shares issued on acquisitions	—	10
Premium on ordinary shares issued on acquisitions	—	143
Deferred shares to be issued on acquisitions	—	(791)
Net change in shareholders' funds	<b>257</b>	(16,521)
Opening shareholders' funds	<b>147</b>	16,668
Closing shareholders' funds	<b>404</b>	147

## **PEDSTOWE LIMITED**

### **NOTES TO THE ACCOUNTS**

**for the year ended 31 March 2010 (continued)**

#### **16 Operating lease commitments**

At 31 March 2010 the group and company had annual commitments under operating leases as follows

	<b>2010</b>		<b>2009</b>	
	<b>Property</b>	<b>Vehicles and equipment</b>	<b>Property</b>	<b>Vehicles and equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Group and company</b>				
For leases expiring				
Within one year	<b>22</b>	—	—	—
Between two and five years	—	—	<b>17</b>	—
After five years	—	—	<b>37</b>	—
	<b>22</b>	—	<b>54</b>	—

#### **17 Ultimate controlling party**

In the opinion of the directors there is no controlling party



# **PEDSTOWE LIMITED**

## **NOTES TO THE ACCOUNTS** for the year ended 31 March 2010 (continued)

### **18 Related party transactions**

During the period £Nil (£2009 £35,000) was paid to Patricia Farley, a former director of the Company, being 50% of the total net rent (on commercial terms) of offices used in South Kensington

### **19 Reconciliation of operating loss to net cash outflow from operating activities**

	2010	2009
	£000	£000
Operating profit/(loss)	131	(12,911)
Depreciation	—	1,151
Impairment of goodwill	—	8,191
(Increase)/decrease in debtors	(76)	3,353
Decrease in creditors	(33)	(3,866)
Decrease in provisions	(464)	—
Net cash outflow from operating activities	(442)	(4,082)

### **20 Reconciliation of net cash flow to movement in net debt**

	2010	2009
	£	£
Opening net funds	179	3,852
Increase/(decrease) in cash	222	(2,787)
Movement in liquid resources	—	(1,465)
Movement in borrowings	—	579
Closing net funds	401	179

21 Analysis of net cash	At 1 April 2009	Cash flow	Other non cash changes	At 31 March 2010
	£000	£000	£000	£000
Bank balances	179	222	—	401

## **PEDSTOWE LIMITED**

### **NOTES TO THE ACCOUNTS for the year ended 31 March 2010 (continued)**

#### **22 Break up of group**

##### **Disposals of subsidiary undertakings**

###### **a) Disposal of the Halls group of companies**

On 28 May 2008 the Group disposed of its 100% interest in the share capital of Hall Participations Limited and its subsidiary companies for cash consideration of £850,000, the release of deferred consideration payable to the original vendors on the acquisition of the group and the release of inter-company loan balances owing between the parties at the date of disposal

The loss on disposal of this subsidiary undertaking amounted to £2,268,000 and, according to management accounts produced up to the date of disposal, the subsidiary contributed a total profit of £345,000 to the operating loss of the Group for the period ended 31 March 2009

###### **b) Other disposals**

During the period ended 31 March 2009 the Group disposed of its 100% interest in the share capital of Farleys Management Company Limited and 100% of its interest in the capital of the unincorporated business known as Richard Harding

Consideration on the disposal of the above entities was made up of cash totalling £375,000, the release of deferred consideration payable to the original vendors on acquisition by the Group and the release of inter-company loan balances owing between the parties at the date of disposal

The loss on disposal of Farleys Management Company Limited amounted to £86,000 and, according to management accounts produced up to the date of disposal, the subsidiary contributed a total loss of £7,000 to the operating loss of the Group for the period ended 31 March 2009

The loss on disposal of the unincorporated business known as Richard Harding amounted to £109,000 which is equal to the carrying value of the related goodwill as at 30 September 2007 less the sales proceeds received on disposal. The contribution to the operating loss of the Group up to the date of disposal is included within the aggregated figures shown below in respect of the Humberts Group as the interest in this subsidiary undertakings was held directly by Pedstowe Group Holdings Limited and following the break-up of the Group the Directors have not been able to access the accounting records of the business.

##### **Disposal of business activities**

###### **a) Blenheim Bishop**

On 29 May 2008 the Group disposed of the trade, assets and obligations of Pedstowe Mayfair Limited, a 100% subsidiary company, for cash consideration of £50,000 and the release of deferred consideration payable to the original vendors on acquisition by the Group

The loss on disposal of these business activities amounted to £5,548,000. According to management accounts produced up to the date of disposal, the subsidiary contributed a total loss of £221,000 to the operating loss of the Group for the period ended 31 March 2009

## **PEDSTOWE LIMITED**

### **NOTES TO THE ACCOUNTS**

**for the year ended 31 March 2010 (continued)**

#### **b) Farleys**

During the period ended 31 March 2009 the Group disposed of the trade, assets, and obligations of Farleys Limited and Farleys Management Limited, both 100% subsidiary companies, for cash consideration of £1,774,500

The profit on disposal of these business activities amounted to £727,000. According to management accounts produced up to the date of disposal, these subsidiaries contributed a total profit of £575,000 to the operating loss of the Group for the period ended 31 March 2009.

#### **c) Other disposals**

During the period ended 31 March 2009 the Group disposed of the trade, assets and obligations of Pedstowe Fulham Limited, all 100% subsidiary companies, for cash consideration of £200,000 and certain assumed liabilities.

The aggregated loss on disposal of these business activities amounted to £2,232,000. According to management accounts produced up to the date of disposal, these subsidiaries contributed a total profit of £256,000 to the operating loss of the Group during the period ended 31 March 2009.

#### **Subsidiaries subject to severe long term restrictions**

On 11 June 2008 administration procedures were commenced in respect of Pedstowe (London) Limited, a 100% subsidiary and intermediate holding company of the Group, at which time control over the undertaking passed to the Administrator. As there are significant restrictions imposed on the Group such that it is unable to exercise its rights over the assets and management of Pedstowe (London) Limited and its subsidiary companies (as listed at note 23) from the date of administration, severe long term restrictions are deemed to be in place and therefore the results of the group have been consolidated up to 11 June 2008 only. Subsequent to this date the Administrator has disposed of its interest in the share capital of certain subsidiary undertakings, together with the trade, assets, and obligations of certain other subsidiary undertakings.

As at 11 June 2008, the carrying value of goodwill relating to Pedstowe (London) Limited and subsidiary companies totalling £8,891,000 was transferred to fixed asset investments in accordance with Financial Reporting Standard 2. Following a review by the Directors, the carrying value of this fixed asset investment as at 31 March 2009 was impaired by £8,191,000. The balance included in the balance sheet at 31 March 2010 totalling £280,000 (2009: £700,000) represents the amount expected to be recovered by the Group from the Administrator. The net liabilities of these subsidiaries as at 11 June 2008, less the write down of amounts owed to Pedstowe Limited, resulted in the recognition in the profit and loss account for the period ended 31 March 2009 of a gain totalling £6,837,000 on the de-consolidation of Pedstowe (London) Limited and subsidiary companies.

According to management accounts produced up to the date of administration, Pedstowe (London) Limited and subsidiary companies contributed a total loss of £1,695,000 to the operating loss of the Group during the period ended 31 March 2009.

## PEDSTOWE LIMITED

### NOTES TO THE ACCOUNTS

for the year ended 31 March 2010 (continued)

#### 23 Subsidiary undertakings

The following subsidiary undertakings are wholly owned and are incorporated and operate in England. At the balance sheet date all of the subsidiary undertakings are dormant.

##### Entity

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##### *Directly owned subsidiaries*

Pedstowe Group Holdings Limited (*Dissolved 21 December 2010*)

Pedstowe Trustees Limited

Pedstowe Mayfair Limited (*Dissolved 13 July 2010*)

Pedstowe (Kensington) Limited (*Dissolved 19 October 2010*)

Pedstowe Fulham Limited (*Dissolved 8 December 2009*)

Pedstowe (Battersea) Limited (*Dissolved 8 December 2009*)

Pedstowe (Canterbury) Limited (*Dissolved 17 August 2010*)

##### *Subsidiaries subject to severe long term restrictions*

Pedstowe (London) Limited (*in Liquidation*)

Pedstowe (North Somerset) Limited (*Dissolved 13 April 2010*)

Westchurch Lettings limited (*Dissolved 10 September 2009*)

Westchurch Limited (*in Liquidation*)

Westchurch Associates Limited (*Dissolved 10 September 2009*)

Pedstowe Professional Services Limited (*Dissolved 15 September 2009*)

Martin and Basset Limited (*Dissolved 24 August 2010*)

Calcutt Maclean Standen Limited (*Dissolved 3 August 2010*)

Calcutt Maclean Standen Fine Art Limited (*Dissolved 3 August 2010*)

Weald Property Management Limited

Spencer Ridley Property Limited (*Dissolved 8 December 2009*)

Pedstowe (East Midlands) Limited (*in Liquidation*)

Pedstowe Chichester Limited (*in Liquidation*)