

RQ BLOCK D LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010



Registered number 4311199

RQ BLOCK D LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill

SECRETARIES

A Wolfson
I Rapley

REGISTERED OFFICE

Molteno House
302 Regents Park Road
London
N3 2JX

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey GU1 1UW

RQ BLOCK D LIMITED

DIRECTORS' REPORT

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

Principal activities

The principal activity of the company during the year was that of property investment

Review of the business and future developments

The directors are satisfied with the financial position of the company at the year end subject to the matters discussed in the accounting policies on page 7 which may have an impact on the company's ability to continue as a going concern

Results and dividends

The profit for the year was £10,047 (2009 £8,779) The directors do not recommend the payment of a dividend

Investment properties

The investment properties have been valued on an actuarial basis at £1,600,000 (2009 £1,400,000) The resultant valuation surplus amounted to £200,000 (2009 £nil)

Directors

The directors who served during the year were as follows

W K Procter

C C McGill

I Rapley

(resigned 10 June 2010, reappointed 29 March 2011)

(appointed 10 June 2010, resigned 17 March 2011)

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 those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c 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

RQ BLOCK D LIMITED

DIRECTORS' REPORT (Continued)

Statement as to disclosure of information to auditors


The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

The auditor, Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

By order of the Board



W K Procter
Director
29/09/ 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RQ BLOCK D LIMITED

We have audited the financial statements on pages 5 to 12. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 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 (APB's) Ethical Standards for Auditors.

Scope of the audit

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

Opinion on the 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 result 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 the accounting policies on page 7 of the financial statements which set out

- some possible events which could result from the shares pledged as security to secure the financial liabilities of a related party having been called by the joint receivers triggering potential events of default in respect of the cross collateralised borrowings set out in note 12, and
- the status of negotiations with finance providers to put in place formal standstill arrangements and/or facility extensions to allow a reasonable time for a refinancing to take place,

which may have an impact on the company's ability to continue as a going concern.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

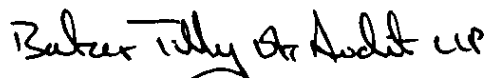
Opinion on other matter prescribed by the Companies Act 2006

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, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



David Worrow FCA (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey GU1 1UW

30/9/ 2011

RQ BLOCK D LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £	2009 £
Turnover	1	41,874	45,510
Administration costs		(17,308)	(17,512)
Operating profit		<u>24,566</u>	<u>27,998</u>
Interest payable and similar charges	2	(14,519)	(19,219)
Profit on ordinary activities before taxation	3	<u>10,047</u>	<u>8,779</u>
Tax on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation	11	<u>£ 10,047</u>	<u>£ 8,779</u>

The operating profit derives from the company's continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £	2009 £
Profit for the financial year		10,047	8,779
Unrealised surplus on valuation of properties	6	200,000	-
Total recognised gains and losses for the year		<u>£ 210,047</u>	<u>£ 8,779</u>

RQ BLOCK D LIMITED**BALANCE SHEET (Company Registration Number: 4311199)****AT 31 DECEMBER 2010**

	Notes	2010 £	2009 £
Fixed assets			
Investment properties	6	1,600,000	1,400,000
Creditors: Amounts falling due within one year	7	(4,775)	(2,926)
Total assets less current liabilities		<u>1,595,225</u>	<u>1,397,074</u>
Creditors: Amounts falling due after more than one year	8	(443,677)	(455,573)
Net assets		<u>£ 1,151,548</u>	<u>£ 941,501</u>
Capital and reserves			
Called up share capital	10	1	1
Revaluation reserve	11	1,203,600	1,003,600
Profit and loss account	11	(52,053)	(62,100)
Shareholders' funds	11	<u>£ 1,151,548</u>	<u>£ 941,501</u>

The financial statements on pages 5 to 12 were approved by the board of directors and authorised for issue on 29/09/ 2011 and are signed on its behalf by



W K Procter
Director

RQ BLOCK D LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards

Going concern

The company is party to a group 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, 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 31 March 2008 shares in companies immediately controlling the company's United Kingdom holding company, Fairhold Holdings (2005) Limited, were pledged as security to secure the financial liabilities of a related party, Oscatello Investments Limited. On 10 December 2008 these liabilities were called and on 16 February 2009 Grant Thornton UK LLP and Grant Thornton (British Virgin Islands) Limited were appointed as joint Law of Property Act receivers in respect of the pledged shares. Should the shares covered by the pledges be realised by the receivers this action would constitute a change in control of the company and of its United Kingdom group and this would constitute an event of default in respect of the group's borrowings from its principal lender. On 17 September 2011 the appointment of the Law of Property Act receivers was rescinded.

The cross collateralised borrowings of the company's group, as set out in note 12, are due for repayment in November 2011.

The company's United Kingdom group, together with the other related parties whose financial arrangements have also been impacted by the share pledges mentioned above, are currently making arrangements to refinance their collective borrowings and as part of that process are negotiating with the finance providers to put in place formal standstill arrangements and/or facility extensions to allow a reasonable time for a refinancing to take place.

The financial statements have been prepared on the going concern basis which assumes that the formal standstill arrangements and/or facility extensions will be agreed and, subsequently, new financing facilities will be put in place and that, in addition, the past actions of the joint receivers in respect of the pledged shares will not have given rise to any other event of default in respect of the group's borrowings from its principal lender and that consequently there will be no withdrawal of those facilities prior to new facilities being put in place. The principal direct and indirect effects of a withdrawal of the group's facilities by its principal lender, for whatsoever reason, are that

- 1 the cross collateralised borrowings of the company's group to the group's principal lender, as set out in note 12, totalling £72,891,033 (2009 £71,607,669) at the year end, could 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,
- 11 if not repaid when due, the group's principal lender to the company's United Kingdom holding company could exercise its share pledges over that holding company and its group companies and take control or could exercise its security direct over the company's investment properties. The group's principal lender may seek to sell the holding company, individual companies 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, and

RQ BLOCK D LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

ACCOUNTING POLICIES (Continued)

Going concern (Continued)

- 111 if a realisation of the company's investment properties is carried out then a tax liability would arise on any sale of the properties at values in excess of cost. No provision is made in the financial statements for any such tax liability. A disposal based on the carrying value of the properties as at the year end would have resulted in a tax liability crystallising, estimated at £305,000 (2009 £266,000), as referred to in note 9.

Investment properties

In accordance with Statement of Standard Accounting Practice 19

- investment properties, comprising of freehold reversionary interests, are revalued annually to open market value on an actuarial basis and the aggregate surplus or deficit is transferred to a revaluation reserve, and
- no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run

Freehold reversionary interests are more akin to financial investments, as they generate income in the form of annual ground rents and other ancillary income streams. Recognising the unusual nature of these investment properties and the lack of a regular market for such significant portfolios of such assets the directors are of the opinion that the best approximation to an open market value for these properties as required under SSAP 19 is provided by an actuarial valuation of the income streams generated by these assets. The actuarial valuation of the entire freehold reversionary interest portfolio is undertaken by independent actuaries.

This treatment, as regards the company's investment properties, is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Turnover

Turnover comprises rent receivable and other operating income arising from investment properties.

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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

No provision is made for deferred tax on unrealised gains recognised on revaluing property to its market value.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured on a non-discounted basis.

Cash flow statement

The company has taken advantage of the small company exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1.

RQ BLOCK D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £	2009 £
1 Turnover		
Rent receivable	24,775	24,775
Other	17,099	20,735
	<u>£ 41,874</u>	<u>£ 45,510</u>
2 Interest payable and similar charges		
Interest on parent company loan	7,156	11,856
Parent company finance charges	7,363	7,363
	<u>£ 14,519</u>	<u>£ 19,219</u>
3 Profit on ordinary activities before taxation		
The profit on ordinary activities before taxation is stated after charging		
Auditor's remuneration	<u>£ 3,500</u>	<u>£ 5,000</u>
4 Employees and directors		
There were no employees during the year other than the directors, who received no remuneration for their services		

RQ BLOCK D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

5 Taxation

	2010 £	2009 £
Current tax		
UK corporation tax on profits of the year	-	-
Total current tax	<u>£ -</u>	<u>£ -</u>
Factors affecting tax charge for the year		
Profit on ordinary activities before tax	<u>10,047</u>	<u>8,779</u>
Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 28% (2009 28%)	<u>2,813</u>	<u>2,458</u>
Effects of		
Losses utilised	<u>(2,855)</u>	<u>(3,123)</u>
Disallowable expenses	<u>42</u>	<u>665</u>
Current tax charge for the year	<u>£ -</u>	<u>£ -</u>

The company has estimated losses available to carry forward of £49,328 (2009 £59,525)

No deferred tax asset arising on these losses has been recognised due to the uncertainty of their recoverability

6 Fixed assets

Investment properties	Freehold reversionary interests
Valuation	
At 1 January 2010	1,400,000
Revaluation surplus	200,000
As at 31 December 2010	<u>£ 1,600,000</u>

The freehold investment properties represent a portfolio of ground rents.

As at 28 May 2010 a leading independent firm of financial and actuarial consultants valued the properties on an actuarial basis at £1,600,000

The basis of this valuation was to project risk adjusted income streams generated by the portfolio, discounted by a risk free rate of return

The directors, in carrying out their valuation of the properties at 31 December 2010, have reviewed the basis of the 28 May 2010 valuation and have concluded that there has been no substantive change in the valuation drivers between the two valuation dates

The historical cost of the properties was £396,400 (2009 £396,400)

RQ BLOCK D LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2010****7 Creditors - amounts falling due within one year**

	2010 £	2009 £
Accruals and deferred income	£ 4,775	£ 2,926

8 Creditors - amounts falling due in more than one year

	2010 £	2009 £
Amount due to parent undertaking	£ 443,677	£ 455,573

The amount due, subject to note 12, is unsecured and has no specific repayment date. Despite the loan being repayable on demand it is not the intention for the loan to be repaid within one year and it has therefore been treated as due after more than one year. Interest is charged on the loan at LIBOR + 1%.

9 Deferred taxation

No provision for deferred taxation has been made in respect of the property held as an investment, which is included in these financial statements at a valuation of £1,600,000 (2009 £1,400,000). It is estimated that if the property were to be sold at that valuation the tax liability would amount approximately to £305,000 (2009 £266,000).

10 Share capital

	2010 £	2009 £
Allotted, issued and fully paid 1 ordinary share of £1 each	£ 1	£ 1

11 Reserves and reconciliation of movement in shareholders' funds

	Revaluation reserve £	Share capital £	Profit and loss account £	Total shareholders' funds £
Opening shareholders' funds	1,003,600	1	(62,100)	941,501
Profit for the year	-	-	10,047	10,047
Revaluation surplus	200,000	-	-	200,000
Closing shareholders' funds	1,203,600	1	(52,053)	£ 1,151,548

RQ BLOCK D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

12 Contingent liability

The company has given unlimited guarantees in respect of some of the indebtedness of its parent company and in respect of some of the indebtedness of the related parties Fairhold Holdings (2006) Appts Limited, Fairhold Holdings (2006) Houses Limited, Fairhold Holdings (2006) RPI Limited and Fairhold Homes Investment (No 9) AL Limited. These parties are related by virtue of common directors. These guarantees are supported by a debenture and a charge over the company's investment properties. At 31 December 2010 the total amount outstanding subject to the guarantees was £72,891,033 (2009 £71,607,669).

13 United Kingdom holding company

The company is a wholly owned subsidiary undertaking of Fairhold Holdings (2005) Limited, which is registered in England and Wales. This parent undertaking is the holding company of both the largest and smallest group for which consolidated accounts are prepared and of which the company is a member. Copies of the financial statements are available from Companies House, Crown Way, Mandy, Cardiff, CF4 3UZ.

14 Ultimate holding company

The directors regard the ultimate holding company to be Euro Investments Overseas Incorporated, a company incorporated in the British Virgin Islands.

15 Ultimate controlling party

The ultimate controlling party is the Tchenguiz Family Trust.

16 Related party transactions

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

During the year the company incurred a management charge of £13,658 (2009 £10,137) from Estates & Management Limited, a related party by virtue of common directorship and common control.