

RQ BLOCK D LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

TUESDAY



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COMPANIES HOUSE

Company Registration No: 04311199

RQ BLOCK D LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W K Procter
C C McGill

SECRETARY

P A Hallam

REGISTERED OFFICE

Molteno House
302 Regents Park Road
London
N3 2JX

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

RQ BLOCK D LIMITED

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 December 2013.

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 £15,089 (2012: £5,895). The directors do not recommend the payment of a dividend.

Investment properties

The investment properties included in the financial statements at a value of £1,600,000 (2012: £1,600,000) were valued by the directors as at 31 December 2013. The resultant valuation surplus amounted to £Nil (2012: £Nil).

Directors

The directors who served during the year were as follows:

W K Procter
C C McGill

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 auditor

The directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is 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.

Auditor

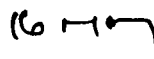
The auditor, Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

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

By order of the Board:



C C McGill
Director

 2014

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 auditor

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 of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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 the accounting policies on page 7 of the financial statements which set out some possible events which could result from the company's United Kingdom group's borrowings from its principal lender not being refinanced, which may have an impact on the company's ability to continue as a going concern. These events 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.

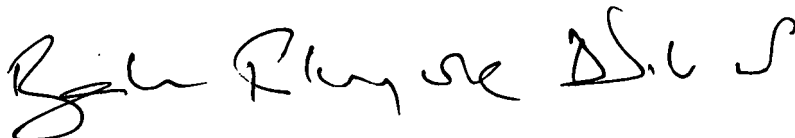
Opinion on other matter prescribed by the Companies Act 2006

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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.



Colin Roberts (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

16 May 2014

RQ BLOCK D LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 £	2012 £
Turnover	1	33,118	33,951
Administration costs		(11,428)	(19,642)
Operating profit		21,690	14,309
Interest payable and similar charges	2	(6,601)	(8,414)
Profit on ordinary activities before taxation	3	15,089	5,895
Tax on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation	12	£ 15,089	£ 5,895

The operating profit derives from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

RQ BLOCK D LIMITED

BALANCE SHEET (Company Registration Number: 04311199)

AT 31 DECEMBER 2013

	Notes	2013 £	2012 £
Fixed assets			
Investment properties	6	1,600,000	1,600,000
Debtors: Amounts falling due within one year	7	250	1,225
Creditors: Amounts falling due within one year	8	(4,738)	(5,685)
Net current liabilities		(4,488)	(4,460)
Total assets less current liabilities		1,595,512	1,595,540
Creditors: Amounts falling due after more than one year	9	(418,090)	(433,207)
Net assets		£ 1,177,422	£ 1,162,333
Capital and reserves			
Called up share capital	11	1	1
Revaluation reserve	12	1,203,600	1,203,600
Profit and loss account	12	(26,179)	(41,268)
Shareholders' funds	12	£ 1,177,422	£ 1,162,333

The financial statements on pages 5 to 12 were approved by the board of directors and authorised for issue on 16 May 2014 and are signed on its behalf by:


C C McGill
Director

RQ BLOCK D LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties and in accordance with applicable United Kingdom 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 liabilities and the group'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 company financial statements to be prepared on a going concern basis.

The group's Joint Loan facility arrangements were due for repayment in full in September 2012. The Joint Loan facility arrangements were not repaid at this date and a payment default occurred.

During the year under review, the group entered into a consensual agreement with the lender whereby 100% of the share capital of the companies subject to the Joint Loan facility was marketed for sale. The sales process is well progressed.

If successful the intention is that the proceeds of the sales process will be used to pay firstly any break costs associated with the swap instrument attached to the Joint Loan facility which at 31 December 2013 amounted to £20.9m. All available proceeds will then be used to redeem the outstanding Joint Loan of £83.4m in preference to any related party creditors and prior to any consideration passing to the shareholders for the acquisition of their shares.

The directors are of the opinion that the sales process is likely to generate sufficient proceeds to pay the swap break costs but insufficient proceeds to repay the outstanding loans in full. Based on the agreement entered into the directors understand that any outstanding loan balances will be cancelled.

Accordingly, the directors do not expect a withdrawal of the facilities prior to the sale of the relevant companies, and until that time expect that there will be sufficient funding to enable the company to trade for the period of at least 12 months from the date of approval of these financial statements.

The financial statements have been prepared on the going concern basis which assumes that the group's loan facilities will not be withdrawn as a result of the events of default that have arisen and that ultimately the consensual sales process will be successful. The principal direct and indirect effects of the withdrawal by the lender of the group's facilities are that:

- i. the group's cross collateralised joint borrowings to the principal lender, as set out in note 13, totalling £83,423,926 (2012: £78,662,082) 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 but at the year end the costs were estimated by the directors at £20,895,653. (2012: £27,026,809);
- ii. if not repaid when demanded, the principal lender to the group could exercise its share pledges over the company and group and take control or could exercise its security direct over the group's investment properties and properties held for resale. The principal lender may seek to sell the 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 group's investment properties would, probably, only be realised at values significantly less than their carrying values in these financial statements; and
- iii. if a realisation of the group'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 £216,000 (2012: £251,000), as referred to in note 10.

RQ BLOCK D LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

ACCOUNTING POLICIES (Continued)

Investment properties

The company's holdings of Freehold Reversionary Interests are classified as Investment Property and accounted for in accordance with Statement of Standard Accounting Practice 19 (SSAP 19) 'Accounting for Investment properties'.

These assets, as their name implies, represent interests held in the freehold land on which other third party developers have built and sold long leasehold properties. As such these assets 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, which are in distinct contrast with the more regular "bricks and mortar" investment properties commonly accounted for under SSAP 19, 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.

Periodically actuarial valuations of the entire Freehold Reversionary Interest portfolio is undertaken by independent actuaries. These valuations are reviewed by the directors at each year end and adjusted by them for any identified significant movements in the valuation drivers. Any surplus identified over the cost of the assets is accounted for as an unrealised gain and taken to the revaluation reserve; any deficits are applied firstly to any previously identified surpluses and any residual amount written off to the profit and loss account.

No depreciation or amortisation is provided in respect of investment properties.

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 substantively 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 2013

	2013 £	2012 £
1. Turnover		
Rent receivable	24,775	24,775
Other	8,343	9,176
	<u>£ 33,118</u>	<u>£ 33,951</u>
2. Interest payable and similar charges	2013 £	2012 £
Interest on parent company loan	£ 6,601	£ 8,414
	<u></u>	<u></u>
3. Profit on ordinary activities before taxation	2013 £	2012 £
The profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration	£ 5,220	£ 4,350
	<u></u>	<u></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 2013

5. Taxation

	2013 £	2012 £
Current tax:		
UK corporation tax on profits of the year	-	-
Total current tax	£ -	£ -
Factors affecting tax charge for the year:		
Profit on ordinary activities before tax	15,089	5,895
Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 23% (2012: 24%)	3,470	1,415
Effects of:		
Losses utilised	(3,579)	(1,415)
Disallowable expenses	109	-
Current tax charge for the year	£ -	£ -

The company has estimated losses available to carry forward of £22,979 (2012: £38,543).

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 2013 and 31 December 2013	£ 1,600,000

The freehold investment properties represent a portfolio of ground rents.

The investment properties were valued on an actuarial basis by a leading firm of financial and actuarial consultants as at 28 May 2010. As at 31 May 2013 the actuaries have performed a supplementary analysis of the actuarial analysis of the valuation. A subsequent director's valuation was undertaken as at 31 December 2013. The director's valuation of the freehold reversionary interest investment properties of £1,600,000 (2012: £1,600,000) has been adopted by the directors for the purposes of these financial statements.

The basis of this valuation was to project risk adjusted income streams generated by the portfolio, over 150 years, discounted by a risk free rate of return. The principle assumptions used in the valuation were:

- RPI basis for inflation assumptions
 - Implied inflation vector taken from the Bank of England website;
- Residential property inflation
 - derived from market rental yields as found in the ARLA report and the UK Government gilt curve;

RQ BLOCK D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

6. Fixed assets (Continued)

- Risk free discount rate - a series of rates reflecting the UK government gilt curve as applicable to each cash flow date.
- Taxation - no allowance has been made for taxation in projecting the future revenue flow.
- Incidence rates for lease extensions and the price charged - Historic rates and LTV valuation.

The assumption with the most significant impact on the valuation is the discount rate used. A 1% increase or decrease in this rate reduces or increases the valuation by 31% and 62% respectively.

The historical cost of the properties was £396,400 (2012: £396,400).

7. Debtors

	2013 £	2012 £
Trade debtors	£ 250	£ 1,225

8. Creditors - amounts falling due within one year

	2013 £	2012 £
Accruals and deferred income	£ 4,738	£ 5,685

9. Creditors - amounts falling due in more than one year

	2013 £	2012 £
Amount due to parent undertaking	£ 418,090	£ 433,207

The amount due, subject to note 13, is unsecured and has no specific repayment date. Despite the loan being repayable on demand it is not the intention of the parent company 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%.

10. 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 (2012: £1,600,000). It is estimated that if the property were to be sold at that valuation the tax liability would amount approximately to £216,000 (2012: £251,000).

RQ BLOCK D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

11. Share capital	2013	2012
	£	£
Allotted, issued and fully paid:		
1 ordinary share of £1	£ 1	£ 1

12. Reserves and reconciliation of movement in shareholders' funds

	Revaluation reserve £	Share capital £	Profit and loss account £	Total shareholders' funds £
Opening shareholders' funds	1,203,600	1	(41,268)	1,162,333
Profit for the year	-	-	15,089	15,089
Closing shareholders' funds	1,203,600	1	(26,179)	£ 1,177,422

13. 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 2013 the total amount outstanding subject to the guarantees was £83,423,927 (2012: £78,662,082).

The company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other participating group undertakings' unpaid debts in this connection.

14. 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, Maindy, Cardiff, CF14 3UZ.

15. Ultimate holding company

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

16. Ultimate controlling party

The ultimate controlling party is the Tchenguiz Family Trust.

17. 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 £8,578 (2012: £9,745) from Estates & Management Limited, a related party by virtue of common directorship and common control.