

Flatlaunch Limited

Report and Financial Statements

31 December 2009



Flatlaunch Limited

Registered No 04352394

DIRECTORS

N G Bannister FIRPM
C C McGill

SECRETARY

D C Edwards LLB

AUDITORS

BDO LLP
Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

BANKERS

Bank of Scotland
2nd Floor
Pentland House
8 Lochside Avenue
Edinburgh
EH12 9DJ

REGISTERED OFFICE

Queensway House
11 Queensway
New Milton
Hampshire
BH25 5NR

Flatlaunch Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2009

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year was that of an investment company

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £1,521,424 (2008 £168) The directors do not recommend the payment of a dividend (2008 £nil)

Prospects

In 2009, the company's ultimate UK holding company, Aztec Opco Developments Limited breached certain loan covenants of banking facilities totalling £116,600,000 To date, the lender has not taken remedies open to them as a result of these breaches The Directors are aware that there is an open dialogue with the lender of these facilities with a view to a consensual restructuring of that company's indebtedness Therefore, the Directors believe that successful consensual restructuring of the facility will mean there is no withdrawal of the facilities made available to Aztec Opco Developments Limited, and the company will be able to meet its liabilities as they fall due

DIRECTORS

The directors who served during the year were as follows

N G Bannister FIRPM

M J Gaston (resigned 11 June 2010)

W K Proctor (resigned 11 June 2010)

C C McGill (appointed 24 August 2009)

The directors are not liable to retire by rotation

INSURANCE OF COMPANY OFFICERS

The company has maintained insurance throughout the year for its directors and officers against the consequences of actions which may be brought against them in relation to their duties for the company

AUDITORS

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

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

In preparing this directors' report advantage has been taken of the small companies exemptions

By order of the Board



N G Bannister

Director

30 September 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The directors are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that show and explain the company's transactions, 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.

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of Flatlaunch Limited

We have audited the company's financial statements (the "financial statements") of Flatlaunch Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes. 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 explained more fully in the statement of directors' responsibilities, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 2009 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Flatlaunch Limited

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

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

BDO LLP

Kim H Hayward (senior statutory auditor)

For and on behalf of

BDO LLP

Chartered Accountants and Registered Auditors

Southampton

United Kingdom

30 September 2010

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

Flatlaunch Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2009

	<i>Notes</i>	<i>2009</i> £	<i>2008</i> £
Provision for impairment of fixed asset investments	5	(1,519,076)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,519,076)</u>	<u>-</u>
Tax on loss on ordinary activities	4	(2,348)	(168)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>(1,521,424)</u></u>	<u><u>(168)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2009

There are no recognised gains or losses other than the loss attributable to shareholders for the year ended 31 December 2009 of £1,521,424 (2008 loss £168)

Flatlaunch Limited

BALANCE SHEET at 31 December 2009

Registered No 04352394

	<i>Notes</i>	<i>2009</i> £	<i>2008</i> £
FIXED ASSETS			
Investments	5	-	1,519,076
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	6	-	2,348
		<hr/>	<hr/>
		-	2,348
CREDITORS amounts falling due within one year	7	(1,519,075)	(1,519,075)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(1,519,075)	(1,516,727)
		<hr/>	<hr/>
		(1,519,075)	2,349
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	10	(1,519,076)	2,348
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS		(1,519,075)	2,349
		<hr/>	<hr/>

These financial statements were approved and authorised for issue by the board of directors on 30 September 2010 and were signed on its behalf by



N G Bannister
Director

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2009

1 GOING CONCERN

These financial statements have been prepared on the going concern basis

On 31 March 2008, shares in one of the company's intermediate offshore holding companies were pledged as security to secure the financial liabilities of a related party. Meanwhile, the company and certain of its subsidiaries are party to a composite debenture secured over all their assets in relation to a loan made to Aztec Opco Developments Limited, the ultimate United Kingdom parent company. The loan facility agreement includes clauses in respect of a change of control which if triggered could give rise for a demand for repayment of that loan.

On 10 December 2008, breaches occurred in the loan covenants of this related party. Negotiations are in hand regarding settlement of the related party's financial liabilities covered by the pledged security.

Furthermore, the loan facility agreement for the loan advanced to Aztec Opco Developments Limited includes covenants in respect of timely provision of annual financial statements and payment of interest which if triggered could give rise for a demand for repayment of that loan. Breaches occurred of these covenants during the current year.

Should the negotiations be unsuccessful, the principle effects should be that the companies' cross collateralised borrowings, totalling £116,600,000 at the year end, could become immediately repayable together with additional costs of £15,842,934 which arose in respect of the termination of the interest rate arrangements that fixed the interest rates on the loan.

If these borrowings were not repaid following formal demand, the lender to Aztec Opco Developments Limited could make a claim on the company and on those of its fellow subsidiaries which were also party to the composite debenture for the full indebtedness under the cross collateralisation. Having exercised its security the lender could seek to sell the company, dispose or otherwise realise its assets or the assets of its fellow subsidiaries 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 assets and those of its fellow subsidiaries might only be realised at values significantly less than their carrying values.

In determining to prepare the financial statements on the going concern basis, the directors consider that the negotiations referred to above will be successful and that there will be no withdrawal of the facilities made available to Aztec Opco Developments Limited or any claim on the company or its subsidiaries under the composite debenture.

2 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and with the requirements of the Companies Act 2006.

Cash flow statement

Advantage has been taken of the exemption available under Financial Reporting Standard 1 not to prepare a cash flow statement as the consolidated financial statements of the Aztec Opco Developments Limited group in which the company is included are publicly available.

Related parties

Advantage has been taken of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' paragraph 8(c) not to disclose group transactions provided any subsidiary which is a party to the transaction is wholly owned by a member of the group as the consolidated financial statements of Aztec Opco Developments Limited group in which the company is included are publicly available.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2009

2 ACCOUNTING POLICIES (CONTINUED)

Freehold and leasehold investment properties

In accordance with Statement of Standard Accounting Practice No 19 (as amended)

- Investment properties are included in the balance sheet at their open market value. Changes in the market value of investment properties are taken to the revaluation reserve. Any permanent diminution is taken to the profit and loss account for the year, and
- No depreciation or amortisation is provided in respect of leasehold investment properties with over 20 years to run.

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 financial statements 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 that might otherwise have been shown cannot be separately identified or quantified.

3. OPERATING LOSS

The auditors are remunerated by a fellow subsidiary undertaking, Peverel Limited. The total audit fee for the UK group, of which Flatlaunch Limited is a member, amounted to £102,000 (2008: £78,750).

The directors were paid by a fellow subsidiary undertaking, Peverel Limited, of which they are also directors. The directors' remuneration for the UK group amounted to £339,197 (2008: £373,461). The total pension contributions amounted to £26,574 (2008: £25,800). The directors are unable to quantify the allocation of these amounts between individual companies within the group.

There were no staff employed during the year.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2009

4 TAXATION ON LOSS ON ORDINARY ACTIVITIES

(a) The tax charge is made up as follows

	2009 £	2008 £
<i>Current tax</i>		
Prior period adjustment in respect of group relief	-	2,516
Total current tax	-	2,516
<i>Deferred tax</i>		
Origination and reversal of timing differences	2,348	-
Adjustments in respect of prior periods	-	(2,348)
Total deferred tax	2,348	(2,348)
Tax on loss on ordinary activities	2,348	168

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28%. The differences are reconciled below

	2009 £	2008 £
Loss on ordinary activities before tax	(1,519,076)	-
Loss on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 28% (2008: 28.5%)	(425,341)	-
Movement on unutilised tax losses	(2,348)	-
Under provision in respect of previous years	-	2,516
Transfer pricing adjustment	(15,411)	(24,336)
Fixed asset impairment	425,341	-
Group relief	15,411	24,336
Movement on unrecognised tax losses	2,348	-
Total current tax	-	2,516

Flatlaunch Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2009

5. INVESTMENTS

	<i>Investment Properties £</i>
Cost and net book value	
At 1 January 2009	1,519,076
Provision for Impairment	(1,519,076)
	<hr/>
At 31 December 2009	-
	<hr/> <hr/>

The impairment charge arose as a result of the directors assessment of the valuation of the properties at the year end

6. DEBTORS

	2009 £	2008 £
Deferred tax (note 8)	-	2,348
	<hr/>	<hr/>
	-	2,348
	<hr/> <hr/>	<hr/> <hr/>

7 CREDITORS: amounts falling due within one year

	2009 £	2008 £
Amounts due to fellow subsidiary undertakings	1,519,075	1,519,075
	<hr/> <hr/>	<hr/> <hr/>

8 DEFERRED TAXATION

The deferred tax included in the balance sheet is as follows

	2009 £	2008 £
Losses	-	(2,348)
	<hr/>	<hr/>
Deferred tax provision (note 6)	-	(2,348)
	<hr/> <hr/>	<hr/> <hr/>

There is an unrecognised deferred tax balance in respect of trading losses carried forward of £2,348 (2008 £nil)

The movements in deferred taxation during the current and previous years are as follows

	2009 £	2008 £
At 1 January	(2,348)	-
Deferred tax charge/(credit) in profit and loss account	2,348	(2,348)
	<hr/>	<hr/>
At 31 December	-	(2,348)
	<hr/> <hr/>	<hr/> <hr/>

Flatlaunch Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

9. SHARE CAPITAL

	<i>Allotted, called up and fully paid</i>	
	2009	2008
	£	£
Ordinary shares of £1 each	1	1

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Profit & loss account</i>	<i>Total share- holders' funds</i>
	£	£	£
At 1 January 2008	1	2,516	2,517
Loss for the year	-	(168)	(168)
At 31 December 2008	1	2,348	2,349
Loss for the year	-	(1,521,424)	(1,521,424)
At 31 December 2009	1	(1,519,076)	(1,519,075)

11. RELATED PARTY TRANSACTIONS

Flatlaunch Limited is a subsidiary of Euro Investments Overseas Inc , a company incorporated in the British Virgin Islands

Aztec Property Topco Limited, a company incorporated in England and Wales, is regarded as a related party, due to it having a common ultimate parent undertaking and part common Directors

It is group policy to make available any current year losses arising in group companies (where not offset against taxable profits within that company) to other group companies for offset against taxable profits arising, with a view to minimising the group's overall effective tax rate

12. CONTINGENT LIABILITIES

The Group is party to a composite debenture secured over all of its assets. The Borrower is Aztec Opco Developments Limited, the ultimate UK parent of Flatlaunch Limited. The loan outstanding at the Balance Sheet date was £116,600,000 (2008 £116,600,000)

13. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate parent undertaking is Euro Investments Overseas Inc, a company incorporated in the British Virgin Islands and the ultimate controlling party is The Tchenguiz Family Trust. Peverel Group Limited is the smallest group for which group financial statements are prepared and are available to the public and may be obtained from Companies House, Cardiff. Aztec Opco Developments Limited is the largest group for which group financial statements are prepared and are available to the public and may be obtained from Companies House, Cardiff.