

Company Registration No 06776392 (England and Wales)

PEVEREL HMF LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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PEVEREL HMF LIMITED

COMPANY INFORMATION

Directors	P J Cummings (Appointed 3 August 2011) C A Wadlow (Appointed 3 August 2011)
Secretary	Peverel Secretarial Limited
Company number	06776392
Registered office	Queensway House 11 Queensway New Milton Hampshire United Kingdom BH25 5NR
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

PEVEREL HMF LIMITED

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PEVEREL HMF LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

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

Principal activities and review of the business

The principal activity of the company continued to be that of investment property ownership

Future Developments

In 2009, certain loan covenants of banking facilities the company is a party to were breached. 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 the company, and the company will be able to meet its liabilities as they fall due.

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

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

Financial Risk Management

Objectives and Policies

The company is party to financial instruments held by related parties to manage the financial risks associated with the financing of its activities. It does not undertake any trading activity in financial instruments.

Interest rate risk

The company's net borrowings are primarily in the form of bank loans. It also uses interest rate swaps to manage the company's exposure to interest rate fluctuations. Whilst fixed rate interest rate swaps do not expose the company to cash flow interest rate risk, there is no opportunity for the company to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate swaps means that the company is exposed to unplanned costs should debt be restructured or repaid early as part of the liquidity management process.

Cashflow risk

The company's ability to meet its liabilities as they fall due is dependent on rental income from its portfolio of investment properties. This risk is considered to be mitigated as the lessee is a fellow subsidiary undertaking.

Results and dividends

The results for the year are set out on page 5.

Post balance sheet events

Note 17 provides information on post balance sheet events affecting the company.

Directors

The following directors have held office since 1 January 2010

D C Edwards	(Resigned 14 July 2011)
W K Procter	(Resigned 11 June 2010)
N G Bannister	(Resigned 31 March 2011)
M J Gaston	(Resigned 11 June 2010)
C C McGill	(Resigned 21 March 2011)
P J Cummings	(Appointed 3 August 2011)
C A Wadlow	(Appointed 3 August 2011)

PEVEREL HMF LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

Directors' insurance

The company maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company

Auditors

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

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure to auditors

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

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

On behalf of the board



C A Wadlow
Director

17/01/2012

PEVEREL HMF LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEVEREL HMF LIMITED

We have audited the financial statements of Peverel HMF Limited for the year ended 31 December 2010 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss 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.

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.

PEVEREL HMF LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF PEVEREL HMF LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

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

17 January, 2012

Chartered Accountants
Statutory Auditor

Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

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

PEVEREL HMF LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

		Year ended 31 December 2010 £	Period ended 31 December 2009 £
	Notes		
Administrative expenses		(29)	(14,446)
Other operating income		268,650	180,201
Operating profit	2	268,621	165,755
Profit on sale of property		123,331	165,383
Profit on ordinary activities before interest		391,952	331,138
Other interest receivable and similar income	3	179	76
Interest payable and similar charges	4	(664,849)	(151,058)
(Loss)/profit on ordinary activities before taxation		(272,718)	180,156
Tax on (loss)/profit on ordinary activities	5	-	-
(Loss)/profit for the year	11	<u>(272,718)</u>	<u>180,156</u>

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

PEVEREL HMF LIMITED

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

	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Notes		
(Loss)/profit for the financial year	(272,718)	180,156
Unrealised (deficit)/surplus on revaluation of properties	-	98,346
Total recognised gains and losses relating to the year	<u>(272,718)</u>	<u>278,502</u>

Note of historical cost profits and losses

	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Reported (loss)/profit on ordinary activities before taxation	(272,718)	180,156
Realisation of property revaluation gains of previous years	-	98,346
Historical cost (loss)/profit on ordinary activities before taxation	<u>(272,718)</u>	<u>278,502</u>
Historical cost (loss)/profit for the year retained after taxation, extraordinary items and dividends	<u>(272,718)</u>	<u>278,502</u>

PEVEREL HMF LIMITED

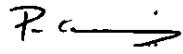
BALANCE SHEET

AS AT 31 DECEMBER 2010

	Notes	2010 £	£	2009 £	£
Fixed assets					
Tangible assets	6		3,494,774		3,611,848
Current assets					
Debtors	7	130,220		125,171	
Cash at bank and in hand		180		41,642	
		130,400		166,813	
Creditors: amounts falling due within one year	8	(3,619,389)		(3,500,158)	
Net current liabilities			(3,488,989)		(3,333,345)
Total assets less current liabilities			5,785		278,503
Capital and reserves					
Called up share capital	10		1		1
Profit and loss account	11		5,784		278,502
Shareholders' funds	12		5,785		278,503

Approved by the Board and authorised for issue on

17/01/2012


P J Cummings
Director

Company Registration No 06776392

PEVEREL HMF LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Year ended 31 December 2010	Period ended 31 December 2009
	£	£
Net cash inflow from operating activities	434,949	55,029
Returns on investments and servicing of finance		
Interest received	179	76
Interest paid	(256,115)	(124,350)
Debt issue costs paid	(152,000)	(283,442)
Net cash outflow for returns on investments and servicing of finance	(407,936)	(407,716)
Capital expenditure		
Payments to acquire tangible assets	-	(3,684,734)
Receipts from sales of tangible assets	240,405	336,616
Net cash inflow/(outflow) for capital expenditure	240,405	(3,348,118)
Net cash inflow/(outflow) before management of liquid resources and financing	267,418	(3,700,805)
Financing		
New short term bank loans	-	3,982,685
Repayment of short term bank loans	(308,880)	(240,238)
Net cash (outflow)/inflow from financing	(308,880)	3,742,447
(Decrease)/increase in cash in the year	(41,462)	41,642

PEVEREL HMF LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

1	Reconciliation of operating profit to net cash outflow from operating activities	2010	2009		
		£	£		
	Operating profit	268,621	165,755		
	Increase in debtors	(5,049)	(125,171)		
	Increase in creditors within one year	171,377	14,445		
	Net cash inflow from operating activities	434,949	55,029		
2	Analysis of net debt	1 January 2010	Cash flow	Other non-cash changes	31 December 2010
		£	£	£	£
	Net cash				
	Cash at bank and in hand	41,642	(41,462)	-	180
	Bank deposits	-	-	-	-
	Debt				
	Debts falling due within one year	(3,485,713)	308,880	(256,734)	(3,433,567)
	Net debt	(3,444,071)	267,418	(256,734)	(3,433,387)
3	Reconciliation of net cash flow to movement in net debt	2010	2009		
		£	£		
	(Decrease)/increase in cash in the year	(41,462)	41,642		
	Cash outflow/(inflow) from decrease/(increase) in debt	308,880	(3,459,005)		
	Other non-cash changes	(256,734)	(26,708)		
	Movement in net debt in the year	10,684	(3,444,071)		
	Opening net debt	(3,444,071)	-		
	Closing net debt	(3,433,387)	(3,444,071)		

PEVEREL HMF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Going concern

These financial statements have been prepared on the going concern basis

The company is party to a composite debenture secured over all its assets in relation to a loan made to a related party. The loan facility agreement includes covenant clauses which if triggered could give rise for a demand for repayment of that loan.

Breaches in these covenants occurred in 2009

The company is a wholly owned subsidiary of Peverel Limited

On 14 March 2011, Simon Appell, Alastair Beveridge and Anne O'Keefe of Zolfo Cooper were appointed Joint Administrators of Peverel Group Limited, Peverel Limited, Aztec Opco Developments Limited and Aztec Acquisitions Limited

It is the stated opinion of the Joint Administrators that the operating companies remain unaffected by the Administration and they are seeking to secure the sale of the business and assets of Peverel Limited (in administration) as soon as possible, which will include the shares of its subsidiary companies

The Administrators have confirmed that, given the level of interest from third parties in the business and assets of Peverel Limited (in administration), they are confident that a successful outcome will be achieved

The lender referred to above has agreed that upon payment of a release fee, the company will be released from all obligations under the loan facility and all security granted by the company would be released

The Administrators have confirmed that it is their intention to make the release fee payment from the sale proceeds. Should the lender seek to enforce its security prior to the sale, the Administrators have confirmed that they would seek to make the release fee payment prior to the sale

The Administrators have confirmed that it is not their intention to seek that the operating companies distribute any assets to the companies in administration (as dividends or otherwise) that would result in any of these companies being incapable of continuing to trade as a going concern

In determining to prepare the financial statements on the going concern basis the directors consider that the lender and Administrators will continue to support the company, as set out above, until a successful sale is achieved

1.3 Compliance with accounting standards

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

PEVEREL HMF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 Accounting policies (Continued)

1.4 Tangible fixed assets and depreciation

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the profit and loss account

1.5 Investment properties

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

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

1.6 Deferred taxation

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

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

2 Operating profit

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

3	Investment income	2010 £	2009 £
	Bank interest	179	76
4	Interest payable	2010 £	2009 £
	On bank loans and overdrafts	256,074	124,350
	Other interest	41	-
	Amortisation of debt issue costs	408,734	26,708
		664,849	151,058

PEVEREL HMF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

5	Taxation	2010	2009
	Total current tax	-	-
	Factors affecting the tax charge for the period		
	(Loss)/profit on ordinary activities before taxation	(272,718)	180,156
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	(76,361)	50,444
	Effects of		
	Non deductible expenses	-	3,000
	Group relief	-	(93,125)
	Movement on unutilised tax losses	49,673	-
	Chargeable disposals	29,830	42,610
	Transfer pricing adjustments	(3,142)	14,151
	Other tax adjustments	-	(17,080)
		76,361	(50,444)
	Current tax charge for the period	-	-
6	Tangible fixed assets		
			Investment properties
			£
	Cost		
	At 1 January 2010		3,611,848
	Disposals		(117,074)
	At 31 December 2010		3,494,774
	Net book value		
	At 31 December 2010		3,494,774
	At 31 December 2009		3,611,848

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

PEVEREL HMF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

7 Debtors	2010 £	2009 £
Amounts owed by parent and fellow subsidiary undertakings	4,974	7,176
Other debtors	125,246	117,995
	<u>130,220</u>	<u>125,171</u>

Other debtors of £125,245 (2009 £117,995) are amounts due from related parties

8 Creditors amounts falling due within one year	2010 £	2009 £
Bank loans and overdrafts	3,433,567	3,485,713
Trade creditors	3,731	3,731
Amounts owed to parent and fellow subsidiary undertakings	162,714	10,714
Accruals and deferred income	19,377	-
	<u>3,619,389</u>	<u>3,500,158</u>

The balance of bank loans and overdrafts relates to a loan of £3,433,567 (2009 £3,742,447 less loan issue costs of £256,734) payable to Bank of Scotland. The rate of interest payable is hedged at 4.888% plus a 1.756% margin. The loan is secured by charges over various leasehold properties of the company.

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

9 Deferred Tax

There is an unrecognised deferred tax balance in respect of losses carried forward of £47,899 (2009 £nil).

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

PEVEREL HMF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

11 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 January 2010	278,502
Loss for the period	(272,718)
Balance at 31 December 2010	<u>5,784</u>

12 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
(Loss)/Profit for the financial year	(272,718)	180,156
Other recognised gains and losses	-	98,346
Net (depletion in)/addition to shareholders' funds	(272,718)	278,502
Opening shareholders' funds	278,503	1
Closing shareholders' funds	<u>5,785</u>	<u>278,503</u>

13 Contingent liabilities

The company has given an unlimited guarantee in respect of the bank loans of various related parties. These parties are related by virtue of common control. At 31 December 2010 the amount outstanding under these guarantees was £188,076,448 (2009 £188,077,944). The guarantee is supported by a debenture and a charge over the company's investment properties.

14 Directors' remuneration

The directors were paid by either fellow subsidiary undertakings or related parties, of which they are also directors.

15 Employees

Number of employees

There were no employees during the year apart from the directors.

16 Control

The company's UK parent undertaking is Aztec Opco Developments Limited - in administration, a company registered in England and Wales. The company's ultimate parent undertaking is Euro Investments Overseas Inc, a company incorporated in the British Virgin Islands. Simon Appell, Alistair Beveridge and Anne O'Keefe each of Zolfo Cooper LLP are the ultimate controlling party. Prior to Aztec Opco Developments Limited being placed into administration on 14 March 2011, the ultimate controlling party was the Tchenguiz Family Trust.

PEVEREL HMF LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

17 Post balance sheet events

On 14 March 2011 Peverel Limited, Peverel Group Limited and Aztec Acquisitions Limited, each intermediate UK parent companies of Peverel HMF Limited, and Aztec Opco Developments Limited, the ultimate UK parent undertaking of Peverel HMF Limited, were placed into administration

The results of Peverel HMF Limited were previously included in the consolidated financial statements of Peverel Group Limited and Aztec Opco Developments Limited. As a result of Peverel Group Limited and Aztec Opco Developments Limited going into administration consolidated financial statements will not be prepared for these companies for the year ended 31 December 2010

18 Related party relationships and transactions

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

Fairhold Services Limited, a company incorporated in England and Wales, is considered a related party due to it having a common ultimate parent undertaking. As at 31 December 2010, the company was owed £125,245 (2009: £117,995) by Fairhold Services Limited. This is interest free.