

Trafalgar House Property Limited

Financial statements 31 December 2007
together with director's and auditors' reports

Registered number 582147

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Trafalgar House Property Limited

Director's Report

The Director presents his report and the audited financial statements for the year ended 31 December 2007

Activities and prospects

The Company is an investment holding company whose investments comprise subsidiaries and associates within the TH Global group of companies

The Company and its subsidiaries and associates withdrew from property activities during the 1990s. Since that time, the Company and its property-related subsidiaries and associates have managed the disposal of remaining property assets

The TH Global group of companies is engaged in a work-out process and is reducing its operating activities. The work-out is a financial and organisational restructuring aimed at (i) achieving viable long term solutions for its remaining businesses and (ii) resolving its outstanding disputes and liabilities, in a manner satisfactory to creditors and shareholders. At the date of approval of these financial statements, the Group has attained its ambition to divest itself of its operating businesses. The Group continues in its other objective to wind up residual liabilities and responsibilities arising out of past activities, transactions, events and circumstances as soon as practicable.

Neither the Company nor its subsidiaries operate or control any business activities other than to resolve outstanding disputes, liabilities and legacy issues and realise investments. The Directors of the Company and its subsidiaries seek legally and financially viable and adequate solutions to the legacy issues facing them. Following the conclusion of remaining legacy contractual obligations and the resolution of legacy issues it is intended that the Company and its subsidiaries will be liquidated or dissolved.

Financial statements and dividend

The financial statements of the Company appear on pages 5 to 14 inclusive.

The financial statements have been prepared on a basis other than the going concern basis.

The result for the year is set out in the profit and loss account on page 5. Retained profits of £27,504,414 (2006 – £13,021,344) have been transferred to reserves.

The Company has a deficit on its profit and loss account. Consequently, no dividend may be paid.

Directors

The Directors who held office during the year were as follows:

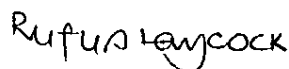
Steffen Føreid (resigned 31 August 2007)
Rufus Laycock

Auditor

KPMG Audit Plc has signified its willingness to continue in office.

Disclosure of information to auditors

The Director holding office at the date of approval of this Director's Report confirms that, so far as he is aware, there is no relevant audit information of which the Company's Auditors are unaware, and he has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.



Rufus Laycock
Director

29 October 2008

Registered Office
68 Hammersmith Road,
London W14 8YW

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 judgments 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

These financial statements have been prepared on a basis other than the going concern basis

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditors' report to the members of Trafalgar House Property Limited

We have audited the financial statements of Trafalgar House Property Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement in Shareholders Funds and the related notes. These financial statements have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements but under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Independent auditors' report to the members of Trafalgar House Property Limited (continued)

Emphasis of Matter – Recoverability of inter-company balances

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note 1 to the Financial Statements concerning the uncertainty in relation to the recovery of inter-company balances. The amount that might ultimately be recovered cannot presently be determined, and no provision has been made in the financial statements against the gross amount receivable.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

8 Salisbury Square

London EC4Y 8BB

29 October 2008

Trafalgar House Property Limited

Profit And Loss Account for the Year ended 31 December 2007

	Note	Year Ended 31 December 2007 £	Year ended 31 December 2006 £
Net operating income	2	12,309,018	7,987,082
Operating profit		12,309,018	7,987,082
Dividends receivable		25,504,513	25,656,662
Interest receivable and similar income	3	25,190,904	19,945,629
Interest payable and similar charges	4	(35,500,021)	(40,568,029)
Profit on ordinary activities before taxation	5	27,504,414	13,021,344
Taxation – on profit on ordinary activities	6	-	-
Retained profit for the financial year	11	27,504,414	13,021,344

The notes on pages 8 to 15 inclusive form part of these financial statements

The Company has no recognised gains or losses other than the profit for the current and prior financial years. Accordingly, a statement of total recognised gains or losses has not been prepared.

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

Trafalgar House Property Limited
Balance Sheet at
31 December 2007

	Note	31 December 2007		31 December 2006	
		£	£	£	£
Fixed assets					
Investments	7		603,405,293		723,239,291
Current assets					
Debtors	8	594,320,008		512,394,730	
Cash at bank and in hand	9	52,415		13,793	
		<u>594,372,423</u>		<u>512,408,523</u>	
Creditors					
Amounts falling due within one year					
Trade Creditors		(7,454)		(11,322)	
Amounts owed to group undertakings		(812,339,642)		(877,664,824)	
Accruals and deferred income		<u>(100,000)</u>		<u>(145,462)</u>	
		<u>(812,447,096)</u>		<u>(877,821,608)</u>	
Net current liabilities			<u>(218,074,673)</u>		<u>(365,413,085)</u>
Total assets less current liabilities			<u>385,330,620</u>		<u>357,826,206</u>
Capital and reserves					
Called up equity share capital	10		638,130,000		638,130,000
Profit and loss account - (deficit)	11		<u>(252,799,380)</u>		<u>(280,303,794)</u>
Equity shareholders' funds			<u>385,330,620</u>		<u>357,826,206</u>

The notes on pages 8 to 15 inclusive form part of these financial statements

The financial statements were approved by the Director on 29 October 2008

Rufus Laycock

Rufus Laycock
Director

Trafalgar House Property Limited

Reconciliation Of Movements In Shareholders' Funds For The Year Ended 31 December 2007

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Profit for the financial period Attributable to shareholders of the company	27,504,414	13,021,344
Opening shareholders' funds	357,826,206	344,804,862
Closing shareholders' funds	<u>385,330,620</u>	<u>357,826,206</u>

Trafalgar House Property Limited

Notes to accounts

31 December 2007

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified for the revaluation of certain fixed assets

The financial statements have been prepared on a basis other than the going concern basis. The background and reasons for this basis of preparation are explained below

The Company is an investment holding company whose investments comprise subsidiaries and associates within the TH Global group of companies

The Company and its subsidiaries and associates withdrew from property activities during the 1990s. Since that time, the Company and its property-related subsidiaries and associates have managed the disposal of remaining property assets

The TH Global group of companies is engaged in a work-out process and is reducing its operating activities. The work-out is a financial and organisational restructuring aimed at (i) achieving viable long term solutions for its remaining businesses and (ii) resolving its outstanding disputes and liabilities, in a manner satisfactory to creditors and shareholders. At the date of approval of these financial statements, the Group has attained its ambition to divest itself of its operating businesses. The Group continues in its other objective to wind up residual liabilities and responsibilities arising out of past activities, transactions, events and circumstances as soon as practicable

Neither the Company nor its subsidiaries operate or control any business activities other than to resolve outstanding disputes, liabilities and legacy issues and realise investments. The Directors of the Company and its subsidiaries seek legally and financially viable and adequate solutions to the legacy issues facing them. Following the conclusion of remaining legacy contractual obligations and the resolution of legacy issues it is intended that the Company and its subsidiaries will be liquidated or dissolved

At the date of approval of these financial statements Group Management consider that it is in the best interests of creditors for there to be a work-out process, involving seeking agreement with creditors in relation to outstanding borrowings, disputes, liabilities and legacy issues and based on their current expectation that the disputes and liabilities are capable of being resolved through a negotiated settlement process out of the funds, cash flows and assets realisations available to them based on all known factors. Management explores a range of appropriate strategic and financial alternatives to achieve its objective, which may include obtaining agreement to compromise indebtedness. Group Management recognise and report that the work-out is subject to significant uncertainties and risks which could cause actual results to differ materially from those anticipated

Among the uncertainties, there is uncertainty in relation to intercompany balances because of the complex web of intercompany indebtedness subsisting in the Group such that the actual recovery may be significantly less than the reported balance. No provision has been made in the financial statements in relation to this uncertainty. The carrying values of receivables from Group companies having a net deficiency of assets are assessed individually at year-end and a provision is booked against them where appropriate

The liquidity of the Group going forward materially depends on the successful continuation and eventual completion of the work-out using the negotiated settlement process to seek agreement with stakeholders in relation to outstanding borrowings, disputes, liabilities and legacy issues

The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group

(b) Cash flow statement

The Company is exempt under the terms of FRS 1 from the requirement to produce a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated accounts

Trafalgar House Property Limited

Notes to accounts (continued) 31 December 2007

(c) Related parties

The Company is exempt under the terms of FRS 8 from the requirement to disclose transactions with entities that are part of the Group on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

The Company has related party relationships with directors of its ultimate and intermediate parent undertakings. In Note 5 the figure under *Other Emoluments* relates to the directors' remuneration for their qualifying service to the Company and its subsidiaries. The emoluments represent the element of emoluments recharged from Spinaker Limited included within the intra-group management charges

(d) Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate

(e) Fixed asset investments

Shares in subsidiary companies are stated at cost or valuation, less any provision for impairment in value. Where the value of the investment has fallen below zero, no provision is made for any deficit. Shares in associated undertakings are stated at the Company's share of their net asset value. Other investments are stated at cost less amounts written off

2 Net operating income

Net operating income consists of

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Reversal of amounts written off investments in prior periods	-	8,107,081
Amounts written off investments	-	(252,511)
Provision for deficiencies of assets of subsidiary undertakings released	4,248,491	1,972,887
Provision for deficiencies of assets of associated undertakings released	-	405,249
Surplus arising on liquidation of subsidiary undertakings	8,169,527	10,924
Profit on liquidation of associate	-	(1)
Provision against amounts due from subsidiary and associated undertakings	-	(2,202,668)
Reversal of accruals	507	182,000
Administration expenses	(109,507)	(235,879)
	<u>12,309,018</u>	<u>7,987,082</u>

Trafalgar House Property Limited
Notes to accounts (continued)
31 December 2007

3 Interest receivable and similar income

	Year ended 31 December 2007	Year ended 31 December 2006
	£	£
Amount derived from group undertakings	25,187,779	19,923,472
Other	3,125	22,157
	<u>25,190,904</u>	<u>19,945,629</u>

4 Interest payable and similar charges

	Year ended 31 December 2007	Year ended 31 December 2006
	£	£
Interest payable to subsidiary undertakings	7,858,357	10,899,064
Interest payable to fellow group undertakings	27,641,664	29,668,965
	<u>35,500,021</u>	<u>40,568,029</u>

5 Profit on ordinary activities before taxation

	Year ended 31 December 2007	Year ended 31 December 2006
	£	£
The profit on ordinary activities before taxation is stated after charging		
Other emoluments	54,738	112,552
and after crediting		
Profit on foreign exchange transactions	-	(7,819)

There were no employees of the Company during the year (2006 –Nil)

The figure included above in *Other Emoluments* relates to the directors' remuneration for their qualifying service to the Company and its subsidiaries. The emoluments represent the element of emoluments recharged from Spinaker Limited included within the intra-group management charges.

The audit fee in respect of the statutory audit of these financial statements was £2,500 (2006 £5,000). This fee has been paid on behalf of the Company by a fellow subsidiary undertaking.

Trafalgar House Property Limited

Notes to accounts (continued) 31 December 2007

6. Taxation - profit on ordinary activities

Recognised in the profit and loss account

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
<i>Current tax expenses</i>		
UK Corporation tax on profit for the year	-	-
Foreign Tax on profit for the year	-	-
Total current tax charge and tax on profit on ordinary activities	-	-

Factors affecting the current tax charge

The tax assessed for the year is lower (2006 – lower) than the standard rate of corporation tax in the UK. The differences are as follows -

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Profit on ordinary activities before taxation	27,504,414	13,021,344
Taxation charge at UK Corporation Tax rate of 30% (2006 30%)	8,251,324	3,906,403
Effects of		
Non deductible expenses	4,033	6,197
Group relief for which no payment is received	1,100,254	5,831,154
Non taxable income	(1,274,547)	(2,268,213)
Dividends received from group companies	(7,651,354)	-
Use of losses brought forward	(429,710)	-
Actual tax charge per accounts	-	-

Factors affecting future tax charges

It is anticipated that any future taxable income in this company will be sheltered from tax by utilisation of group relief from other Group companies, and, where possible, the use of the Group's tax losses arising in prior years.

The TH Global Limited UK tax group has brought forward tax losses estimated at £215M and surplus ACT of approximately £192M.

There is no potential liability to deferred taxation (2006 - £Nil)

Due to a change in corporate tax rate announced in 2007 budget, the company will be subject to a tax rate of 28% with an effect from 1 April 2008.

Trafalgar House Property Limited
Notes to accounts (continued)
31 December 2007

7 Fixed assets - Investments

	31 December 2007 £	31 December 2006 £
Shares in subsidiary undertakings	603,405,293	723,239,290
Shares in associated undertakings	-	1
	<u>603,405,293</u>	<u>723,239,291</u>

Subsidiary undertakings:

	£
At 1 January 2007 (cost £841,914,831)	723,239,290
Disposals during the year	(124,082,488)
Provisions created during the year	(102,624)
Provisions reversed during the year	4,351,115
At 31 December 2007 (cost £686,619,002)	<u>603,405,293</u>

Main subsidiaries

These subsidiary undertakings are, unless otherwise stated, wholly-owned, incorporated in Great Britain and carry on their activities in the country of incorporation

	Activity
TH Group Services Limited	Investment holding company and administration services

Associated undertakings

	£
At 1 January 2007	1
Disposals during the year	(1)
At 31 December 2007	<u>-</u>

8 Debtors

	31 December 2007 £	31 December 2006 £
Amounts falling due within one year		
Amount owed by group undertakings	594,318,476	512,370,819
Amounts owed by associated undertakings	1	-
Taxation and social security	1,531	23,911
	<u>594,320,008</u>	<u>512,394,730</u>

Trafalgar House Property Limited
Notes to accounts (continued)
31 December 2007

9 Cash at bank and in hand

The Company is a participant in a multicurrency group bank account and banking facility with DnB NOR Bank ASA of which this Company is a member. The Company has a contingent liability in terms of an undertaking given to DnB NOR Bank ASA in support of borrowings of other TH Global group companies party to this group bank account and banking facility.

Of the total cash and bank balance on the balance sheet, £52,415 (2006 - £13,793), are deposits held in bank sub-accounts that are part of a group pooling system. Other TH Global group companies may have withdrawn amounts deposited on such sub-accounts, such that the net balance on the accounts may be less than the reported balance. The bank has at any time a right of set-off in respect of any debit balance on any sub-account, towards satisfaction of any credit balance on other sub-accounts, in which case any debit balance represents a receivable from the TH Global group and any credit balance represent borrowings.

10 Called up equity share capital

	Authorised		Allotted and Fully Paid	
	31 December	31 December	31 December	31 December
	2007	2006	2007	2006
	£	£	£	£
3,190,650,000 (2006 – 3,190,650,000)				
ordinary shares of 20p each	638,130,000	638,130,000	638,130,000	638,130,000

11 Reserves

	Profit and Loss Account
	£
At 1 January 2007 - (deficit)	(280,303,794)
Retained profit for the financial year	27,504,414
At 31 December 2007 - (deficit)	(252,799,380)

Trafalgar House Property Limited

Notes to accounts (continued) 31 December 2007

12 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company's immediate parent company is Trafalgar House Property (Holdings) Limited, incorporated in England and Wales

The largest and smallest group in which the results of the Company are consolidated is that headed by Medaura BV, a private company incorporated in The Netherlands. The consolidated financial statements of Medaura BV are available to the public and may be obtained from the Chamber of Commerce, Kamer van Koophandel, De Ruterkade 5, 1013 AA Amsterdam, The Netherlands or from the Company Secretary, TH Global Limited, 68 Hammersmith Road, London W14 8YW

The Glacier Trust, established under the laws of Guernsey, is to be regarded as the ultimate controlling party of the Company