

Trafalgar House Property (Holdings) Limited

Financial statements 31 December 2006
together with director's and auditors' reports

Registered number 1414523



Trafalgar House Property (Holdings) Limited

Director's Report

The Director presents his report and the audited financial statements for the year ended 31 December 2006

Activities and prospects

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

The TH Global group of companies is currently undergoing a work-out process aimed at achieving long term viable solutions for its remaining businesses and resolving its outstanding disputes, liabilities and legacy issues in a manner reasonable and acceptable to all of its stakeholders

By the nature of the purpose and activity of the TH Global Group as a work out, 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.

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.

Financial statements and dividend

The financial statements of the Company appear on pages 5 to 11 inclusive.

The result for the year is set out in the profit and loss account on page 5. Retained losses of £11,482,234 (2005 - loss £13,482,204) 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 throughout the year were as follows:

Steffen Føreid
Rufus Laycock

Steffen Føreid resigned as a Director on 31 August 2007.

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 the Director 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

Rufus Laycock
Director

Date 25 February 2008

Registered Office
68 Hammersmith Road,
London W14 8YW

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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.

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.

RL

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

We have audited the financial statements of Trafalgar House Property (Holdings) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared 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.

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

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 2006 and of its loss 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

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

27 February 2008

Trafalgar House Property (Holdings) Limited

Profit And Loss Account for the Year Ended 31 December 2006

	Note	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Amounts written off investments	6	(3,937,087)	(6,378,221)
Interest receivable and similar income	2	1,805	2,025
Interest payable and similar charges	3	(7,546,952)	(7,106,008)
Income from shares in group undertakings		-	-
Loss on ordinary activities before taxation	4	(11,482,234)	(13,482,204)
Taxation on loss on ordinary activities	5	-	-
Retained loss for the financial year	10	<u>(11,482,234)</u>	<u>(13,482,204)</u>

The notes on pages 7 to 11 inclusive form part of this profit and loss account

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

The only movement in shareholders' funds is the loss for the financial year Accordingly, a statement reconciling the
movements in shareholders' funds has not been prepared

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

Ru

Trafalgar House Property (Holdings) Limited

Balance Sheet at 31 December 2006

	Note	31 December 2006		31 December 2005	
		£	£	£	£
Fixed assets					
Investments	6		527,356,248		531,293,335
Current assets					
Debtors	7	18,091,707		18,091,707	
Cash at bank and in hand	8	48,503		46,969	
		18,140,210		18,138,676	
Creditors Amounts falling due within one year					
Amounts owed to subsidiary undertakings		(258,123,662)		(250,576,981)	
Net current liabilities			(239,983,452)		(232,438,305)
Total assets less current liabilities			<u>287,372,796</u>		<u>298,855,030</u>
Capital and reserves					
Called up equity share capital	9		573,000,100		573,000,100
Profit and loss account - (deficit)	10		(285,627,304)		(274,145,070)
Equity shareholders' funds			<u>287,372,796</u>		<u>298,855,030</u>

The notes on pages 7 to 11 inclusive form part of this balance sheet

The financial statements were approved by the Director on 25 February 2008

Rufus Laycock

Rufus Laycock
Director

Notes to accounts 31 December 2006

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 Company is a member of the TH Global group of companies which is currently undergoing a work-out process aimed at achieving long term viable solutions for its remaining businesses and resolving its outstanding disputes, liabilities and legacy issues in a manner reasonable acceptable to all of its stakeholders

By the nature of the purpose and activity of the TH Global Group as a work out, 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 financial statements have been prepared on the going concern basis, in line with the Director's view that

- (i) it is in the best interests of all creditors of the TH Global Group for there to be a work out process, involving seeking agreement with all stakeholders in relation to the Group's outstanding disputes, liabilities and legacy issues. The Director's view is based on the opinion of the senior management of the Group that all disputes, liabilities and legacy issues are capable of being resolved and settled out of the funds, cash flows and asset realisations available to the Group based on all known factors, but it is noted that this is subject to significant uncertainties and risks which could cause actual results to differ materially from those anticipated, and
- (ii) the Company will continue to act as an investment holding company for the foreseeable future with a subsidiary undertaking(s) which prepares its own financial statements on a going concern basis

Among the uncertainties referred to in (i) above, there is an 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 against the amounts receivable except where a group undertaking has a net deficiency of assets. In such cases a provision is made against the lower of the net amount receivable and the deficit

The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group financial statements. 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

(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. No transactions took place during 2006 between the Company and these related parties

Ru

Trafalgar House Property (Holdings) Limited

Notes to accounts (continued) 31 December 2006

1 Accounting policies (continued)

(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) Investments in debt and equity securities

Investments in jointly controlled entities, associates and subsidiaries are stated at their fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement

(f) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses

2 Interest receivable and similar income

	Year ended 31 December 2006	Year ended 31 December 2005
	£	£
Bank interest	<u>1,805</u>	<u>2,025</u>

3 Interest payable and similar charges

	Year ended 31 December 2006	Year ended 31 December 2005
	£	£
Interest payable to subsidiary undertaking	7,546,681	7,105,870
Bank charges	<u>271</u>	<u>138</u>
	<u>7,546,952</u>	<u>7,106,008</u>

4 Loss on ordinary activities before taxation

There were no employees of the Company during the year (2005 – None)

Neither of the Directors received any emoluments from the Company during the year (2005 - £Nil)

The audit fee in respect of the statutory audit of these financial statements was £2,500 (2005 - £2,500). This fee has been paid on behalf of the Company by a fellow subsidiary undertaking

Ra

Trafalgar House Property (Holdings) Limited

Notes to accounts (continued) 31 December 2006

5 Taxation - on loss on ordinary activities

Recognised in the profit and loss account

	Year ended 31 December 2006 £	Year Ended 31 December 2005 £
<i>Current tax expenses</i>		
UK Corporation tax on loss for the year	-	-
Foreign Tax on loss for the year	-	-
Total current tax charge	-	-

Factors affecting the current tax charge

The tax assessed for the year is higher (2005 – higher) than the standard rate of corporation tax in the UK. The differences are as follows -

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Loss on ordinary activities before taxation	(11,482,234)	(13,482,204)
Taxation credit at UK Corporation Tax rate of 30% (2005 30%)	(3,444,670)	(4,044,661)
Effects of		
Group relief for which no payment is received	2,263,544	2,131,195
Expenditure not deductible for taxation purposes	1,181,126	1,913,466
Non-taxable income	-	-
Current tax charge and tax on loss on ordinary activities	-	-

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 plc 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 (2005 - £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.

RA

Trafalgar House Property (Holdings) Limited

Notes to accounts (continued) 31 December 2006

6 Fixed assets – investments

Shares in subsidiary undertakings	£
At 1 January 2006 (cost £845,402,089)	531,293,335
Amounts written off	<u>(3,937,087)</u>
At 31 December 2006 (cost £845,402,089)	<u>527,356,248</u>

Investments in subsidiary undertakings are stated at the lower of cost and net asset value

The value of the investment in subsidiary undertakings based on the equity method of valuation is £535,464,613 (2005 - £537,492,684)

Main subsidiaries

	Activity
TH Group Services Limited	Investment holding company and administration services

TH Group Services Limited is wholly-owned, incorporated in Great Britain, and carries on its activities in Great Britain

7 Debtors

	31 December 2006 £	31 December 2005 £
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	<u>18,091,707</u>	<u>18,091,707</u>

R/L

Trafalgar House Property (Holdings) Limited

Notes to accounts (continued) 31 December 2006

8 Cash at bank and in hand

During the year, the TH Global group entered into 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, £48,503, 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.

9. Called up equity share capital

	Authorised		Allotted and Fully Paid	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
	£	£	£	£
Ordinary shares of £1 each	<u>573,000,100</u>	<u>573,000,100</u>	<u>573,000,100</u>	<u>573,000,100</u>

10 Reserves

	Profit and Loss Account £
At 1 January 2006 - (deficit)	(274,145,070)
Retained loss for the financial year	<u>(11,482,234)</u>
At 31 December 2006 - (deficit)	<u>(285,627,304)</u>

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

The Company's immediate parent company is One Berkeley Street Limited

The largest 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 Rusterkade 5, 1013 AA Amsterdam, The Netherlands or from the Company Secretary, TH Global plc, 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.

RA