Registered No 03936125

Thornfield Properties (London) Limited

Report and Financial Statements

30 November 2008

Registered No 03936125

Directors

A Marcus	(resigned 12 January 2010)
J R Marcus	(resigned 12 January 2010)
R J Chenery	(appointed 12 January 2010)
N H Ferguson	(appointed 12 January 2010)

Secretary

S A Brown	(resigned 12 January 2010)

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Bankers

Bank of Scotland Plc
Gordon Street
Glasgow
G1 3RS

Solicitors

Clifford Chance
10 Upper Bank Street
London
E14 5JJ

Registered Office

Athene Place
66 Shoe Lane
London
EC4A 3BQ

Registered No 3936125

Directors' report

The directors present their report and financial statements for the 18 month period ended 30 November 2008

Results and dividends

The loss for the period amounted to £25,000,509 (year to 31 May 2007 £1 662,038) The directors do not recommend the payment of any dividends

Principal activities

The principal activity of the company during the period was to manage, develop and sell real estate

Review of the business and future developments

Phil Bowers and Angus Martin were appointed Joint Administrators (Administrators) over the group company Thornfield Ventures Limited (TVL) on 5 January 2010 The administrators, along with the appointed asset manager, are assessing how best to realise value from the group's assets

The Company secures its funding through a credit agreement between the company and a fellow subsidiary undertaking of the Thornfield Capital Limited Group, namely BPP (Farringdon Road) Limited, and Bank of Scotland plc (Bank) dated 18 October 2006 (Credit Agreement) Whilst a number of events of default are currently outstanding under that Credit Agreement which would entitle the Bank to accelerate the debt owed under the Credit Agreement and otherwise take enforcement action against the Company and its assets, no such action has yet been taken

The directors have been provided with a letter from the Bank dated 1 March 2010 which confirms that it is the Bank's intention to continue to participate in discussions with the Administrators, the Company and appointed Asset Manager in relation to realising value from the assets which secure the Credit Agreement, and that it is not the Bank's current intention to take any steps to enforce any security granted by the Company in respect of the Credit Agreement As a result, the financial statements have been prepared on a going concern basis and the directors continue to take advice on the steps that they should take in light of the appointment of the Administrators and the position regarding ongoing funding We note the risk that whilst these discussions with the bankers are progressing well there can be no certainty as to the outcome, and the company's ability to continue as a going concern is dependent on the support of the bankers

The Company is party to a credit agreement between the Company and Bank of Scotland plc (the "Bank") dated 18 October 2006 (the "Credit Agreement") A number of events of default are currently outstanding under that Credit Agreement which would entitle the Bank to accelerate the debt owed under the Credit Agreement and otherwise take enforcement action against the Company and its assets No such action has yet been taken The Company is a guarantor of a credit agreement between Thornfield Ventures Limited and Bank of Scotland plc (the "Bank") dated 31 January 2002 (the "Credit Agreement") and has provided security over its assets in support of that guarantee On the 5 January 2010, the Bank made demand for repayment of all amounts due under that Credit Agreement and that demand has not been satisfied Accordingly the Bank is entitled to make a claim under the Company's guarantee and, if that claim were not satisfied, take enforcement action against the Company and its assets No such action has yet been taken

Principal risks and uncertainties

Strategic, financial, commercial operational, social, environmental and ethical risks are all considered as part of the company's controls, which are designed to manage rather than eliminate risk of failure to achieve business objectives Therefore they can only provide reasonable, not absolute, assurance against material misstatement or loss The principal risks identified are property market risk, treasury risk, in particular a change in banking arrangements and interest rate, health and safety risks and impact of changes in legislation, in particular planning legislation

Registered No 3936125

Directors' report

Key performance indicators

Due to the nature of the business, key performance indicators are not applicable

Directors

The directors who served the company during the period were as follows

A Marcus	(resigned 12 January 2010)
J R Marcus	(resigned 12 January 2010)

Subsequent to the balance sheet date, the following were appointed as directors, R J Chenery (appointed 12 January 2010), N H Ferguson (appointed 12 January 2010)

Disclosure of information to the auditors

As at the date of this report, so far as each director is aware there is no relevant audit information of which the company's auditors are unaware and each director has taken such steps as he should have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the board

R J Chenery
Director
3rd March 2010

N H Ferguson
Director

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 laws and regulations

Company law requires the directors to prepare financial statements for each financial period 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) 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 and loss of the company for that period 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, 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 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

Independent auditors' report

to the members of Thornfield Properties (London) Limited

We have audited the company's financial statements for the 18 month period ended 30 November 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 17 These financial statements have been prepared on the basis of 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 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities

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 judgements 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 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 However the audit evidence available to us was limited as explained below

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 Thornfield Properties (London) Limited (continued)

Opinion: disclaimer on view given by the financial statements

In forming our opinion on the financial statements, the audit evidence available to us was limited in respect of the following matters

- In respect of the assets under construction of £29,040,226, we were not provided with a reliable valuation for the assets to substantiate that the correct carrying value and impairment charge had been booked in the period
- In respect of the uncertainty disclosed in note 1 to the financial statements, we were unable to obtain sufficient evidence of the likelihood of continuing funding being made available to the company to be able to conclude that the company will be able to continue as a going concern for the foreseeable future

Because of the potential significance, to the financial statements, of the combined effect of the matters referred to in the paragraph above, we are unable to form an opinion as to whether

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2008 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985

Notwithstanding our disclaimer on view given by the financial statements, in our opinion the information given in the Directors' Report is consistent with the financial statements

In respect solely of the limitation on our work referred to above we have not obtained all the information and explanations that we considered necessary for the purpose of our audit and were unable to determine whether proper accounting records have been maintained

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Leeds

5 March 2010

Profit and loss account

for the 18 month period ended 30 November 2008

	Notes	*18 months to 30 November 2008* £	*12 months to 31 May 2007* £
Turnover	2	158,747	792,316
Cost of sales		(204,895)	(242,001)
Gross (loss)/profit		(46,148)	550,315
Administrative expenses		(2,200,828)	(891,604)
Provision for inter company debt		(19,521,374)	-
Operating loss	3	(21,768,350)	(341,289)
Interest receivable	5	2,238,204	233
Interest payable	6	(5,470,363)	(1,320,982)
Loss on ordinary activities before taxation		(25,000,509)	(1,662,038)
Tax on loss on ordinary activities	7	-	-
Deficit for the financial period		(25,000,509)	(1,662,038)

All activities relate to continuing operations

Statement of total recognised gains and losses

for the 18 month period ended 30 November 2008

There are no recognised gains or losses other than the loss of £25,000,509 attributable to the shareholders for the period ended 30 November 2008 (year to 31 May 2007 £1,662,038)

Balance sheet

at 30 November 2008

	Notes	*30 November 2008* £	*31 May 2007* £
Fixed assets			
Tangible assets	8	29,040,226	27,975,327
Current assets			
Debtors	9	19,597	452,507
Cash at bank		29,713	31,213
		49,310	483,720
Creditors: amounts falling due within one year	10	56,474,739	30,843,741
Net current liabilities		(56,425,429)	(30,360,021)
Net liabilities		(27,385,203)	(2,384,694)
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	(27,385,204)	(2,384,695)
		(27,385,203)	(2,384,694)

R J Chenery
Director
3rd March 2010

N H Ferguson
Director

Notes to the financial statements

at 30 November 2008

1. Accounting policies

Fundamental accounting policy – going concern

Phil Bowers and Angus Martin were appointed Joint Administrators (Administrators) over the group company Thornfield Ventures Limited (TVL) on 5 January 2010 The administrators, along with the appointed asset manager, are assessing how best to realise value from the group's assets

The Company secures its funding through a credit agreement between the company and a fellow subsidiary undertaking of the Thornfield Capital Limited Group, namely BPP (Farringdon Road) Limited, and Bank of Scotland plc (Bank) dated 18 October 2006 (Credit Agreement) Whilst a number of events of default are currently outstanding under that Credit Agreement which would entitle the Bank to accelerate the debt owed under the Credit Agreement and otherwise take enforcement action against the Company and its assets, no such action has yet been taken

The directors have been provided with a letter from the Bank dated 1 March 2010 which confirms that it is the Bank's intention to continue to participate in discussions with the Administrators, the Company and appointed Asset Manager in relation to realising value from the assets which secure the Credit Agreement, and that it is not the Bank's current intention to take any steps to enforce any security granted by the Company in respect of the Credit Agreement Whilst these discussions with the Company bankers are progressing well there can be no certainty as to the outcome, and the company's ability to continue as a going concern is dependent on the continued support of the bankers and therefore the outcome of these discussions

The directors believe that the circumstances described above represent a material uncertainty that casts significant doubt on the Company's ability to continue to trade as a going concern Nevertheless, after making enquires, and considering the uncertainties described above, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future As a result, the financial statements have been prepared on a going concern basis and the directors continue to take advice on the steps that they should take in light of the appointment of the Administrators and the position regarding ongoing funding

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements

Related parties transactions

The company is a wholly owned subsidiary of Thornfield Capital Limited, the consolidated accounts of which are publicly available Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the Thornfield Capital Limited group

Fixed assets

All fixed assets are initially recorded at cost Finance costs are not included in the cost of fixed assets No depreciation is charged on assets in the course of construction

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Rental Income

Rental income is accounted for on a straight line basis over the lease term on ongoing leases

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax However deferred tax assets are recognised

Notes to the financial statements

at 30 November 2008

1 Accounting policies (continued)

Deferred taxation (continued)

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 Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Lease commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

2. Turnover

Turnover, which is stated net of value added tax, represents amounts derived from goods and services supplied to third parties Turnover is attributable to the company's continuing activities as described in the directors' report and arises wholly within the UK

3. Operating loss

This is stated after charging/(crediting)

	18 months to 30 November 2008	*12 months to 31 May 2007*
	£	*£*
Rental income	(150,068)	(748,867)
Operating lease rentals – land and buildings	69,000	46,000
Provision for inter company debt	19,521,374	-

Auditors' remuneration is borne by a fellow group company

4. Staff costs

No salaries or wages have been paid to the directors who are the only employees

5. Interest receivable

	18 months to 30 November 2008	*12 months to 31 May 2007*
	£000	*£000*
Bank interest receivable	1,995	233
Interest receivable from group company	2,236,209	-
	2,238,204	233

6. Interest payable and similar charges

	18 months to 30 November 2008	*12 months 31 May 2007*
	£	*£*
On Bank loans	5,453,771	1,320,982
On group loans	16,592	-
	5,470,363	1,320,982

Notes to the financial statements

at 30 November 2008

7. Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

There is no current or deferred tax for the 18 month period ended 30 November 2008 (31 May 2007 - £nil)

There is no deferred tax asset or liability in the balance sheet (31 May 2007 - £nil)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the 18 month period ended 30 November 2008 is different to the standard rate of corporation tax in the UK of 29 1% (31 May 2007 - 30%) The differences are reconciled below

	18 months to 30 November 2008	*12 months to 31 May 2007*
	£	*£*
Loss on ordinary activities before taxation	(25,000,509)	(1,662,038)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 29 1% (31 May 2007 – 30%)	(7,275,148)	(498,611)
Unrecognised losses	1,594,428	498,611
Expenses not allowable for tax purposes	5,680,720	-
Total current tax (note 5(a))	-	-

(c) Factors that may affect future tax charges

There are tax losses of £7,235,784 (31 May 2007 - £1,756,649) available to carry forward against suitable future taxable profits A deferred tax asset has not been recognised due to uncertainty as to when the losses will be utilised

8. Tangible fixed assets

	Assets in the course of construction
	£
Cost	
At 1 June 2007	27,975,327
Additions	18,624,322
Transfer to group company	(17,559,423)
At 30 November 2008	29,040,226
Depreciation	
At 1 June 2007 and 30 November 2008	-
Net book value at 30 November 2008	29,040,226
Net book value at 31 May 2007	27,975,327

Notes to the financial statements
at 30 November 2008

9. Debtors

	30 November 2008	31 May 2007
	£	£
Trade debtors	18,472	-
Other debtors	1,125	44,546
Prepayments and accrued income	-	12,133
Amounts owed by group undertakings	-	395,828
	19,597	452,507

10. Creditors: amounts falling due within one year

	30 November 2008	31 May 2007
	£	£
Trade creditors	1,810	20,739
Amounts owed to group undertakings	6,199,444	1,540,167
Accruals	350,513	337,034
Other creditors	-	5,365
Bank loans	49,922,972	28,940,436
	56 474,739	30,843,741

The bank loan is secured by debentures and fixed charges over the company's assets

11. Share capital

		Authorised
	30 November 2008	31 May 2007
	£	£
Ordinary shares of £1 each	100	100

				Allotted, called up and fully paid
	30 November 2008			31 May 2007
	No	£	No	£
Ordinary shares of £1 each	1	1	1	1

Notes to the financial statements

at 30 November 2008

12. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	£	£	£
At 1 June 2006	1	(722,657)	(722,656)
Loss for the year	-	(1,662,038)	(1 662,038)
At 31 May 2007	1	(2,384,695)	(2,384,694)
Loss for the period	-	(25,000,509)	(25,000,509)
At 30 November 2008	1	(27,385,204)	(27,385,203)

13. Other financial commitments

At 30 November 2008 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	2008	*2007*
	£	£
Operating leases which expire		
In two to five years	5,000	5,000
In over five years	41,000	41,000

14 Contingent liability

The company is party to a joint bank guarantee with a fellow group undertaking, BPP (Farringdon Road) Limited The company is also a party to a joint bank guarantee regarding the facility advance to Thornfield Ventures Limited of £115,000,000 The contingent liability at 30 November 2008 was £nil (31 May 2007 £28,909,223)

The directors refer to the notes made at note 1 above

15 Related party

The company banks with Bank of Scotland Plc This is the intermediate parent company of Uberior Ventures Limited which is a shareholder of the company's ultimate parent undertaking, Thornfield Capital Limited Included in cash at bank on the balance sheet is an amount of £29,713 (31 May 2007 - £31,213), due from the Bank of Scotland Plc Interest of £1,995 (year to 31 May 2007 £233) was received

Included in creditors is a bank loan of £49,922,972 (31 May 2007 £28,940,436) Finance costs of £5,113,066 (year to 31 May 2007 £1,320,982) were charged during the period

16. Ultimate parent company

The company's immediate parent undertaking is Thornfield Properties plc

The company's ultimate parent undertaking and controlling party is Thornfield Capital Limited It has included the company in its group financial statements, copies of which are available from its registered office 105 Wigmore Street, London W1U 1QY

Notes to the financial statements

at 30 November 2008

17. Post balance sheet event

There is a post balance sheet event, namely that Phil Bowers and Angus Martin of Deloitte LLP were appointed Joint Administrators over Thornfield Ventures Limited (TVL), a Group company, on 5 January 2010 The "emphasis of matter" detailed at note 1 to these accounts reflects the impact of the appointment of Joint Administrators in respect of TVL and the impact of that appointment on the value of the company's assets The directors of Thornfield Properties (London) Limited are taking advice on the steps they should take in the light of the appointment of the administrators of TVL and the position regarding ongoing funding