

NEW LONDON BRIDGE HOUSE LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2006**

Company No 4833390

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NEW LONDON BRIDGE HOUSE LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2006

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NEW LONDON BRIDGE HOUSE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2006

1 PRINCIPAL ACTIVITY

The principal activity of the Company is to invest in commercial property

2 REVIEW OF THE BUSINESS

The results for the year are shown on page 4 of the annual report. During the year approval for the redevelopment of the company's building, (subject to agreement to the section 106 works and payments), was received from the local authority planning committee

3 DIVIDENDS

The Directors do not propose a dividend for the year ended 31 December 2006 (2005: nil)

4 DIRECTORS

The Directors of the Company during the year were as follows

Mr T J Thomson
Mr J Sellar
Mr P H Turpin
Mr P H Sjöberg (appointed 26th January 2006)
Ms F M Leonard (appointed 19th December 2005)
Mr G T Brown (appointed 19th December 2005)
Mr D M Baverstam (resigned 26th January 2006)
Mr K E Chapman (resigned 26th January 2006)
Mr B Ostle (resigned 26th January 2006)

NEW LONDON BRIDGE HOUSE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

5 STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Report and Accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company at the end of the year and of the profit or loss for the year. In preparing the financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 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. The Directors also have general responsibility for taking steps to safeguard assets of the Company and to prevent and detect fraud and other irregularities.

Each Director has confirmed that

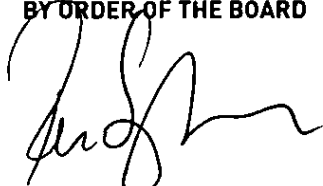
- So far as he is aware, there is no relevant audit information of which the Company's auditors are unaware,
- He has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

6 AUDITORS

A resolution to reappoint Eagle Partnership Ltd as auditors to the Company will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD



Mr P Sjöberg
Director

02 August 2007

REGISTERED OFFICE

26th Floor Portland House
Bressenden Place
London
SW1E 5BG
England

NEW LONDON BRIDGE HOUSE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW LONDON BRIDGE HOUSE LIMITED

We have audited the financial statements of New London Bridge House Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 United Kingdom 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.

Eagle Partnership Limited

Eagle Partnership Ltd

Chartered Certified Accountants and Registered Auditors
London

02 August 2007

NEW LONDON BRIDGE HOUSE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTES	2006 £	2005 £
Rental income		3,417,212	3,416,108
Service charge expenditure recovered		724,155	879,155
Other income		1,442	12,435
Turnover	(1)	4,142,809	4,307,698
Service charge expenditure		(675,215)	(799,243)
		3,467,594	3,508,455
Administrative expenses		(140,041)	(88,219)
Operating profit		3,327,553	3,420,236
Interest receivable and similar income		4,657	31
Interest payable and similar charges	(2)	(3,221,334)	(2,499,409)
Profit on ordinary activities before taxation		110,876	920,858
Tax on profit on ordinary activities - ordinary	(5)	(122,533)	(224,020)
- deferred	(5)	(23,308)	(31,078)
(Loss)/profit for the financial period	(12)	(34,965)	665,760

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2006 £	2005 £
(Loss)/profit for the financial period	(34,965)	665,760
Unrealised surplus on revaluation of property	79,570,599	1,083,084
Total recognised gain for the year	79,535,634	1,748,844

There is no material difference between the profit on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents

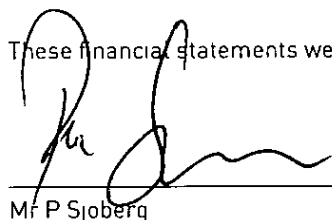
All items included in the above profit and loss account are part of continuing operations

NEW LONDON BRIDGE HOUSE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

	NOTES	2006 £	2005 £
FIXED ASSETS			
Tangible fixed assets	(6)	130,000,000	48,000,000
CURRENT ASSETS			
Debtors amounts falling due after more than one year	(7)	-	95,441
Debtors amounts falling due within one year	(7)	297,380	271,014
Total debtors		297,380	366,455
Cash at bank and in hand		1,919,596	968,246
		2,216,976	1,334,701
CREDITORS amounts falling due within one year	(8)	(2,968,782)	(4,563,811)
NET CURRENT LIABILITIES		(751,806)	(3,229,110)
TOTAL ASSETS LESS CURRENT LIABILITIES		129,248,194	44,770,890
CREDITORS amounts falling due after more than one year	(9)	(40,484,606)	(36,555,815)
PROVISIONS FOR LIABILITIES AND CHARGES	(10)	(110,800)	(87,492)
NET ASSETS		88,652,788	8,127,583
CAPITAL AND RESERVES			
Called up share capital	(11)	1,575	1,002
Share Premium	(12)	988,998	-
Revaluation Reserve	(12)	86,050,920	6,480,321
Profit and loss account	(12)	1,611,295	1,646,260
EQUITY SHAREHOLDERS' FUNDS		88,652,788	8,127,583

These financial statements were approved by the Board of Directors on 02 August 2007 and signed on its behalf by



DIRECTOR

Mr P Sjöberg

NEW LONDON BRIDGE HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 PRINCIPAL ACCOUNTING POLICIES

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

1.1 *Basis of preparation*

The financial statements have been prepared under the historical cost convention modified to include the revaluation of land and buildings and in accordance with applicable accounting standards. The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 as a cash flow statement has been prepared for the CLS Group, for which the results of this company have been proportionately consolidated. The Company is a joint venture owned 33.3% by House Lux Sarl, 33.3% by Sellar Properties (London Bridge) Ltd, and 33.3% owned by New London Bridge Investments Limited.

1.2 *Tangible fixed assets*

Investment properties are revalued annually. Completed investment properties are stated at their open market value. Investment properties in the course of development are stated at open market value in their existing state. Surpluses or deficits arising on revaluation are reflected in the revaluation reserve. Revaluation deficits in excess of the amount of prior revaluation surpluses are charged to the profit and loss account.

1.3 *Depreciation*

In accordance with Statement of Standard Accounting Practice 19, no depreciation is provided on completed freehold investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. Depreciation or amortisation is one of many factors influencing a property valuation and if depreciation or amortisation might have been charged, it is not possible to identify or quantify this separately.

1.4 *Turnover*

Turnover comprises the total value of rents and service charge receivable under operating leases, including reverse premiums paid by tenants on surrender of leases and property-related services provided during the year, excluding VAT. Where there is a material rent-free period and the amount is considered to be recoverable, the income is spread evenly over the period to the date of the first break. Rents received in advance are shown as deferred income in the balance sheet.

1.5 *Deferred taxation*

Deferred taxation is recognised in respect of timing differences arising from differences in the treatment for accounts and tax purposes of transactions or events recognised in the financial statements except that:

- Provision is not made in respect of property revaluation gains or losses
- Deferred tax assets are recognised only to the extent that suitable taxable profits are considered sufficiently certain to arise which could be set against these assets when they reverse

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse.

NEW LONDON BRIDGE HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

1 6 Interest Rate Caps

The premium paid for interest rate caps used to hedge borrowings is held within debtors on the balance sheet and amortised over the period of the cap

1 7 Loan Costs

Issue costs relating to new loans are capitalised and amortised to follow the profile of the loan principal. Unamortised amounts at the balance sheet date are deferred against the loan liability.

2 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
On bank loan	1,869,833	1,878,118
Interest payable on loans from participating interests	616,342	505,334
Amortisation of refinancing and arrangement fees	612,608	60,552
Amortisation of interest rate caps	122,551	37,811
Interest on late payment	-	17,594
	3,221,334	2,499,409

3 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION

The Directors of the Company received no emoluments during the year. The Company had one employee during the year (2005: one).

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £	2005 £
This is stated after charging Auditors' remuneration	2,750	1,950

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2004 £
UK corporation tax at 30% (2005: 30%)	122,533	224,020
Deferred tax charge	23,308	31,078
Origination and reversal of timing differences	145,841	255,098

NEW LONDON BRIDGE HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)	2006 £	2005 £
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2005 30%)	33,263	276,257
Effect of:		
Marginal small company relief	(27,500)	(18,775)
Differences due to expenses non-deductible and items not included in profit for tax purposes	140,045	-
Differences between capital allowances and depreciation	(23,308)	(31,078)
Adjustment on respect of prior periods	33	(2,384)
	<hr/>	<hr/>
Current tax charge in profit and loss account	122,533	224,020

6 TANGIBLE FIXED ASSETS	2006 £	2005 £
Freehold investment property		
At 1 January	48,000,000	45,000,000
Additions	2,429,401	1,916,916
Surplus on revaluation	79,570,599	1,083,084
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Valuation at 31 December	130,000,000	48,000,000

At 31 December the property was revalued to an estimate of its open market value by independent valuers, Allsop & Co Chartered Surveyors. The historical cost of the investment property included at valuation was £43,949,079.

7 DEBTORS	2006 £	2005 £
Amounts falling due within one year		
Trade debtors	-	232,617
Amounts due from participating interests	280,532	-
Prepayments & accrued income	16,848	
Other debtors	-	38,397
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	297,380	271,014
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Amounts falling due after more than one year:		
Other debtors	-	95,441
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8 CREDITORS amounts falling due within one year	2006 £	2005 £
Bank loans	-	1,300,000
Unamortised arrangement fees and finance fees	(438,381)	(57,310)
Trade creditors	273,631	491,606
Amounts owed to participating interests	-	273,302
Other taxes and social security	269,071	835,699
Other creditors	628,797	-
Accruals and deferred income	2,235,664	1,720,514
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	2,968,782	4,563,811
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NEW LONDON BRIDGE HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

9 CREDITORS amounts falling due after more than one year	2006	2005
	£	£
Bank loans	32,676,188	29,500,000
Unamortised arrangement fees and finance fees	(308,670)	(224,259)
Amounts owed to participating interests and related parties	8,117,088	7,280,074
	<u>40,484,606</u>	<u>36,555,815</u>

An analysis of the maturity of the bank debt is as follows

	2006	2005
	£	£
In one year or less, or on demand	(438,384)	1,242,690
In more than one year but not more than two years	32,367,518	1,346,278
In more than two years but not more than five years	-	4,363,067
In more than five years	-	23,566,396
	<u>31,929,134</u>	<u>30,518,431</u>

Interest is charged on the bank loan at the rate of LIBOR plus a margin of 2.0%. A debenture dated 15th September 2006 was issued during the year in favour of Nationwide Building Society, secured as a fixed and floating charge over the company's property and other assets and right to income. The capitalised arrangement fees for the year are £877,542. New London Bridge House Ltd and Teighmore Ltd are jointly and severally liable for the loan facility held with Nationwide Building Society in the amount of £172,667,741.

Amounts owed to participating interests and related parties are repayable at such times and in such amounts as the Joint Venture Partners may from time to time agree. The amounts bear interest at variable rates as agreed by the joint venture partners.

10 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation is provided as follows

	2006	2005
	Provision	Provision
	£	£
Capital allowances in excess of depreciation	110,800	87,492
	<u>110,800</u>	<u>87,492</u>
At 1 January	87,492	56,414
Amount charged to profit and loss	23,308	31,078
At 31 December	<u>110,800</u>	<u>87,492</u>

No provision has been included in the financial statements for deferred taxation on revaluation as there are no plans to sell the investment property and therefore no liability is anticipated in the foreseeable future.

11 CALLED UP SHARE CAPITAL

	2006	2005
	£	£
Authorised ordinary shares of £1 each	10,000	1,002
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>1,575</u>	<u>1,002</u>

The authorised share capital has increased during the year to 10,000 ordinary shares of £1 each. During the year 573 shares of £1 each were issued at a premium of £1,727 per share. Consideration was satisfied by cash.

NEW LONDON BRIDGE HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

12 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Share Capital £	Share Premium £	Revaluation Reserve £	Profit & Loss Account £	2006 Total £	2005 Total £
At 1 January	1,002	-	6,480,321	1 646 260	8,127,583	6,378,737
Share issue	573	988,998	-	-	989,571	2
(Loss)/profit for the financial period	-	-	-	(34,965)	(34,965)	665,760
Surplus on revaluation for the year	-	-	79 570 599	-	79,570,599	1,083,084
Balance at 31 December	1,575	988,998	86,050,920	1,611,295	88,652,788	8,127,583

13 CONTINGENT LIABILITIES

In the Directors' opinion no contingent liabilities exist

14 RELATED PARTY TRANSACTIONS

During the year, the company accrued development management fees to Sellar Property (London Bridge) Limited for a total of £270,000 (2005: £270,000) as they are responsible for the development management of the Company. At the balance sheet date the amount due to Sellar Property (London Bridge) Limited was £540,000 (2005: £270,000).

During the year the company accrued development management fees to CLSH Management Limited (a wholly owned subsidiary of the parent of one of the ultimate joint venture partners) for £270,000 (2005: £270,000) as they are responsible for development management and the rental & service charge collection for the Company. At the balance sheet date the amount due to CLSH Management Limited was £540,000 (2005: £270,000).

During the year the company also accrued development management fees to Seektask Limited (a wholly owned subsidiary of the parent of one of the ultimate joint venture partners) for £159,000 (2005: nil), as they are responsible for the development project. At the balance sheet date the amount due to Seektask Limited was £159,000 (2005: nil).

As at the 31st December 2006 the company was owed £241,829 by Teighmore Limited, a joint venture company with the same ultimate ownership as New London Bridge House Limited (2005: nil).

Interest payable on loans from participating interests and related parties (which are wholly owned subsidiaries of one of the joint venture partners or their respective ultimate undertakings) amounts to £616,342.

15 POST BALANCE SHEET EVENTS

On 21 March 2007 the Chancellor proposed a reduction in the Corporation tax rate in the UK from 30 per cent effective from 1 April 2008. In accordance with UK GAAP provisions, the existing rate of 30 per cent is still used as a basis for the calculation of the deferred tax stated. An estimate of the financial effect of this change cannot be made due to the uncertain timing of the reversal or crystallisation of the deferred tax provisions.