

Davy Property Holdings Limited

Financial Statements 31 December 2007
together with directors' and auditors' reports

Registered number 31754



Davy Property Holdings Limited

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2007

Activities and prospects

The Company is a property management company engaged in a work out process

The Company is a member of the TH Global group of companies. The Group 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.

The Company's property management activities relate to premises occupied by the TH Global Group

As a past employer and operator of engineering businesses (before its role was changed to property management), the Company is the recipient of industrial injury and disease claims submitted by former employees. On the various legal and financial restructurings which occurred in the former Kvaerner group the Company retained responsibility in the great majority of cases for industrial injury and disease claims resulting from its former activities. Claims do not arise until many years after the relevant employment ceased (- medical conditions may not develop until much later). The nature of these industrial diseases - their causation, progress and latency periods, is such that it is neither possible to know with any certainty the timing of the submission of claims nor to measure with any reliability the number of future claims and the cost of settlement.

Financial statements and dividend

The financial statements of the Company appear on pages 6 to 13 inclusive

These 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 6. Retained loss of £76,655 (2006 - Profit of £1,937,798) 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 during the year were as follows

Steffen Føreid (resigned 31 August 2007)
Rufus Laycock
Marcelo Pereira (appointed 31 August 2007)

Auditor

KPMG Audit Plc has signified its willingness to continue in office

Disclosure of information to auditors

The Directors who held office at the date of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

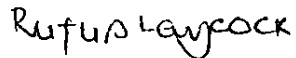
Davy Property Holdings Limited

Directors' Report (continued)

Post balance sheet event

The Company will cease its property management activity in December 2008 consistent with the objectives and process of the work-out of the TH Global Group. Following the cessation of this activity it is intended that the Company will be liquidated or dissolved subject to the resolution of industrial injury and disease claims outstanding against the Company.

By order of the Board,



Rufus Laycock
Secretary

Date 15 October 2008

Registered Office
68 Hammersmith Road
London W14 8YW

Davy Property Holdings Limited

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 Davy Property Holdings Limited

We have audited the financial statements of Davy Property Holdings Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet 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 3.

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 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.

Independent auditors' report to the members of Davy Property Holdings 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

16 October 2008

Davy Property Holdings Limited

Profit And Loss Account for the Year Ended 31 December 2007

	Note	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Rental income		298,988	1,072,064
Cost of sales - property (outgoings)/incomings	2	<u>(334,527)</u>	<u>863,200</u>
Operating (loss)/profit		(35,539)	1,935,264
Administrative Expenses	3	(63,450)	-
Interest receivable and similar income	4	<u>22,334</u>	<u>2,534</u>
(Loss)/profit on ordinary activities before taxation	5	<u>(76,655)</u>	<u>1,937,798</u>
Taxation - on (loss)/profit on ordinary activities	6	<u>-</u>	<u>-</u>
Retained (loss)/profit for the financial year	10	<u><u>(76,655)</u></u>	<u><u>1,937,798</u></u>

The notes on pages 8 to 13 inclusive form part of these financial statements

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

The only movement in shareholders' funds is the loss for the 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.

Davy Property Holdings Limited

Balance Sheet at 31 December 2007

	Note	31 December 2007		31 December 2006	
		£	£	£	£
Current assets					
Debtors	7	<u>18,160,770</u>		<u>18,014,698</u>	
Creditors Amounts falling due within one year					
Amounts owed to fellow subsidiary undertakings		(9,803,545)		(9,665,255)	
Taxation and social security		(175)		-	
Accruals and deferred income		(74,670)		(60,666)	
Trade Creditors		<u>(7,058)</u>		<u>-</u>	
		(9,885,448)		(9,725,921)	
Net current assets			8,275,322		8,288,777
Provisions for liabilities and charges	8		<u>(63,200)</u>		<u>-</u>
Net assets			<u>8,212,122</u>		<u>8,288,777</u>
Capital and reserves					
Called up equity share capital	9		26,000,000		26,000,000
Share premium account			1,259,260		1,259,260
Profit and loss account - (deficit)	10		<u>(19,047,138)</u>		<u>(18,970,483)</u>
Equity shareholders' funds			<u>8,212,122</u>		<u>8,288,777</u>

The notes on pages 8 to 13 inclusive form part of these financial statements

The financial statements were approved by the Board of Directors on 15 October 2008 and signed on its behalf by

Rufus Laycock

Rufus Laycock
Director

Davy Property Holdings 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

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 will cease its property management activity in December 2008 consistent with the objectives and process of the work-out of the TH Global Group. Following the cessation of this activity it is intended that the Company will be liquidated or dissolved subject to the resolution of industrial injury and disease claims outstanding against the Company

The Company is engaged in a work out process together with the other members of the TH Global Group. The purpose and activity of the work-out is explained in the Directors' Report. In these circumstances and those of the Company, the Directors have prepared the financial statements on a basis other than the going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements

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

(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

Davy Property Holdings Limited

Notes to accounts (continued) 31 December 2007

1 Accounting policies (continued)

(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 2007 between the Company and these related parties

(d) **Turnover**

Turnover, which includes inter company trading, arises wholly within the United Kingdom and represents rental income, net of VAT, from properties owned by the Company

(e) **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

(f) **Leases**

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases

2 Cost of sales - property outgoings

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Property outgoings less amounts charged against provisions	(334,527)	(1,054,676)
Release of Provision	-	1,917,876
	<u>(334,527)</u>	<u>863,200</u>

3 Administrative Expenses

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Provision for industrial disease claims	63,200	-
Legal Charges	250	-
	<u>63,450</u>	<u>-</u>

Davy Property Holdings Limited

Notes to accounts (continued)

31 December 2007

4 Interest receivable and similar income

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Receivable from Group companies	22,334	-
Other	-	2,534
	<u>22,334</u>	<u>2,534</u>

5 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Hire charges on land and buildings	<u>237,000</u>	<u>1,696,235</u>

Neither of the Directors received any emoluments from the Company during the year (2006 - £Nil) There were no employees of the Company during the year (2006 - None)

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

6 Taxation - on (loss)/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 loss for the year	-	-
Foreign tax on loss for the year	-	-
Current tax charge and tax on loss on ordinary activities	<u>-</u>	<u>-</u>

Davy Property Holdings Limited

Notes to accounts (continued) 31 December 2007

6 Taxation - on (loss)/profit on ordinary activities (continued)

Factors affecting the current tax charge

The tax assessed for the year is higher (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 £
(Loss)/profit on ordinary activities before taxation	(76,655)	1,937,798
Taxation (credit)/charge at UK Corporation Tax rate of 30% (2006 30%)	(22,997)	581,339
Effects of		
Group relief for which no payment is received/(made)	10,131	(985,301)
Capital allowances in excess of depreciation	(6,169)	(8,225)
Losses carried forward	18,960	-
Items not deductible for tax	75	412,187
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 1st April 2008.

7 Debtors

	31 December 2007 £	31 December 2006 £
Amounts falling due within one year		
Trade debtors	1,175	-
Amount owed by immediate parent undertaking	7,481,728	7,340,625
Amounts owed by fellow subsidiary undertakings	10,604,812	10,336,590
Prepayments and accrued income	73,055	59,250
Taxation and social security	-	278,233
	<u>18,160,770</u>	<u>18,014,698</u>

Davy Property Holdings Limited

Notes to accounts (continued) 31 December 2007

8 Provisions for liabilities and charges

	£
At 1 January 2007	-
Created during the year	63,200
At 31 December 2007	<u>63,200</u>

The provision represents the anticipated costs of winding-up the legacy responsibilities of the Company

Contingent Liability

As a past employer and operator of engineering businesses, the Company is the recipient of industrial injury and disease claims submitted by former employees. On the various legal and financial restructurings which occurred in the former Kvaerner group the Company retained responsibility in the great majority of cases for industrial injury and disease claims resulting from its former activities. Claims do not arise until many years after the relevant employment ceased (- medical conditions may not develop until much later). The nature of these industrial diseases - their causation, progress and latency periods, is such that it is neither possible to know with any certainty the timing of the submission of claims nor to measure with any reliability the number of future claims and the cost of settlement. The Company provides for the anticipated settlement costs and associated expenses arising from the claims where a reasonable estimate can be made of the probable outcome of the claim. Where it is not possible to make a reasonable estimate, no provision is made. No provision is made in respect of claims not yet received and verified. The future receipt and settlement of these claims could result in additional liabilities.

	31 December 2007	31 December 2006
	£	£
9 Called up equity share capital		
Authorised, allotted and fully paid 104,000,000 ordinary shares of 25 pence each	<u>26,000,000</u>	<u>26,000,000</u>

10 Profit and loss account

	£
At 1 January 2007 - (deficit)	(18,970,483)
Retained loss for the financial year	(76,655)
At 31 December 2007 - (deficit)	<u>(19,047,138)</u>

11. Commitments

Annual commitments under non-cancellable operating leases are as follows -

	31 December 2007	31 December 2006
	£	£
Operating leases which expire in 2 to 5 years - Land and buildings	<u>237,000</u>	<u>118,500</u>

Davy Property Holdings 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 Limited, incorporated in England and Wales

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 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