

Davy Property Holdings Limited

Financial Statements 31 December 2006
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 2006

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 which group is engaged in a work-out process. The work-out is a financial and organisational restructuring aimed at (i) achieving long-term viable solutions for its remaining businesses, and (ii) resolving its outstanding disputes and liabilities, in a manner reasonably acceptable to its stakeholders

Financial statements and dividend

The financial statements of the Company appear on pages 5 to 10 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 5. Retained profit of £1,937,798 (2005 - loss £305,796) 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 both of whom held office throughout the year are as follows

Steffen Føreid
Rufus Laycock

Steffen Føreid resigned from the Board on 31 August 2007. On the same day Marcelo Pereira was appointed as a Director

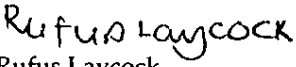
Auditor

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

By order of the Board,


Rufus Laycock
Secretary

Date 5 March 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.

By the nature of the activity and purpose of a company engaged in a work out process, 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.

R1

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 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.

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 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 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

6 March 2008

Davy 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 £
Turnover			
Continuing operations			
Rental income		1,072,064	595,010
Cost of sales - property incomings/ (outgoings)	2	<u>863,200</u>	<u>(284,764)</u>
Operating profit on continuing operations		1,935,264	310,246
Interest payable and similar charges	3	-	(616,042)
Interest receivable and similar income	4	<u>2,534</u>	<u>-</u>
Profit/(Loss) on ordinary activities before taxation	5	1,937,798	(305,796)
Taxation - on loss on ordinary activities	6	<u>-</u>	<u>-</u>
Retained profit/(loss) for the financial year	10	<u><u>1,937,798</u></u>	<u><u>(305,796)</u></u>

The notes on pages 7 to 10 inclusive form part of this profit and loss account

The Company has no recognised gains or losses other than the profit for the current and loss 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 profit for the year. Accordingly, a statement reconciling the movements in shareholders' funds has not been prepared.

RA

Davy Property Holdings Limited

Balance Sheet at 31 December 2006

	Note	31 December 2006		31 December 2005	
		£	£	£	£
Current assets					
Debtors	7	<u>18,014,698</u>		<u>20,388,580</u>	
Creditors Amounts falling due within one year					
Amounts owed to fellow subsidiary undertakings		(9,665,255)		(9,871,681)	
Taxation and social security		-		(5,335)	
Accruals and deferred income		<u>(60,666)</u>		<u>(149,028)</u>	
		<u>(9,725,921)</u>		<u>(10,026,044)</u>	
Net current assets			8,288,777		10,362,536
Provisions for liabilities and charges	8		-		(4,011,557)
Net assets			<u>8,288,777</u>		<u>6,350,979</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>(18,970,483)</u>		<u>(20,908,281)</u>
Equity shareholders' funds			<u>8,288,777</u>		<u>6,350,979</u>

The notes on pages 7 to 10 inclusive form part of this balance sheet

The financial statements were approved by the Board of Directors on 5 March 2008 and signed on its behalf by

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

By the nature of the activity and purpose of a company engaged in a work out process, these financial statements have been prepared on a basis other than the going concern basis

At the date of approval of these financial statements it is the opinion of the senior management of the TH Global Group that all of the Group's legacy issues and other external liabilities are capable of being resolved and settled out of the funds, cash flows and asset realisations available to them, based on all known factors. There is, however, 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

(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

(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

R₄

Davy Property Holdings Limited

Notes to accounts (continued) 31 December 2006

2 Cost of sales - property outgoings

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Property outgoings less amounts charged against provisions	(1,054,676)	(727,764)
Release of Provision	1,917,876	
Provisions for onerous lease	-	443,000
	<u>863,200</u>	<u>(284,764)</u>

3 Interest payable and similar charges

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Discounted provisions		
Unwinding of discount	-	616,000
Other	-	42
	<u>-</u>	<u>616,042</u>

4 Interest receivable and similar income

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Other	2,534	-
	<u>2,534</u>	<u>-</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Hire charges on land and buildings	1,696,235	594,760
	<u>1,696,235</u>	<u>594,760</u>

Neither of the Directors received any emoluments from the Company during the year (2005 - £Nil) There were no employees of the Company during the year (2005 - None)

The audit fee in respect of the statutory audit of these financial statements was £5,000 (2005 - £7,000) This fee has been paid on behalf of the Company by a fellow subsidiary undertaking

RA

Davy Property Holdings Limited

Notes to accounts (continued) 31 December 2006

6 Taxation - on profit/(loss) on ordinary activities Factors affecting the current tax charge

The tax assessed for the year is lower (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 £
Profit/(Loss) on ordinary activities before taxation	1,937,798	(305,796)
Taxation charge/(credit) at UK Corporation Tax rate of 30% (2005 30%)	581,339	(91,739)
Effects of		
Group relief for which no payment is (made)/received	(985,301)	102,706
Capital allowances in excess of depreciation	(8,225)	(10,967)
Items not deductible for tax	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 (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 1st April 2008

7 Debtors

	31 December 2006 £	31 December 2005 £
Amounts falling due within one year		
Trade debtors	-	355,392
Amount owed by immediate parent undertaking	7,340,625	9,679,855
Amounts owed by fellow subsidiary undertakings	10,336,590	9,888,927
Prepayments and accrued income	59,250	464,406
Taxation and social security	278,233	-
	<u>18,014,698</u>	<u>20,388,580</u>

24

Davy Property Holdings Limited

Notes to accounts (continued) 31 December 2006

8 Provisions for liabilities and charges

	£
At 1 January 2006	4,011,557
Released during the year	(1,917,876)
Utilised during the year	(2,093,681)
At 31 December 2006	<u>-</u>

These provisions related to onerous leases. The provisions were anticipated to be utilised in the period from the balance sheet date to 31 December 2013, however, the Company disposed of its remaining onerous lease obligations during the year.

	31 December 2006	31 December 2005
	£	£
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 2006 - (deficit)	(20,908,281)
Retained profit for the financial year	1,937,798
At 31 December 2006 - (deficit)	<u>(18,970,483)</u>

11 Commitments

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

	31 December 2006	31 December 2005
	£	£
Operating leases which expire in 2 to 5 years - Land and buildings	118,500	-
Operating leases which expire over 5 years - Land and buildings	<u>-</u>	<u>1,845,500</u>

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 at 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.

RM