

Scalescene Limited

Report and Accounts

For the year ended 30 November 2010

Registered No 04407300



Scalescene Limited

Registered No 04407300

DIRECTOR

B Porter

AUDITORS

Mercer & Hole
The International Press Centre
76 Shoe Lane
London
EC4A 3JB

REGISTERED OFFICE

Lehman Brothers
Level 23
25 Canada Square
London
E14 5LQ

Scalescene Limited

DIRECTOR'S REPORT

The director presents the report and accounts for the year ended 30 November 2010

RESULTS AND DIVIDENDS

The company's loss for the year is set out on page 7 The director does not recommend the payment of a dividend (2009 nil)

PRINCIPAL ACTIVITIES

The principal activity of the company in the year under review continues to be that of investment in property companies

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The financial position of the company has been adversely affected by deteriorating market conditions leading to impairments to existing investments as well as the fact that fewer investments remain in the company as they have been sold

The director has also resolved to provide an additional amount against intercompany loan with Eldon Street Holdings of £39,612 (€45,923)

The director will continue to monitor its investments over the next few months and exits will be sought at appropriate timings

The ultimate parent undertaking of Scalescene Limited, Lehman Brothers Holdings Inc , incorporated in the State of Delaware in the United States of America, filed for Chapter 11 bankruptcy protection on 15 September 2008 Subsequent to this event, the immediate parent undertaking of Scalescene Limited, Eldon Street Holdings Limited, went into administration on 9 December 2008

Following the events noted above the company no longer has a continuing trade and there are no plans for the company to re-invest in property or joint ventures, accordingly, these financial statements have not been prepared on a going concern basis The impact of this is discussed in note 1 of the financial statements

DIRECTORS

The director during the year and at the date of this report was

B Porter

Scalescene Limited

DIRECTOR'S REPORT

DIRECTORS' AND OFFICERS' LIABILITY AND INDEMNITY INSURANCE

A liability and indemnity insurance was maintained for the director and officers of Scalescene Limited throughout the year

DIRECTOR'S STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

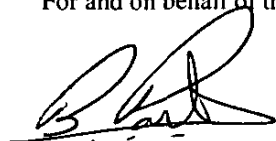
The director who was a member of the board at the time of approving the director's report are listed on page 1. Having made enquiries of the company's auditors, each director confirms that

- to the best of the director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- the director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, Mercer & Hole, are deemed to be reappointed under Section 487(2) of the Companies Act 2006

For and on behalf of the board



Barry Porter

Director

Date 30 August 2011

Scalescene Limited

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The director is responsible for preparing the accounts in accordance with applicable law and regulations

Company law requires the director to prepare accounts for each financial year. Under that law the director has elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts 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 year. In preparing those accounts, the director is 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 accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in note 1, the director does not believe that it is appropriate to prepare these financial statements on a going concern basis.

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the accounts comply with the Companies Act 2006. He is 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 Scalescene Limited

We have audited the financial statements of Scalescene Limited for the year ended 30 November 2010 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 November 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Merck & HH

Andrew Crook ACA (Senior Statutory Auditor)
for and on behalf of Mercer & Hole

31 August 2011

Chartered Accountants
Statutory Auditor

International Press Centre
76 Shoe Lane
London
EC4A 3JB

Scalescene Limited

PROFIT AND LOSS ACCOUNT

at 30 November 2010

	Notes	2010 £	2009 £
Operating (expenses)	2	(128,465)	(31,682)
Amounts written off current asset investments	3	<u>(738,707)</u>	<u>(201,180)</u>
OPERATING LOSS		(867,172)	(232,862)
Interest receivable and similar income	5	<u>(28,900)</u>	<u>256,346</u>
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(896,072)	23,484
Tax on loss on ordinary activities	6	<u>8,092</u>	<u>(28,185)</u>
LOSS FOR THE FINANCIAL YEAR		<u>(887,980)</u>	<u>(4,701)</u>

All activities have been discontinued

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30 November 2010

	2010 £	2009 £
Loss for the financial year	(887,980)	(4,701)
Exchange difference arising on translation of investments	88,853	145,379
Exchange gain on foreign currency borrowings	<u>(88,853)</u>	<u>(145,379)</u>
Total recognised gains and losses relating to the year	(887,980)	<u>(4,701)</u>
Prior year adjustment (as explained in note 1)	(79,858)	
Total gains & losses recognised since last report	<u>(967,838)</u>	

Scalescene Limited

BALANCE SHEET

At 30 November 2010

		2010	(Restated) 2009
	Notes	£	£
CURRENT ASSETS			
Investments	7	506,474	1,320,277
Debtors	8	1,055,519	1,131,680
Cash at bank		84,653	90,761
CREDITORS: amounts falling due within one year	9	<u>(165,218)</u>	<u>(173,310)</u>
NET CURRENT ASSETS		<u>1,481,428</u>	<u>2,369,408</u>
NET ASSETS		<u>1,481,428</u>	<u>2,369,408</u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Profit and loss account	11	<u>1,481,427</u>	<u>2,369,407</u>
SHAREHOLDERS' FUNDS	11	<u>1,481,428</u>	<u>2,369,408</u>

Approved by the director on 30th August 2011 and signed on its behalf by



Barry Porter

Director

Registered No 04407300

Scaleshcene Limited

CASHFLOW STATEMENT for the year ended 30 November 2010

	<i>Notes</i>	<i>2010</i> £	<i>2009</i> £
Net cash inflow from operating activities	12	-	90,761
Returns on investment and servicing of finance		-	-
Taxation		-	-
Net cash inflow before management of liquid resources and financing		-	90,761
Financing		-	-
Increase in cash in the year	13	-	90,761

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2010

1. ACCOUNTING POLICIES

Accounting Convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards

The director has considered the factors discussed in the Director's report and the lack of a continuing trade in the company and have resolved that they do not consider the company to be a going concern. These accounts have therefore been prepared on a break-up basis. Fixed asset investments have been reclassified to current asset investments and estimated costs of closure have been accrued for.

Prior Year Adjustment

In preparing the financial statements for the current year, it was discovered that a change in the subordinated loan agreements with Tizian Wohen I Gmbh and Tizian Wohen II Gmbh agreeing a cessation of interest payments from 1 January 2008. As such a prior year adjustment has been made reversing interest accruals previously made in relation to Tizian Wohen I Gmbh of £144,064 and a related provision of £72,032. In relation to Tizian Wohen II Gmbh interest accrued of £55,779 has been reversed along with the related provision of £27,889.

Foreign Currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Where the company has used foreign currency borrowings to finance its foreign equity investments denominated in the same currency, it retranslates the carrying value of its investments at the rate ruling at the balance sheet date, in accordance with paragraph 51 of SSAP 20. All differences arising are taken to reserves and offset against the exchange gains or losses arising on the associated foreign currency borrowings which are also treated as reserves movements.

All other exchange movements have been taken through the profit and loss account.

Current Asset Investments

Unlisted investments are stated at historic cost unless in the opinion of the director there has been impairment in value in which case an appropriate adjustment is made.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences, at the rates of taxation anticipated to apply when these differences crystallize, arising from the inclusion of items of income and expenditure in taxation computations in periods different from those for which they are included in the financial statements.

Deferred tax assets are recognised 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.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.

However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2010

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 substantially enacted at the balance sheet date

2. OPERATING EXPENSES

	2010	(Restated) 2009
	£	£
Provision against shareholder loan amount due from Galatea S R L	-	98,410
Foreign exchange on impairment of investments	241,402	198,562
Foreign exchange gain on translation of investments	(152,549)	(343,941)
Provision against amounts receivable from Eldon Street Holdings Limited	<u>39,612</u>	<u>78,651</u>
	<u>128,465</u>	<u>31,682</u>

During the year, Scalescene Limited provided for third party loans as described above. It is the director's opinion that the recovery of these balances is not sufficiently certain due to the factors discussed in the Director's Report.

Auditors' remuneration for the current year and prior year in respect of audit services was borne by a fellow subsidiary.

Scalescene Limited had no employees during the year (2009 – none)

Scalescene Limited

NOTES TO THE ACCOUNTS

at 30 November 2010

3. AMOUNTS WRITTEN OFF CURRENT ASSET INVESTMENTS

	2010 £	2009 £
Impairment against investment in Solaris S R L	457,005	201,180
Impairment against investment in Royal Building S R L	281,702	-
	<u>738,707</u>	<u>201,180</u>

During the prior year, Scalescene Limited provided for investments as described above. It is the director's opinion that the recovery of these balances is not sufficiently certain due to the factors discussed in the Director's Report.

4. DIRECTORS' EMOLUMENTS

The director serving during the year was remunerated by Lehman Brothers Limited. There were no directors' emoluments in 2009.

5. INTEREST RECEIVABLE & SIMILAR INCOME

	2010 £	(Restated) 2009 £
Interest receivable from Eldon Street Holdings Limited	39,612	80,526
Interest receivable from Galatea S R L	-	98,410
Foreign exchange (loss)/ gain	<u>(68,512)</u>	<u>77,410</u>
	<u>(28,900)</u>	<u>256,346</u>

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2010

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010	(Restated) 2009
	£	£
a) Tax on profit on ordinary activities		
UK corporation tax	<u>(8,092)</u>	<u>44,222</u>
Total current tax	<u>(8,092)</u>	<u>44,222</u>
b) Factors affecting current tax charge		
The tax assessed on the profit on ordinary activities for the current year is not at the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below		
(Loss) / profit on ordinary activities before tax	<u>(896,072)</u>	<u>23,484</u>
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	(250,900)	6,575
Effects of		
Non-deductible expenses	285,522	133,950
Non-assessable income	(42,714)	(96,303)
Current tax charge for the year (note 7(a))	<u>(8,092)</u>	<u>44,222</u>

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2010

7. CURRENT ASSET INVESTMENTS

Cost	£
At 1 December 2009	3,587,014
Disposals in the year	(186,574)
Exchange movement	(241,402)
Cost at 30 November 2010	3,159,038
Impairment	
At 1 December 2009	(2,266,737)
Disposals in the year	186,574
Exchange movement	152,549
Impairment	(724,950)
Impairment at 30 November 2010	(2,652,564)
Net carrying amount as at 30 November 2010	506,474
Net carrying amount as at 30 November 2009	1,320,277

In the director's opinion, the values of the current asset investments are not less than the amounts at which they are stated in the accounts

Royal Building S R L was placed into liquidation during the year

Solaris S R L was placed into liquidation on 15 July 2010

Galatea S R L was dissolved on 15 October 2009

<i>Name of company</i>	<i>Description of shares held by company</i>	<i>Proportion of nominal value and voting rights of shares held</i>	<i>Principal business</i>
Hellas S R L (in liquidation)	Ordinary	45%	Real Estate development
Solaris S R L (in liquidation)	Ordinary	20%	Real Estate development

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2010

7. CURRENT ASSET INVESTMENTS (CONTINUED)

<i>Name of company</i>	<i>Description of shares held by company</i>	<i>Proportion of nominal value and voting rights of shares held</i>	<i>Principal business</i>
Royal Building S R L (In liquidation)	Ordinary	29%	Real Estate development
Tizian Wohnen 1 GmbH	Ordinary	21%	Real Estate development
Tizian Wohnen 2 GmbH	Ordinary	21%	Real Estate development

The following information is taken from the audited accounts of each of the companies below at 31 December 2009

	Capital and reserves		(Loss) / profit for the period	
	2009	2008	2009	2008
	€		€	
Solaris S R L	2,649,030	3,885,078	(7,027,647)	(1,918,974)
Tizian Wohnen 1 GmbH	1,942,394	2,028,828	(86,434)	(153,037)
Tizian Wohnen 2 GmbH	1,079,477	948,122	131,355	(279,502)

The following information is taken from the audited accounts of the company below at 30 September 2009

	Capital and reserves		Profit for the period	
	2009	2008	2009	2008
	€		€	
Royal Building S R L	1,810,793	1,739,918	70,875	43,007

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2010

8. DEBTORS

	2010 £	2009 £
Amounts due from Eldon Street Holdings Limited	9,276,851	9,904,675
Provision against amounts due from Eldon Street Holdings Limited	(9,276,851)	(9,904,675)
Subordinated loan due from Galatea S R L	-	1,481,672
Provision against subordinated loan due from Galatea S R L	-	(1,481,672)
Subordinated loan due from Tizian Wohnen I GmbH	1,521,820	1,631,626
Provision against subordinated loan due from Tizian Wohnen I GmbH	(760,910)	(815,813)
Subordinated loan due from Tizian Wohnen II GmbH	589,221	631,736
Provision against subordinated loan due from Tizian Wohnen II GmbH	(294,612)	(315,869)
	<u>1,055,519</u>	<u>1,131,680</u>

All above loans are considered to be repayable on demand

Following the announcement of Eldon Street Holdings Limited going into administration, the director resolved to provide in full for the amount owed as it existed at 30 November 2009. Interest is charged on the loan to the immediate parent undertaking at weekly LIBOR and provided for as above. Interest of £39,612 (2008: £80,526) was accrued in relation to the outstanding balance with Eldon Street Holdings Limited.

Interest on loans made to Tizian Wohnen I GmbH ceased from January 2008.

Interest on loans made to Tizian Wohnen II GmbH ceased from January 2008.

9. CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	2010 £	(Restated) 2009 £
Accruals and deferred income	5,000	5,000
Corporation tax	<u>160,218</u>	<u>168,310</u>
	<u>165,218</u>	<u>173,310</u>

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2010

10. SHARE CAPITAL

	2010 £	2009 £
<i>Allotted, called up and unpaid</i>		
1 Ordinary share of £1	1	1

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £	Profit and loss account £	Total Shareholders' funds £
At 30 November 2008	1	2,431,004	2,431,005
Exchange gain on foreign currency borrowings	-	145,379	145,379
Exchange differences arising on the translation of investments	-	(145,379)	(145,379)
Profit for the year	-	18,261	18,261
At 30 November 2009 as previously restated	1	2,449,265	2,449,266
Prior year adjustment	-	(79,858)	(79,858)
At 30 November 2009 as restated	1	2,369,407	2,369,408
Exchange gain on foreign currency borrowings	-	88,853	88,853
Exchange differences arising on the translation of investments	-	(88,853)	(88,853)
Loss for the year	-	(887,980)	(887,980)
At 30 November 2010	1	1,481,427	1,481,428

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2010

12. CASH FLOW FROM OPERATING ACTIVITIES

	2010 £	(Restated) 2009 £
Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss	(867,172)	(232,862)
Decrease in current asset investments	813,803	169,751
Decrease /(Increase) in debtors	76,161	(43,326)
(Decrease) /Increase in creditors	(8,470)	26,310
Non cash movement	(14,322)	170,888
Total net cash flow from operating activities	-	90,761

13. ANALYSIS OF NET FUNDS

	At 1 December 2009 £	Non Cash flows £	At 30 November 2009 £
Cash at bank and in hand	90,761	(6,108)	84,653
Net funds carried forward	90,761	(6,108)	84,653

14. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2010 £	2009 £
Increase in cash in the year	-	90,761
Movement in net funds in the year	(6,108)	90,761
Opening net funds	90,761	-
Closing net funds	84,653	90,761

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2010

15. CONTINGENT LIABILITIES

The Company is registered with HM Revenue & Customs as a member of the Lehman Brothers Limited group for VAT purposes and as a result, is jointly and severally liable on a continuing basis for amounts owing by other members of the group in respect of unpaid VAT

16. PARENT UNDERTAKING

The immediate parent undertaking of the company is Eldon Street Holdings Limited, which went into administration on 9 December 2008