

Scalescene Limited

Report and Accounts

For the year ended 30 November 2009

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 2009

RESULTS AND DIVIDENDS

The company's profit for the year is set out on page 7. The director does not recommend the payment of a dividend (2008 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

On 18 June 2009, the company received £90,761 (€100,000) from the joint venture partner in relation to the transfer of its stake in the San Cristoforo S R L investment

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

During the year an additional impairment has been made to the investment in Solaris S R L of £201,180 (€247,210) to ensure the value of the investment is not less than the amount stated in the financial statements

The director has also resolved to provide an additional amount against the subordinated loans with Galatea S R L of £98,410 (€120,926), Tizian Wohnen I GmbH of £31,400 (€38,585), Tizian Wohnen II GmbH of £12,158 (€14,939) and the intercompany loan with Eldon Street Holdings of £78,651 (€98,950)

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

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 directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of the company's auditors, each director confirms that

- to the best of each 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
- each 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 24 AUG 2010

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 2009 set out on pages 7 to 20. 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 2009 and of its profit 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

Mercer & Hole

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

31 August 2010

Chartered Accountants
Statutory Auditor

International Press Centre
76 Shoe Lane
London
EC4A 3JB

Scalescene Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 November 2009

		<i>Year ended 30 November 2009</i>	<i>Year ended 30 November 2008</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Income from investments	2	-	1 117,149
Operating expenses	3	(75,240)	(9,292,595)
Amounts written off current asset investments	4	(201,180)	(415,857)
OPERATING LOSS		(276,420)	(8,591,303)
Interest receivable and similar income	6	354,069	1,283,052
Profit on disposal of current asset investments		-	340,464
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		77,649	(6,967,787)
Tax on profit / (loss) on ordinary activities	7	(59,388)	(140,503)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		18,261	(7,108 290)

All activities have been discontinued

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 30 November 2009


	<i>Year ended 30 November 2009</i>	<i>Year ended 30 November 2008</i>
	<i>£</i>	<i>£</i>
Profit / (loss) for the financial year	18,261	(7 108,290)
Exchange difference arising on translation of investments	145,379	264,060
Exchange gain on foreign currency borrowings	(145,379)	(264,060)
Total recognised gains and losses relating to the year	18,261	(7,108,290)

Scalescene Limited

BALANCE SHEET at 30 November 2009

	Notes	2009 £	2008 £
CURRENT ASSETS			
Investments	8	1,320,277	1,490,028
Debtors	9	1,243,119	1,088,355
Cash at bank		90,761	-
CREDITORS amounts falling due within one year	10	(204,891)	(147,378)
NET CURRENT ASSETS		<u>2,449,266</u>	<u>2,431,005</u>
NET ASSETS		<u>2,449,266</u>	<u>2,431,005</u>
CAPITAL AND RESERVES			
Called up share capital	11	1	1
Profit and loss account	12	2,449,265	2,431,004
SHAREHOLDERS' FUNDS	12	<u>2,449,266</u>	<u>2,431,005</u>

Approved by the director on **24 AUG 2010** and signed on its behalf by



Barry Porter

Director

Registered No 04407300

Scalescene Limited

CASHFLOW STATEMENT for the year ended 30 November 2009

	<i>Notes</i>	<i>2009</i> £	<i>2008</i> £
Net cash inflow from operating activities	13	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	15	90,761	-

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2009

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.

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.

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.

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2009

2 INCOME FROM INVESTMENTS

	2009 £	2008 £
Royal Buildings S R L	-	412,965
Solars S R L	-	704,184
Total dividends received	-	1,117,149

3 OPERATING EXPENSES

	2009 £	2008 £
Provision against shareholder loan amount due from Galatea S R L	98,410	63,697
Provision against shareholder loan amount due from Tizian Wohnen I GmbH	31,400	742,359
Provision against shareholder loan amount due from Tizian Wohnen II GmbH	12,158	287,428
Foreign exchange on impairment of investments	198,562	217,247
Foreign exchange gain on translation of investments	(343,941)	(481,307)
Provision against amounts receivable from Eldon Street Holdings Limited	78,651	8,462,796
Accruals and deferred income	-	375
	75,240	9,292,595

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 (2008 – none)

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2009

4 AMOUNTS WRITTEN OFF CURRENT ASSET INVESTMENTS

	2009 £	2008 £
Impairment against investment in Solaris S R L	201,180	166 100
Impairment against investment in Tizian Wohnen I GmbH	-	143,819
Impairment against investment in Tizian Wohnen II GmbH	-	105,938
	<u>201,180</u>	<u>415,857</u>

During the 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.

5 DIRECTORS' EMOLUMENTS

The director serving during the year was remunerated by Lehman Brothers Limited. There were no directors' emoluments in 2008.

6 INTEREST RECEIVABLE & SIMILAR INCOME

	2009 £	2008 £
Interest receivable from Eldon Street Holdings Limited	80,526	269,194
Interest receivable from Tizian Wohnen I GmbH	62,800	85,361
Interest receivable from Tizian Wohnen II GmbH	24,315	33,050
Interest receivable from Galatea S R L	98,410	87 607
Foreign exchange gain	88,018	807,840
	<u>354,069</u>	<u>1,283 052</u>

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2009

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009	2008
	£	£
a) Tax on profit on ordinary activities		
UK corporation tax	59,388	628,004
Double taxation relief	-	(487,501)
Total current tax	59,388	140,503
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% (2008 - 28%) The differences are explained below		
Profit / (loss) on ordinary activities before tax	77,649	(6,967,787)
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 - 28%)	21,742	(1,950,981)
Effects of		
Impact of tax rate change from 30% to 28% as at 1 April 2008	-	(46,454)
Non-deductible expenses	133,950	2,607,602
Non-assessable income	(96,304)	(555,824)
Chargeable gains	-	86,160
Foreign dividends	-	487,501
Double tax relief	-	(487,501)
Current tax charge for the year (note 7(a))	59,388	140,503

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2009

8 CURRENT ASSET INVESTMENTS

Cost	£
At 1 December 2008	3,525,146
Disposals	(282,073)
Exchange movement	343,941
Cost at 30 November 2009	3,587,014
Impairment	
At 1 December 2008	(2 035,118)
Disposals	191,312
Exchange movement	(198,562)
Additional impairment	(224,369)
Impairment at 30 November 2009	(2,266,737)
Net carrying amount as at 30 November 2009	1,320 277
Net carrying amount as at 30 November 2008	1 490,028

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

On 18 June 2009 the company sold its equity investment in San Cristoforo S R L for proceeds of £90 761 (€100,000). The loss on disposal of £191,312 (€210,788) had been provided for in prior years

The following information as at 30 November 2009 relates to the current asset investments of Scalescene Limited, which are registered in Italy and Germany

<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	Ordinary	20%	Real Estate development
San Cristoforo S R L (in liquidation)*	Ordinary	30%	Real Estate development

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2009

8 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>
Galatea S R L (in liquidation)	Ordinary	19%	Real Estate development
Royal Building S R L	Ordinary	29%	Real Estate development
Tizian Wohnen 1 GmbH	Ordinary	21%	Real Estate development
Tizian Wohnen 2 GmbH	Ordinary	21%	Real Estate development

* Disposed of during the year

The following information is taken from the audited accounts of each of the companies below at 31 December 2008

	Capital and reserves		(Loss) / profit for the period	
	2008	2007	2008	2007
	€		€	
Solans S R L	3,885,078	5 804 052	(1,918,974)	(5 271,122)
Tizian Wohnen 1 GmbH	2 028,828	2,181,865	(153,037)	(1 465,143)
Tizian Wohnen 2 GmbH	948,122	1 227 624	(279,502)	(599,192)

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2009

8. CURRENT ASSET INVESTMENTS (CONTINUED)

The following information is taken from the audited accounts of the company below at 31 January 2009

	Capital and reserves		Profit for the period	
	31 January 2009	30 June 2008	31 January 2009	30 June 2008
	€		€	
Hellas S R L (in liquidation)	268,815	266,494	2,321	63,941

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

The following information is taken from the audited accounts of the company below at 17 September 2008

	Capital and reserves		(Loss) for the period	
	2008	2007	2008	2007
	€		€	
Galatea S R L (in liquidation)	173,069	603,519	(30 449)	(293,219)

9. DEBTORS

	2009	2008
	£	£
Amounts due from Eldon Street Holdings Limited	9,904 675	8,944,092
Provision against amounts due from Eldon Street Holdings Limited	(9,904,675)	(8,944,092)
Subordinated loan due from Galatea S R L	1 481,672	1,249,963
Provision against subordinated loan due from Galatea S R L	(1,481,672)	(1 249,963)
Subordinated loan due from Tizian Wohnen I GmbH	1,792,295	1,569,158
Provision against subordinated loan due from Tizian Wohnen I GmbH	(896,148)	(784,579)
Subordinated loan due from Tizian Wohnen II GmbH	693,945	607,550
Provision against subordinated loan due from Tizian Wohnen II GmbH	(346,973)	(303,774)
	<u>1 243,119</u>	<u>1,088,355</u>

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2009

9 DEBTORS (CONTINUED)

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 £80,526 (2008: £269,194) was accrued in relation to the outstanding balance with Eldon Street Holdings Limited.

Interest is charged on loans to Galatea S R L at 8% pa. The amount due from Galatea S R L continues to be provided against, with an additional provision of £98,410 (2008: £63,697) made during the year. Galatea S R L entered a liquidation process in January 2008; therefore the recovery of the balances is not sufficiently certain to recognise the asset. Interest of £98,410 (2008: £87,607) was accrued for.

Interest is charged on loans to Tizian Wohnen I GmbH at 4% pa. The amount due from Tizian Wohnen I GmbH continues to be provided against, with an additional provision of £31,400 made during the year as it is the director's opinion that the recovery of the full loan amount is not sufficiently certain. Interest of £62,800 (2008: £85,361) has been accrued in respect of these loans.

Interest is charged on loans to Tizian Wohnen II GmbH at 4% pa. The amount due from Tizian Wohnen II GmbH continues to be provided against, with an additional provision of £12,158 made during the year as it is the director's opinion that the recovery of the full loan amount is not sufficiently certain. Interest of £24,315 (2008: £33,050) has been accrued in respect of these loans.

10 CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	2009	2008
	£	£
Accruals and deferred income	5,000	6,875
Corporation tax	199,891	140,503
	<u>204,891</u>	<u>147,378</u>

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2009

11. SHARE CAPITAL

	2009	2008
	£	£
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1 000</u>
	2009	2008
	£	£
Allotted, called up and unpaid		
1 Ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

The £1 that was issued for ordinary share capital is held on deposit by Eldon Street Holdings Limited, which is the immediate parent company of Scalescene Limited

12 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital	Profit and loss account	Total shareholders' funds
	£	£	£
At 30 November 2007	1	9,539,294	9,539,295
Exchange gain on foreign currency borrowings	—	264,060	264,060
Exchange differences arising on the translation of investments	—	(264,060)	(264,060)
Loss for the year	—	(7,108,290)	(7,108,290)
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)	(149,379)
Profit for the year	—	18,261	18,261
At 30 November 2009	1	2,449,265	2,449,266

Scalescene Limited

NOTES TO THE ACCOUNTS at 30 November 2009

13 CASH FLOW FROM OPERATING ACTIVITIES

	2009 £	2008 £
Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss	(276,420)	(8,591,303)
Decrease in current asset investments	169,751	202,514
(Increase) / decrease in debtors	(154,764)	8,796,702
Decrease in creditors	57,513	(1,890,925)
Non cash movement	294,681	1,483,012
Total net cash flow from operating activities	90,761	-

14 ANALYSIS OF NET FUNDS

	At 1 December 2008 £	Cash flows £	At 30 November 2009 £
Cash at bank and in hand	-	90,761	90,761
Net funds carried forward		90,761	90,761

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

	2009 £	2008 £
Increase in cash in the year	90,761	-
Movement in net funds in the year	90,761	-
Opening net funds	-	-
Closing net funds	90,761	-

NOTES TO THE ACCOUNTS
at 30 November 2009

16. 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

17. PARENT UNDERTAKING

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