

Registered number: 4999957

LA DEFENSE III (HOLDINGS) LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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LA DEFENSE III (HOLDINGS) LIMITED

COMPANY INFORMATION

DIRECTORS

Wilmington Trust SP Services (London) Limited
M McDermott
S Masson
J-C Schroeder

SECRETARY

Wilmington Trust SP Services (London) Limited

COMPANY NUMBER

4999957

REGISTERED OFFICE

c/o Wilmington Trust SP Services (London) Limited
Fifth Floor
6 Broad Street Place
London
EC2M 7JH

AUDITORS

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

LA DEFENSE III (HOLDINGS) LIMITED

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LA DEFENSE III (HOLDINGS) LIMITED

DIRECTORS' REPORT For the year ended 31 December 2007

The directors present their report and the consolidated financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The group's principal activity, which remained unchanged during the year, is for the purpose of holding an investment in La Defense III Plc. The principal activity of La Defense III Plc, which remained unchanged during the year, is to acquire units in the FCC La Defense III fund and to raise or borrow money and to grant security over its assets for such purpose and to lend money. The FCC La Defense III fund in France acquires receivables derived from real property financing together with ancillary rights and other investments.

La Defense III Plc issued €5,700,000 and €635,000,000 of floating rate loan notes on 3 March 2004 and 4 March 2004 respectively. These proceeds were used to acquire units in the FCC La Defense III fund.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to €5,110,461 (2006: €18,208,615). The profit for the year is stated after taking into account a fair value profit on a derivative financial instrument of €5,128,176 (2006: €18,163,638).

The directors do not recommend the payment of a dividend (2006: €nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

Wilmington Trust SP Services (London) Limited

R G Baker (resigned on 28 February 2008)

J-C Schroeder (appointed on 28 February 2008)

M McDermott

S Masson (alternate)

S Masson is an alternate director to M McDermott.

None of the directors received any remuneration from the group for their services during the year. Under the terms of a corporate services agreement, Wilmington Trust SP Services (London) Limited was contracted to receive fees of €21,150 per annum (2006: €21,150) for the provision of corporate services.

GROUP'S POLICY FOR PAYMENT OF CREDITORS

The group's policy concerning payment of its trade creditors is to pay in accordance with its contractual and other legal obligations. Due to the nature of the business, the main creditors are the noteholders.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no political contributions or charitable donations during the current year or prior year.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the group'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 group's auditors are aware of that information.

LA DEFENSE III (HOLDINGS) LIMITED

DIRECTORS' REPORT For the year ended 31 December 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

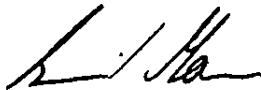
Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 group and of the profit or loss of the group for the year. In preparing these 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 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 group 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 group and to 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 group and to prevent and detect fraud and other irregularities.

This report was approved by the board on 21 November 2008 and signed on its behalf.



Sunil Masson
Authorised Signatory

On behalf of Wilmington Trust SP Services (London) Limited
Director

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF LA DEFENSE III (HOLDINGS) LIMITED

We have audited the group and parent financial statements (the "financial statements") of La Defense III Holdings Limited for the year ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the group'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 group'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 group and the group'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.

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 also report to you if, in our opinion, the group 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 group's and the parent company's affairs as at 31 December 2007 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act; and
- the information given in the Director's Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Date: *21 November 2008*

8 Salisbury Square
London
EC4Y 8BB

LA DEFENSE III (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31 December 2007

	Note	2007 €	2006 €
Interest receivable and similar income	2	38,210,583	37,085,043
Interest payable and similar charges	3	<u>(37,851,357)</u>	<u>(36,665,080)</u>
		359,226	419,963
Other operating income	4	-	28,763
Finance income	5	5,128,176	18,163,638
Administrative expenses		<u>(386,303)</u>	<u>(392,975)</u>
OPERATING PROFIT AND PROFIT BEFORE TAXATION	6	5,101,099	18,219,389
Tax on ordinary activities	7	<u>9,362</u>	<u>(10,774)</u>
PROFIT FOR THE FINANCIAL YEAR	14	<u>5,110,461</u>	<u>18,208,615</u>

There were no recognised gains or losses other than the profit for the year, consequently no statement of total recognised gains and losses has been prepared.

All amounts are derived from continuing operations.

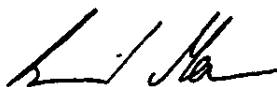
The notes on pages 8 to 19 form an integral part of these financial statements

LA DEFENSE III (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEET As at 31 December 2007

	Note	2007 €	2006 €
FIXED ASSETS			
Investments	8	427,201,894	490,283,242
CURRENT ASSETS			
Debtors: amounts falling due within one year	9	5,250,715	5,010,336
Debtors: amounts falling due after more than one year	10	13,856,100	8,727,923
Investments	8	6,976,181	9,525,000
Cash at bank		<u>755,634</u>	<u>144,721</u>
		26,838,630	23,407,980
CREDITORS: amounts falling due within one year	11	<u>(12,872,209)</u>	<u>(14,556,908)</u>
NET CURRENT ASSETS		<u>13,966,421</u>	<u>8,851,072</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		441,168,313	499,134,314
CREDITORS: amounts falling due after more than one year	12	<u>(427,225,385)</u>	<u>(490,301,845)</u>
NET ASSETS/(LIABILITIES)		<u><u>13,942,930</u></u>	<u><u>8,832,469</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Profit and loss account	14	<u>13,942,929</u>	<u>8,832,468</u>
SHAREHOLDERS' FUNDS - ALL EQUITY	15	<u><u>13,942,930</u></u>	<u><u>8,832,469</u></u>

The financial statements were approved by the board on 21 November 2008 and signed on its behalf.



Sunil Masson
Authorised Signatory

Wilmington Trust SP Services (London) Limited
Director

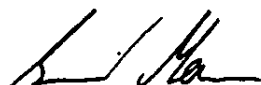
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LA DEFENSE III (HOLDINGS) LIMITED

COMPANY BALANCE SHEET As at 31 December 2007

	Note	2007 €	2006 €
FIXED ASSETS			
Investments	8	18,765	18,765
CURRENT ASSETS			
Debtors	9	13,663	9,504
Cash at bank		<u>1</u>	<u>1</u>
		13,664	9,505
CREDITORS: amounts falling due within one year	11	<u>(13,663)</u>	<u>(9,504)</u>
NET CURRENT ASSETS		<u>1</u>	<u>1</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		18,766	18,766
CREDITORS: amounts falling due after more than one year	12	<u>(18,603)</u>	<u>(18,603)</u>
NET ASSETS		<u><u>163</u></u>	<u><u>163</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Profit and loss account	14	<u>162</u>	<u>162</u>
SHAREHOLDERS' FUNDS - All Equity	15	<u><u>163</u></u>	<u><u>163</u></u>

The financial statements were approved by the board on 21 November 2008 and signed on its behalf.



Sunil Masson
Authorised Signatory

Wilmington Trust SP Services (London) Limited
Director

The notes on pages 8 to 19 form an integral part of these financial statements.

LA DEFENSE III (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 December 2007

	Note	2007 €	2006 €
Net cash inflow from operating activities	18	607,726	52,366
Capital expenditure and financial investment	19	65,630,167	109,163,589
CASH INFLOW BEFORE FINANCING		66,237,893	109,215,955
Financing	19	(65,626,980)	(109,163,589)
		<hr/>	<hr/>
INCREASE IN CASH IN THE YEAR		<u>610,913</u>	<u>52,366</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT For the year ended 31 December 2007

		2007 €	2006 €
Increase in cash in the year	20	610,913	52,366
Redemption of the floating rate notes	19	65,626,980	109,163,590
		<hr/>	<hr/>
MOVEMENT IN NET DEBT IN THE YEAR		66,241,078	109,215,956
Net debt at start of year		(499,663,521)	(608,879,475)
		<hr/>	<hr/>
NET DEBT AT 31 DECEMBER	20	<u>(433,425,628)</u>	<u>(499,663,521)</u>

The notes on pages 8 to 19 form an integral part of these financial statements.

LA DEFENSE III (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below together with an explanation of where changes have been made to previous policies on the adoption of new standards during the year:

The group has adapted the presentation of the profit and loss account and has adopted a format which differs from those presented by Schedule 4 of the Companies Act which, in the opinion of the directors, is more representative in order to show a true and fair view of the group's activities.

The financial statements have been prepared on the historical cost convention except for financial instruments at fair value through profit and loss which are measured at fair value.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

FRS 29 has been adopted for the first time during the year, however this has no impact on the profit and loss or net assets as they are disclosures only.

1.2 Basis of consolidation

The financial statements consolidate the accounts of La Defense III (Holdings) Limited and all of its subsidiary undertakings ('subsidiaries'). Intra-group transactions are eliminated on consolidation and all figures relate to external transactions only.

1.3 Functional Currency

As the group's functional currency and reporting currency are primarily the Euro, the financial statements have been prepared using the Euro.

1.3 Foreign currencies

Assets and liabilities in foreign currencies are translated into euros at the rates of exchange ruling at the balance sheet date. Generally, transactions in foreign currencies are translated into euros at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

1.4 Investments

Shares in subsidiaries are valued at cost less provision for permanent impairment. Current asset investments are stated at the lower of cost and net realizable value. Fixed asset investments are held at cost less provisions for diminutions in value.

1.5 Income and expense

Interest income and expenses are accounted for in the profit and loss account on the accruals basis.

1.6 Deferred taxation

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transaction or events that result in an obligation to pay more, or a right to pay less tax in the future, have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider 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. Deferred tax is measured on a non-discounted basis at the tax rates and laws enacted or substantively enacted at the balance sheet date.

LA DEFENSE III (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

1.7 Amortisation of issue costs

Issue costs relating to the issue of the loan notes are amortised to the profit and loss account in proportion to the expected closing balances of the loans outstanding at the end of each interest payment date until the expected date of redemption. The loan notes are stated at amortised cost and amortisation of the issue cost is the part of the calculation which is performed on EIR basis.

1.8 Financial instruments

All the financial assets are classified as 'loans and receivables' except for the derivatives which are classified as 'held for trading'. Derivatives with a negative value are classified as held for trading financial liabilities. All other financial liabilities are classified as 'financial liabilities at amortised cost'.

Loans and receivables are initially recognised at contractual amounts and subsequently measured at amortised cost. Financial assets and liabilities classified as held for trading are initially and subsequently measured at fair value. Financial liabilities at amortised cost are initially recognised at contractual amounts and subsequently measured at amortised cost.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 €	2006 €
Swap interest receivable	17,889,727	12,875,666
<i>Interest income on financial assets not at fair value through profit or loss</i>		
Interest receivable on units	19,189,836	18,999,283
Other income	402,918	4,472,672
Amortisation of issue costs reimbursed	723,999	734,573
Bank interest receivable	4,103	2,849
	<u>38,210,583</u>	<u>37,085,043</u>

3. INTEREST PAYABLE

	2007 €	2006 €
Swap interest payable	15,715,645	17,373,732
<i>Interest expense on financial liabilities not at fair value through profit or loss</i>		
Interest payable on class A1 loan notes	13,925,151	12,856,630
Interest payable on class B1 loan notes	4,493,482	3,398,085
Interest payable on class C1 loan notes	2,993,080	2,302,060
Amortisation of issue costs	723,999	734,573
	<u>37,851,357</u>	<u>36,665,080</u>

4. OTHER OPERATING INCOME

	2007 €	2006 €
Issue costs reimbursed	-	28,763

The costs incurred by the group are reimbursed by the FCC La Defense III fund.

LA DEFENSE III (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2007

5. FINANCE INCOME

	2007	2006
	€	€
<i>Net gain/(loss) on financial instruments held for trading</i>		
Movement on interest rate swap	13,856,100	18,232,291
Movement on interest rate cap	<u>(8,727,924)</u>	<u>(68,653)</u>
	<u>5,128,176</u>	<u>18,163,638</u>

The above represents the fair value movement on the derivative financial instruments.

6. OPERATING PROFIT

The Operating profit is stated after charging/(crediting):

	2007	2006
	€	€
Auditors' remuneration relating to audit of these financial statements	31,132	32,554
Auditors' remuneration relating to audit of these financial statements – prior year	9,475	-
Auditors' remuneration for other services	21,866	21,774

During the year no director received any emoluments (2006: €nil). Under the terms of a corporate services agreement dated 4 March 2004, Wilmington Trust SP Services (London) Limited is contracted to receive fees of €21,150 per annum for the provision of corporate services to the group.

There were no employees during the year (2006: nil).

Operating profit represents interest receivable on units of loans made to French property companies less interest payable on floating rate notes.

7. TAXATION

	2007	2006
Analysis of tax (credit) / charge in year		
UK corporation tax on profits for the year	(8,123)	10,774
Prior year adjustment	<u>(1,239)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>(9,362)</u>	<u>10,774</u>
Factors affecting tax charge for year		
	2007	2006
Profit on ordinary activities before tax	5,101,099	18,219,389
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006:19%)	1,530,329	3,461,684
Less: disallowed income	(1,519,728)	(3,450,910)
Less: prior year adjustment	<u>(1,239)</u>	<u>-</u>
Current tax (credit) / charge for period (see note above)	<u>(9,362)</u>	<u>10,774</u>

There were no factors that may affect future tax charges.

LA DEFENSE III (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

8. INVESTMENTS

	2007	2006
Group	€	€
At 1 January	499,808,242	608,971,831
Redemptions	<u>(65,630,167)</u>	<u>(109,163,589)</u>
At 31 December	<u>434,178,075</u>	<u>499,808,242</u>
Due within one year	6,976,181	9,525,000
Due after more than one year	<u>427,201,894</u>	<u>490,283,242</u>
	<u>434,178,075</u>	<u>499,808,242</u>

Investments represent units required in the FCC La Defense III fund which acquires receivables derived from real property financing together with ancillary rights and other investments.

The investments are repayable in instalments and are expected to be repaid by April 2011.

	Share in group under-takings	Total
Company	€	€
Cost or valuation		
At 31 December 2007 and 31 December 2006	<u>18,765</u>	<u>18,765</u>

Principal subsidiaries

Company name	Country of incorporation	Percentage Shareholding	Shares
La Defense III Plc	England and Wales	100	Ordinary £1 subscriber

La Defense III Plc is an investment company whose principal activity is to acquire units in the FCC La Defense III fund and to raise or borrow money and to grant security over its assets for such purpose and to lend money. The FCC La Defense III fund in France acquires receivables derived from real property financing together with ancillary rights and other investments.

9. DEBTORS: Amounts falling due within one year

	Group 2007	Group 2006	Company 2007	Company 2006
	€	€	€	€
Other debtors	14,663	14,663	-	-
Prepayments and accrued income	<u>5,236,052</u>	<u>4,995,672</u>	<u>13,663</u>	<u>9,504</u>
	<u>5,250,715</u>	<u>5,010,335</u>	<u>13,663</u>	<u>9,504</u>

10. DEBTORS: Amounts falling due after more than one year

	Group 2007	Group 2006	Company 2007	Company 2006
	€	€	€	€
Derivatives at fair value	<u>13,856,100</u>	<u>8,727,923</u>	<u>-</u>	<u>-</u>

LA DEFENSE III (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

11. CREDITORS: Amounts falling due within one year

	Group 2007	Group 2006	Company 2007	Company 2006
	€	€	€	€
Floating rate notes	6,974,480	9,525,000	-	-
Interest payable	5,200,027	4,454,548	-	-
Corporation tax	1,350	10,713	-	-
Accruals and deferred income	<u>696,352</u>	<u>566,647</u>	<u>13,663*</u>	<u>9,504*</u>
	<u>12,872,209</u>	<u>14,556,908</u>	<u>13,663</u>	<u>9,504</u>

* Intercompany balances

12. CREDITORS: Amounts falling due after more than one year

	Group 2007	Group 2006	Company 2007	Company 2006
	€	€	€	€
Other creditors	18,603	18,603	18,603	18,603
Floating rate notes	424,585,990	486,938,451	-	-
Reimbursed issue costs	4,904,698	4,904,698	-	-
Amortisation of reimbursed issue costs	<u>(2,283,906)</u>	<u>(1,559,907)</u>	-	-
	<u>427,225,385</u>	<u>490,301,845</u>	<u>18,603</u>	<u>18,603</u>

The floating rate notes' outstanding principal balance declines over time as the proceeds from redemptions on loans made by the FCC fund are used to repay note-holders, along with accrued interest, on each quarterly interest payment date. Costs relating to the issue of the floating rate notes are deducted from the principal balance on the notes. These costs are charged to the profit and loss account in line with the expected redemptions of the underlying floating rate notes. Costs are fully amortised by the earliest date at which the option to redeem the floating rate notes may be exercised.

The notes were issued in March 2004 to fund investment in a French fund which acquired receivables derived from real property financing together with ancillary rights and other investments. Interest on the notes is at a floating rate of three month EURIBOR plus a margin of 0.27%, 0.60% and 0.85% per annum for A1, B1 and C1 loan notes respectively. The notes are secured by fixed and floating charges on the assets of the group. The floating rate notes fall due for repayment in full in April 2014.

	Group 2007	Group 2006	Company 2007	Company 2006
	€	€	€	€
Floating rate notes				
Class A1 notes due 2014	281,937,871	345,643,092	-	-
Class B1 notes due 2014	93,249,077	94,426,154	-	-
Class C1 notes due 2014	<u>58,994,314</u>	<u>59,738,996</u>	-	-
	434,181,262	499,808,242	-	-
Issue costs	<u>(4,904,698)</u>	<u>(4,904,698)</u>	-	-
Amortisation of issue costs	<u>2,283,906</u>	<u>1,559,907</u>	-	-
	<u>431,560,470</u>	<u>496,463,451</u>	-	-

LA DEFENSE III (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

12. CREDITORS: Amounts falling due after more than one year (*continued*)

Included within the above are amounts repayable by instalments, falling due as follows:

	Group 2007 €	Group 2006 €	Company 2007 €	Company 2006 €
Between one and two years				
Floating rate notes	<u>6,974,480</u>	<u>9,525,000</u>	-	-
Between two and five years				
Floating rate notes	<u>417,611,510</u>	<u>28,575,000</u>	-	-
Over five years				
Floating rate notes	<u>-</u>	<u>448,838,451</u>	-	-

Creditors include amounts not wholly repayable within 5 years as follows:

Other creditors	18,603	18,603	18,603	18,603
Floating rate notes (repayable in instalments)	<u>-</u>	<u>448,838,451</u>	<u>-</u>	<u>-</u>
	<u>18,603</u>	<u>448,857,054</u>	<u>18,603</u>	<u>18,603</u>

13. SHARE CAPITAL

	2007	2006
Authorised		
100 Ordinary shares of £1 each	<u>€142</u>	<u>€142</u>
Allotted, called up and fully paid		
1 Ordinary share of £1 each	<u>€1</u>	<u>€1</u>

14. PROFIT AND LOSS ACCOUNT

	Group 2007 €	Group 2006 €	Company 2007 €	Company 2006 €
At the start of the year	8,832,468	(9,376,13)	162	162
Retained profit for the financial year	<u>5,110,461</u>	<u>18,208,615</u>	<u>-</u>	<u>-</u>
At end of year	<u>13,942,938</u>	<u>8,832,468</u>	<u>162</u>	<u>162</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 2007 €	Group 2006 €	Company 2007 €	Company 2006 €
Profit for the year	5,110,461	18,208,615	-	-
Opening shareholders' funds	<u>8,832,469</u>	<u>(9,376,146)</u>	<u>163</u>	<u>163</u>
Closing shareholders' funds	<u>13,942,930</u>	<u>8,832,469</u>	<u>163</u>	<u>163</u>

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.

LA DEFENSE III (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2007

16. FINANCIAL INSTRUMENTS

The management of the Group has classified the Group's financial assets and liabilities as follows:

	2007 €	2006 €
Financial Assets		
<i>Loan and receivables</i>		
Investments in the FCC La Defense III Fund	434,178,075	499,808,242
Other short term debtors	5,248,559	5,008,180
Cash and other short term deposits	755,633	144,718
<i>Held of trading</i>		
Derivatives: Interest rate swap	13,842,688	8,703,155
Derivatives: Interest rate cap	<u>13,412</u>	<u>24,768</u>
Total financial assets	<u>454,038,367</u>	<u>513,689,063</u>
Financial Liabilities		
<i>Financial liabilities measured at amortised cost</i>		
Floating rate notes	(434,178,075)	(499,808,242)
Other short term creditors	<u>(5,896,379)</u>	<u>(5,021,195)</u>
Total financial liabilities	<u>(440,074,454)</u>	<u>(504,829,437)</u>

Fair value of the financial instruments

Except for the Investments in the FCC La Defense III Fund and Floating rates notes, the fair value of financial instruments approximates their carrying value as the instruments are either short term in nature or are re-priced frequently.

The fair value of the Investments in the FCC La Defense III Fund as at 31 December 2007 is €464,519,713 (2006: €524,304,381). There are no external or quoted market prices available for the Investments. The fair value of the Investments is estimated using discounted cash flow techniques based on interest rates prevailing at the balance sheet date.

The fair value of the Floating rate notes as at 31 December 2007 is €432,446,296 (2006: €501,502,635). The fair value of the Investments is determined using the external and quoted market prices.

Capital management

The Group's overall strategy remains unchanged since 2006. The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 11, cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings. The Directors continue to monitor the balance of the overall capital structure. The Group is not subject to any external capital requirements.

Financial Risk Management

The group's financial instruments arise directly from its operations. The risks arising from the group's activities are operational risk, credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing each of these risks which are noted below

Market risk

Market risk is the risk that movements in market risk factors, including foreign exchange rates, price and interest rates will reduce the Group's income or the value of its capital.

LA DEFENSE III (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2007

16. FINANCIAL INSTRUMENTS (*continued*)

Foreign currency risk

All of the group's assets and liabilities are denominated in Euros and therefore foreign currency risk is minimal. The directors estimate that substantial movements in foreign exchange rates would not have a material impact on the net assets of the Group as the net exposures to foreign currencies are so small.

Interest rate risk

Interest risk arises on interest payable on the floating rate loans and borrowings. The Directors manage this risk by use of interest rate swaps. The risk arises as a result of a fixed rate of interest being received, while the Group is required to pay floating rates of interest on the notes issued. The Group's exposure to interest rate risk with respect to the interest rate swap is monitored and reviewed by the Directors on a regular basis.

Interest rate swap contracts

Interest rate swap contracts enable the Group to mitigate the risk of changing interest rates and cash flow exposures on the floating rate debt held. The fair values of interest rate swaps at the year end are the marked to market values supplied by the issuer of the swap. This value is based on the future cashflows relating to the outstanding balances at the end of the financial year at the relevant interest rates prevailing at balance sheet date. Interest rates swaps contracts are measured at fair value through profit and loss account whereas the investments in the fund and loan notes are stated and measured at amortised cost. The above results in an accounting mismatch. Movement in the interest rate (3 months Euribor) is one of the key factors on which fair value of interest rate swaps depends. Therefore movement in the interest rate will have significant impact on the profitability of the Group.

Interest rate risk profile of financial liabilities

The interest margins on the floating rate notes issued by the group are disclosed within note 11. The underlying 3 month Euribor rate at 31 December 2007 was 4.68% (2006: 3.725%).

Credit risk

Credit risk is the risk that a counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group and will cause a financial loss for the Group by failing to discharge their obligation. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly.

The Group's main investment is with La Defense III Fund; hence the main credit risk arises on this investment where La Defense III Fund does not have resources to make the interest and principal repayment. Credit risk here is mitigated by means of a periodic impairment review of the Fund's investments.

The carrying amount of the financial assets best represents the maximum credit risk exposure at the balance sheet date. There have been no loan defaults or breaches during the current or prior year.

The Group's main cash balances are held with HSBC Bank Plc. The Group manages its risk by monitoring the credit quality of its bankers on an ongoing basis. HSBC Bank Plc is rated by all major rating agencies and has a credit rating of AAA. If the credit quality of the bank deteriorates, the Group would look to move the short term deposits or cash to another bank.

The Group is exposed to credit risk from counterparties used to value the interest rate swaps which are financial assets as at 31 December 2007. The counterparties for the interest rate swaps are BNP Paribas and the Royal Bank of Canada, who have a credit rating of AA- and AA respectively.

LA DEFENSE III (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2007

16. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities. It is the Groups policy to fully match its funding requirements. The group's policy is to match the cash outflows associated with floating rate notes issued by the Group with cash inflows associated with the units invested in. At the year end the entire portfolio of floating rate notes was covered by assets whose maturity did not exceed that of the notes. The table below represents a maturity analysis for financial liabilities that shows the remaining contractual maturities:

	Carrying amount €	Gross nominal (outflow) €	Less than 1 year €	1-2 years €	2-5 years €
31 December 2007					
Floating rate notes	434,178,075	(434,178,075)	(9,525,000)	(9,525,000)	(28,575,000)
Interest payable	5,200,027	(137,205,532)	(22,867,589)	(45,735,177)	(68,602,766)
Accruals	<u>696,352</u>	<u>(696,352)</u>	<u>(696,352)</u>	-	-
	<u>440,074,454</u>	<u>(572,079,959)</u>	<u>(33,088,941)</u>	<u>(55,260,177)</u>	<u>(97,177,766)</u>
31 December 2006					
Floating rate notes	499,808,242	(499,808,242)	(9,525,000)	(9,525,000)	(28,575,000)
Interest payable	4,454,548	(117,805,664)	(19,859,277)	(39,178,555)	(58,767,832)
Subordinated liabilities	9,504	(9,504)	(9,504)	-	-
Accruals	<u>566,647</u>	<u>(566,647)</u>	<u>(566,647)</u>	-	-
	<u>504,838,941</u>	<u>(618,190,057)</u>	<u>(29,960,924)</u>	<u>(48,703,555)</u>	<u>(87,342,832)</u>

LA DEFENSE III (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2007

16. FINANCIAL INSTRUMENTS (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes, personnel, technology and infrastructure, and from external factors such as those arising from legal and regulatory requirements. Operational risks are limited by the group incorporating the following:

- compliance with regulatory and other legal requirements
- development of contingency plans
- training and professional development
- ethical and business standards

risk mitigation, including insurance where this is effective

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors consider La Defense III (Holdings) Limited as the ultimate parent and controlling party. The sole share of the company is held by Wilmington Trust SP Services (London) Limited under a Declaration of Trust for La Defense III Plc.

The smallest and largest group into which the company is consolidated is La Defense III (Holdings) Limited.

18. NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 €	2006 €
Profit on operating activities	5,101,098	18,208,615
Amortisation of issue costs	723,999	734,573
Amortisation of issue costs reimbursed	(723,999)	(734,573)
Fair value movement in derivative financial instrument	(5,128,177)	(18,163,638)
(Increase)/decrease in debtors	(240,379)	357,818
Increase/(decrease) in creditors	875,184	(350,429)
NET CASH INFLOW FROM OPERATIONS	<u>607,726</u>	<u>52,366</u>

19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2007 €	2006 €
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Redemptions in year	<u>65,630,167</u>	<u>109,163,590</u>
NET CASH INFLOW	<u>65,630,167</u>	<u>109,163,590</u>
 FINANCING		
Repayment of floating rate notes	<u>(65,626,980)</u>	<u>(109,163,590)</u>
NET CASH (OUTFLOW) FROM FINANCING	<u>(65,626,980)</u>	<u>(109,163,590)</u>

LA DEFENSE III (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2007

20. ANALYSIS OF CHANGES IN NET DEBT

	31 December 2006	Cash flow	Other	31 December 2007
	€	€	€	€
Cash at bank and in hand:	144,721	610,913	-	755,634
	144,721	610,913	-	755,634
DEBT :				
Debt due within one year	(9,525,000)	-	2,550,520	(6,974,480)
Debt falling due after more than one year	(490,283,242)	65,626,980	(2,550,520)	(427,206,782)
NET DEBT	(499,663,521)	66,241,078	-	(433,425,628)

21. RELATED PARTY TRANSACTIONS

During the year no director received any remuneration other than Wilmington Trust SP Services (London) Limited, which receives a fee for the provision of corporate services under the terms of a corporate services agreement. Under the terms of the agreement, Wilmington Trust SP Services (London) Limited is entitled to receive annual fees of €21,150 (2006: €21,150).

Included within the profit and loss account are corporate services fees and accountancy fees charged by Wilmington Trust SP Services (London) Limited totalling €20,690 (2006: €21,390) and €4,406 (2006: €4,406) respectively.

At 31 December 2007, €4,406 (2006: €4,406) relating to accountancy fees were outstanding and are included within current liabilities: accruals.