

**LA DEFENSE III (HOLDINGS) LIMITED**

**DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

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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  
15 Canada Square  
London  
E14 5GL

# **LA DEFENSE III (HOLDINGS) LIMITED**

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# **LA DEFENSE III (HOLDINGS) LIMITED**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2009**

The directors present their report and the consolidated financial statements for the year ended 31 December 2009

### **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 consolidated loss for the year, after taxation, amounted to €2,584,025 (2008 €14,928,080 loss). The loss for the year is stated after taking into account a fair value loss on a derivative financial instrument of €3,711,373 (2008 €14,945,191 loss).

The directors do not recommend the payment of a dividend (2008 €nil).

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year and up to the date of this report and their interests' were

Wilmington Trust SP Services (London) Limited

Mr J-C Schroeder

Mr M McDermott

Mr S Masson is an alternate director to Mr M McDermott

None of the directors received any remuneration from the company 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 (2008 €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 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.

### **AUDITORS**

Persuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

Signed by order of the directors

# **LA DEFENSE III (HOLDINGS) LIMITED**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2009**

### **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)

Under company law the directors must not approve financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the group's transactions and 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 2006. 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.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the board on 23 August 2010 and signed on its behalf



Mr S Masson

**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 financial statements of La Defense III Holdings Limited for the year ended 31 December 2009 which comprise of the Group Profit and Loss Account, the Group Statement of Total Recognised Gains or Losses, the Group and Company Balance Sheet, the Group Cash Flow Statement and the related notes. 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 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 (APB's) Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP)

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2009 and of the group loss for the year then ended,
- have been properly prepared in accordance with UK 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.

### **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, or
- the parent company 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



**Nicholas J Edmonds**

**(Senior Statutory Auditor)**

**For and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants

15 Canada Square

London E14 5GL

23 August 2010

# LA DEFENSE III (HOLDINGS) LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31 December 2009

	Note	2009 €	2008 €
Interest receivable and similar income	2	22,827,229	37,730,439
Interest payable and similar charges	3	<u>(22,293,427)</u>	<u>(37,304,831)</u>
		533,802	425,608
Finance income	4	(3,711,373)	(14,945,191)
Other income		20,257	22,546
Administrative expenses		<u>(431,476)</u>	<u>(422,638)</u>
<b>OPERATING LOSS</b>	5	<b>(3,588,790)</b>	<b>(14,919,675)</b>
Tax credit/(charge) on ordinary activities	6	<u>1,004,765</u>	<u>(8,405)</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b><u>(2,584,025)</u></b>	<b><u>(14,928,080)</u></b>

All amounts are derived from continuing operations

The notes on pages 9 to 20 form an integral part of these financial statements

## **LA DEFENSE III (HOLDINGS) LIMITED**

### **CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES** **For the year ended 31 December 2009**

	<b>2009</b>	<b>2008</b>
	<b>€</b>	<b>€</b>
<b>Loss for the financial year</b>	<b><u>(2,584,025)</u></b>	<b><u>(14,928,080)</u></b>
<b>Total recognised losses relating to the financial year</b>	<b><u>(2,584,025)</u></b>	<b><u>(14,928,080)</u></b>
<b>Total losses recognised since last annual report</b>	<b><u>(2,584,025)</u></b>	<b><u>(14,928,080)</u></b>

The notes on pages 9 to 20 form an integral part of these financial statements

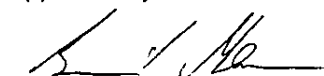


# LA DEFENSE III (HOLDINGS) LIMITED

## CONSOLIDATED BALANCE SHEET As at 31 December 2009

	Note	2009 €	2008 €
<b>FIXED ASSETS</b>			
Investments	7	373,251,015	420,225,855
<b>CURRENT ASSETS</b>			
Debtors amounts falling due within one year	8	3,467,454	5,783,613
Investments	7	46,975,475	6,976,110
Deferred tax asset		1,039,085	-
Cash at bank		<u>212,594</u>	<u>168,117</u>
		51,694,608	12,927,840
<b>CREDITORS</b> amounts falling due within one year	9	<u>(55,239,367)</u>	<u>(12,800,478)</u>
<b>NET CURRENT (LIABILITIES)/ ASSETS</b>		<u>(3,544,759)</u>	<u>127,362</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		369,706,256	420,353,217
<b>CREDITORS</b> amounts falling due after more than one year	10	<u>(373,275,430)</u>	<u>(421,338,366)</u>
<b>NET LIABILITIES</b>		<u>(3,569,174)</u>	<u>(985,149)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	1	1
Profit and loss account	12	<u>(3,569,175)</u>	<u>(985,150)</u>
<b>SHAREHOLDERS' FUNDS - ALL EQUITY</b>	13	<u>(3,569,174)</u>	<u>(985,149)</u>

The financial statements of La Defense III (Holdings) Limited, company registration number 04999957, were approved by the board on 23 August 2010 and signed on its behalf



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

The notes on pages 9 to 20 form an integral part of these financial statements

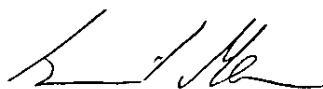
# LA DEFENSE III (HOLDINGS) LIMITED

## COMPANY BALANCE SHEET

As at 31 December 2009

	Note	2009 €	2008 €
<b>FIXED ASSETS</b>			
Investments	7	18,765	18,765
<b>CURRENT ASSETS</b>			
Debtors	8	15,662	36,208
Cash at bank		<u>1</u>	<u>1</u>
		15,663	36,209
<b>CREDITORS. amounts falling due within one year</b>	9	<u>(15,662)</u>	<u>(36,208)</u>
<b>NET CURRENT ASSETS</b>		<u>1</u>	<u>1</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		18,766	18,766
<b>CREDITORS amounts falling due after more than one year</b>	10	<u>(18,603)</u>	<u>(18,603)</u>
<b>NET ASSETS</b>		<u>163</u>	<u>163</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	1	1
Profit and loss account	12	<u>162</u>	<u>162</u>
<b>SHAREHOLDERS' FUNDS - All Equity</b>	13	<u>163</u>	<u>163</u>

The financial statements of La Defense III (Holdings) Limited, company registration number 04999957, were approved by the board on 23 August 2010 and signed on its behalf



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

The notes on pages 9 to 20 form an integral part of these financial statements

# LA DEFENSE III (HOLDINGS) LIMITED

## CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 December 2009

	Note	2009 €	2008 €
Net cash inflow / (outflow) from operating activities	16	46,973	(579,389)
Taxation		(3,491)	(9,758)
Capital expenditure and financial investment	17	<u>6,975,475</u>	<u>6,976,110</u>
<b>CASH INFLOW BEFORE FINANCING</b>		<b>7,018,957</b>	<b>6,386,963</b>
Financing	17	<u>(6,974,480)</u>	<u>(6,974,480)</u>
<b>INCREASE / (DECREASE) IN CASH IN THE YEAR</b>		<b><u>44,477</u></b>	<b><u>(587,517)</u></b>

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT For the year ended 31 December 2009

		2009 €	2008 €
Increase / (decrease) in cash in the year		44,477	(587,518)
Redemption of the floating rate notes	17	<u>6,974,480</u>	<u>6,974,480</u>
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>		<b>7,018,957</b>	<b>6,386,962</b>
Net debt at start of year		<u>(427,038,665)</u>	<u>(433,425,628)</u>
<b>NET DEBT AT 31 DECEMBER</b>	18	<b><u>(420,019,708)</u></b>	<b><u>(427,038,666)</u></b>

## STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 2009 €	Group 2008 €	Company 2009 €	Company 2008 €
Loss for the year	(2,584,025)	(14,928,080)	-	-
Opening shareholders' funds	<u>(985,150)</u>	<u>13,942,930</u>	<u>163</u>	<u>163</u>
Closing shareholders' funds	<u><u>(3,569,175)</u></u>	<u><u>(985,150)</u></u>	<u><u>163</u></u>	<u><u>163</u></u>

The notes on pages 9 to 20 form an integral part of these financial statements

# **LA DEFENSE III (HOLDINGS) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2009**

### **1. ACCOUNTING POLICIES**

#### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with the Companies Act 2006 (the Act) and applicable accounting standards. The financial statements have been prepared in Euros, which is the functional currency of the Group. The financial statements have been prepared on a Going Concern basis. 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.

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operation for at least the next 12 months. The Group has retained a loss for the year and has negative net assets of €3,569,174 as at 31 December 2009. The loss has arisen due to the movement in the fair value of the Group's derivative financial instruments - interest rate swaps which are fair valued through the profit and loss account whilst all other financial instruments are accounted for at amortised cost. The interest rate swaps are used to manage the Group's interest rate risk as it receives the majority of its income on a fixed rate basis and pays floating rate interest on the notes issued; accordingly the Group has fixed the interest payments on the notes using interest rate swaps. The interest rate swaps economically hedge the cash flows on the assets to those on the liabilities. The mark to market value of the swap will reverse by maturity which will return the company to a net asset position. The transactions are structured in such a way that the net cash position of the Group will remain positive i.e. interest receipts exceeds interest payments after incorporating the cash payments or receipts to be made under the swap. For this reason the directors remain satisfied that it is appropriate for the financial statements to be prepared on a going concern basis.

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 company'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.

#### **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.

#### **1.4 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.

#### **1.5 Investments**

Shares in subsidiaries are valued at cost less provision for permanent impairment. Current asset

## LA DEFENSE III (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

#### 1 ACCOUNTING POLICIES (continued)

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.

#### 1.6 Income and expense

Interest income and expenses are accounted for in the profit and loss account on the Effective Interest Rate method.

#### 1.7 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.

#### 1.8 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 Effective Interest Rate (EIR) basis.

#### 1.9 Financial instruments

All the financial assets are classified as 'loans and receivables' except for the derivatives which are classified as 'held for trading'. These assets are included in the balance sheet as fixed asset investments where the maturity exceeds one year, otherwise they are included in current assets. 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.

#### 1.10 Derivative financial instruments

The company uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational, financing and investment activities. In accordance with its policy, the company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The fair value of interest rate swaps is the estimated amount that the company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

# LA DEFENSE III (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 €	2008 €
Swap interest receivable	6,942,092	21,074,257
Interest receivable on units	14,689,111	15,534,388
Other income	493,140	402,806
Amortisation of issue costs reimbursed	702,765	713,361
Bank interest receivable	121	5,627
	<u>22,827,229</u>	<u>37,730,439</u>

### 3. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 €	2008 €
Swap interest payable	12,874,813	13,295,084
Interest payable on class A1 loan notes	5,220,490	14,679,224
Interest payable on class B1 loan notes	2,051,012	5,186,809
Interest payable on class C1 loan notes	1,444,347	3,430,353
Amortisation of issue costs	702,765	713,361
	<u>22,293,427</u>	<u>37,304,831</u>

### 4. FINANCE INCOME

	2009 €	2008 €
<i>Net loss on financial instruments held for trading</i>	<u>(3,711,373)</u>	<u>(14,945,191)</u>

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

# LA DEFENSE III (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 5 OPERATING LOSS

The Operating loss is stated after charging

	Group 2009	Group 2008	Company 2009	Company 2008
	€	€	€	€
<u>Auditors' remuneration</u>				
*Fees payable for the audit of the annual statutory accounts	15,898	48,458	10,000	6,032
Other services	1,609	5,675	2,000	5,675

\*The Company accrued an amount of €32,900 for 2009 (2008 €35,851)

During the year no director received any emoluments (2008 €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 (2008 nil)

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

### 6. TAXATION

	2009 €	2008 €
<b>Analysis of tax charge / (credit) in year</b>		
UK corporation tax on (loss) / profit for the year	34,320	-
Prior year adjustment	-	8,405
<b>Deferred tax .</b>		
Current year deferred tax	(1,039,085)	-
<b>Tax on (loss) / profit on ordinary activities</b>	<b>(1,004,765)</b>	<b>8,405</b>
<b>Factors affecting tax charge for year</b>	<b>2009 €</b>	<b>2008 €</b>
Loss on ordinary activities before tax	(3,588,790)	(14,919,673)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28%)	(1,004,861)	(4,177,508)
Effects of		
Expenses not deductible for tax purposes	1,039,181	4,184,653
Utilisation of prior year losses	-	(7,145)
Prior year adjustment	-	8,405
<b>Current tax charge for the year (see note above)</b>	<b><u>34,320</u></b>	<b><u>8,405</u></b>

The deferred tax asset is attributable to temporary differences attributable to derivative fair valuation.

# LA DEFENSE III (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 7 INVESTMENTS

	2009	2008
Group	€	€
At 1 January	427,201,965	434,178,075
Redemptions	(6,975,475)	(6,976,110)
<b>At 31 December</b>	<b><u>420,226,490</u></b>	<b><u>427,201,965</u></b>
Due within one year	46,975,475	6,976,110
Due after more than one year	373,251,015	420,225,855
	<b><u>420,226,490</u></b>	<b><u>427,201,965</u></b>

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 2014

	Share in group under-takings	Total
Company	€	€
<b>Cost or valuation</b>		
At 31 December 2009 and 31 December 2008	<b><u>18,765</u></b>	<b><u>18,765</u></b>

#### Principal subsidiaries

Company name	Country of incorporation	Percentage Shareholding	Shares
La Defense III Plc	England and Wales	100	Ordinary £1 (25 pence paid)
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

### 8. DEBTORS: Amounts falling due within one year

	Group 2009	Group 2008	Company 2009	Company 2008
	€	€	€	€
Other debtors	14,663	14,663	-	-
Prepayments and accrued income	3,452,791	5,768,950	15,662	36,208
	<b><u>3,467,454</u></b>	<b><u>5,783,613</u></b>	<b><u>15,662</u></b>	<b><u>36,208</u></b>

### 9 CREDITORS: Amounts falling due within one year

	Group 2009	Group 2008	Company 2009	Company 2008
	€	€	€	€
Floating rate notes	46,975,475	6,976,110	-	-
Interest payable	1,124,934	5,710,113	-	-
Corporation tax	30,832	-	-	-
Accruals and deferred income	2,307,662	114,255	15,662	36,208
Derivatives at fair value	4,800,464	-	-	-
	<b><u>55,239,367</u></b>	<b><u>12,800,478</u></b>	<b><u>15,662</u></b>	<b><u>36,208</u></b>



# LA DEFENSE III (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 10. CREDITORS. Amounts falling due after more than one year

	Group 2009	Group 2008	Company 2009	Company 2008
	€	€	€	€
Other creditors	18,603	18,603	18,603	18,603
Floating rate notes	372,052,161	418,323,241	-	-
Reimbursed issue costs	4,904,698	4,904,698	-	-
Amortisation of reimbursed issue costs	(3,700,032)	(2,997,267)	-	-
Derivatives at fair value	-	1,089,091	-	-
	<u>373,275,430</u>	<u>421,338,366</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 company. The floating rate notes fall due for repayment in full in April 2014.

	Group 2009	Group 2008	Company 2009	Company 2008
	€	€	€	€
<b>Floating rate notes</b>				
Class A1 notes due 2014	271,503,610	276,720,740	-	-
Class B1 notes due 2014	91,096,324	92,172,701	-	-
Class C1 notes due 2014	<u>57,632,368</u>	<u>58,313,341</u>	-	-
	420,232,302	427,206,782	-	-
Issue costs	(4,904,698)	(4,904,698)	-	-
Amortisation of issue costs	<u>3,700,032</u>	<u>2,997,267</u>	-	-
	<u>419,027,636</u>	<u>425,299,351</u>	-	-

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

	Group 2009	Group 2008	Company 2009	Company 2008
	€	€	€	€
<b>Between one and two years</b>				
Floating rate notes	<u>53,951,585</u>	<u>6,976,110</u>	-	-
<b>Between two and five years</b>				
Floating rate notes	<u>366,280,717</u>	<u>411,347,131</u>	-	-

Creditors include amounts not wholly repayable within 5 years as follows

Other creditors	<u>18,603</u>	<u>18,603</u>	<u>18,603</u>	<u>18,603</u>
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### 11. SHARE CAPITAL

	2009	2008
<b>Authorised</b>		
100 Ordinary shares of £1 each	<u>€142</u>	<u>€142</u>
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1 each	<u>€1</u>	<u>€1</u>

# LA DEFENSE III (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 12 PROFIT AND LOSS ACCOUNT

	Group 2009 €	Group 2008 €	Company 2009 €	Company 2008 €
At the start of the year	(985,150)	13,942,930	162	162
Retained loss for the financial year	<u>(2,584,025)</u>	<u>(14,928,080)</u>	<u>-</u>	<u>-</u>
At end of year	<u><u>(3,569,175)</u></u>	<u><u>(985,150)</u></u>	<u><u>162</u></u>	<u><u>162</u></u>

### 13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 2009 €	Group 2008 €	Company 2009 €	Company 2008 €
Loss for the year	(2,584,025)	(14,928,080)	-	-
Opening shareholders' funds	<u>(985,150)</u>	<u>13,942,930</u>	<u>163</u>	<u>163</u>
Closing shareholders' funds	<u><u>(3,569,175)</u></u>	<u><u>(985,150)</u></u>	<u><u>163</u></u>	<u><u>163</u></u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account

### 14 FINANCIAL INSTRUMENTS

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

	2009 €	2008 €
<b>Financial Assets</b>		
<i><b>Loans and receivables</b></i>		
Investments in the FCC La Defense III Fund	420,226,490	427,201,965
Other short term debtors	3,467,453	5,783,613
Cash and other short term deposits	<u>212,594</u>	<u>168,117</u>
<b>Total financial assets</b>	<u><u>429,499,947</u></u>	<u><u>433,153,695</u></u>
<b>Financial Liabilities</b>		
<i><b>Held for trading</b></i>		
Derivatives Interest rate swap	(4,800,464)	(1,089,091)
<i><b>Financial liabilities measured at amortised cost</b></i>		
Floating rate notes	(420,232,302)	(427,206,782)
Other short term creditors	<u>(3,463,430)</u>	<u>(5,824,368)</u>
<b>Total financial liabilities</b>	<u><u>(428,496,196)</u></u>	<u><u>(434,120,241)</u></u>

#### Fair value of the financial instruments

Except for the Investments in the FCC La Defense III Fund and Floating rate 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 2009 is €425,005,364 (2008 €455,423,026) 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 2009 is €436,392,446 (2008 €428,304,155) The fair value of the Investments is determined using the external and quoted market prices

## **LA DEFENSE III (HOLDINGS) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2009**

#### **14. FINANCIAL INSTRUMENTS *(continued)***

##### **Fair value hierarchy**

The changes in FRS 29 requires a disclosure of fair value hierarchy that reflects the significance of input used in measuring fair value. The following are three levels identified:

Level 1 - valued using quoted prices in active markets for identical assets or liabilities

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data. The valuation techniques used by the company are explained in the accounting policies note.

The Group has recognised derivative instruments at fair value as at 31 December 2009. And the Group classifies this fair value to be Level 2.

##### **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 as in note 10, cash and cash equivalents and equity attributable to equity holders of the Group, comprising of 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.

##### **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.

## LA DEFENSE III (HOLDINGS) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

#### 14 FINANCIAL INSTRUMENTS *(continued)*

##### **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 mark 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 rate swap contracts are measured at fair value through the 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 10. The underlying 3 month Euribor rate at 31 December 2009 was 0.70% (2008: 2.89%).

##### **Interest rate sensitivity analysis**

If interest rates had been 25 basis points higher and all other variables held constant, the loss attributable to equity shareholders for the year ended 31 December 2009 would have been about €105 lower (2008: €107 lower). Similarly, if interest rates had been 25 basis points lower and all other variables held constant the loss attributable to equity shareholders for the year ended 31 December 2009 would have been higher by about €105 (2008: €107 higher).

##### **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 receivables.

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 A1. 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 2009. The counterparties for the interest rate swaps are BNP Paribas and the Royal Bank of Canada, who have a credit rating of Aa1 and Aaa respectively.

# LA DEFENSE III (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2009

### 14 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 Group's 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

	31-Dec-09	Carrying amount €	Gross nominal (outflow) €	Less than 1 year €	1-2 years €	2-5 years €
Floating rate notes		420,232,302	(420,232,302)	(46,975,475)	(6,976,110)	(366,280,717)
Interest payable		1,124,934	(29,681,994)*	(4,946,999)	(9,893,998)	(14,840,997)
Accruals		2,307,662	(2,307,662)	(2,307,662)	-	-
		423,664,898	(452,221,958)	(54,230,136)	(16,870,108)	(381,121,714)
	31-Dec-08					
Floating rate notes		427,206,782	(427,206,782)	(6,976,110)	(6,976,110)	(413,254,562)
Interest payable		5,710,113	(150,664,422)*	(25,110,737)	(50,221,474)	(75,332,211)
Accruals		114,255	(114,255)	(114,255)	-	-
		433,031,150	(577,985,459)	(32,201,102)	(57,197,584)	(488,586,773)

\*Gross nominal outflows are estimated using the prevailing rates at the balance sheet date

# LA DEFENSE III (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 15. 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.

### 16. NET CASH FLOW FROM OPERATING ACTIVITIES

	2009 €	2008 €
(Loss)/profit on operating activities	(3,588,790)	(14,919,675)
Amortisation of intangible fixed assets	702,765	713,361
Amortisation of issue costs reimbursed	(702,765)	(713,361)
Fair value movement in derivative financial instrument	3,711,373	14,945,191
Decrease/(Increase) in debtors	2,316,160	(532,898)
Decrease in creditors	(2,391,770)	(72,007)
<b>NET CASH INFLOW FROM OPERATIONS</b>	<b>46,973</b>	<b>(579,389)</b>

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

	2009 €	2008 €
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Redemptions in year	6,975,475	6,976,110
<b>NET CASH INFLOW</b>	<b>6,975,475</b>	<b>6,976,110</b>
	2009 €	2008 €
<b>FINANCING</b>		
Repayment of floating rate notes	(6,974,480)	(6,974,480)
<b>NET CASH (OUTFLOW) FROM FINANCING</b>	<b>(6,974,480)</b>	<b>(6,974,480)</b>

### 18. ANALYSIS OF CHANGES IN NET DEBT

	31 December 2008 €	Cash flow €	Other €	31 December 2009 €
Cash at bank and in hand	168,116	44,478	-	212,594
	<b>168,116</b>	<b>44,478</b>	<b>-</b>	<b>212,594</b>
<b>DEBT</b>				
Debt due within one year	(6,976,110)	-	(39,999,365)	(46,975,475)
Debt falling due after more than one year	(420,230,672)	6,974,480	39,999,365	(373,256,827)
<b>NET DEBT</b>	<b>(427,038,666)</b>	<b>7,018,958</b>	<b>-</b>	<b>(420,019,708)</b>

## **LA DEFENSE III (HOLDINGS) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2009**

#### **19 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 (2008: €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 €17,159 (2008: €21,226) and €8,812 (2008: €4,406) respectively.

At 31 December 2009, €4,406 (2008: €4,406) relating to accountancy fees were outstanding and are included within current liabilities: accruals.