

Topland Services Limited

Report and Financial Statements

Year Ended

31 May 2007

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BDO

BDO Stov Hayward
Chartered Accountants

Topland Services Limited

Annual report and financial statements for the year ended 31 May 2007

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Directors

E Zakay
S Zakay
C E Bush

Secretary and registered office

C Moharm, 8 Baker Street London, W1U 3LL

Company number

4167779

Auditors

BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL

Bankers

Barclays Bank Plc, Pall Mall Corporate Group, 50 Pall Mall, London SW1A 1QA

Topland Services Limited

Report of the directors for the year ended 31 May 2007

The directors present their report together with the audited financial statements for the year ended 31 May 2007

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year

The directors do not recommend the payment of a dividend for the year (2006 - £Nil)

Principal activities, review of business and future developments

The company's principal activity is that of property investment

Both the level of business and year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future

Directors

The directors of the company during the year were

E Zakay
S Zakay
C E Bush

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are 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

Topland Services Limited

Report of the directors for the year ended 31 May 2007 (*Continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The company has dispensed with the obligation to appoint auditors annually. BDO Stoy Hayward LLP have expressed their willingness to continue in office.

By order of the board

C Moham


Secretary

Date

23 October 2007

Topland Services Limited

Independent auditor's report

To the shareholders of Topland Services Limited

We have audited the financial statements of Topland Services Limited for the year ended 31 May 2007 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Topland Services Limited

Independent auditor's report (*Continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
London*

Date *23 October 2007*

Topland Services Limited**Profit and loss account for the year ended 31 May 2007**

	Note	2007 £	2006 £
Turnover	2	658,528	631,140
Administrative expenses		<u>31,466</u>	<u>76,405</u>
		627,062	554,735
Other operating income		<u>12,938</u>	<u>11,269</u>
Operating profit	3	640,000	566,004
Interest receivable and similar income		51	607
Interest payable and similar charges	6	<u>(627,555)</u>	<u>(1,222,558)</u>
Profit/(loss) on ordinary activities before and after taxation for the financial year		<u>12,496</u>	<u>(655,947)</u>

All amounts relate to continuing activities

The notes on pages 8 to 14 form part of these financial statements

Topland Services Limited

Statement of total recognised gains and losses for the year ended 31 May 2007

	2007	2006
	£	£
Profit/(loss) for the financial year	12,496	(655,947)
Unrealised surplus on revaluation of properties	1,050,000	8,580,000
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	1,062,496	7,924,053
	<hr/>	<hr/>

The notes on pages 8 to 14 form part of these financial statements

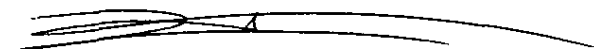
Topland Services Limited

Balance sheet at 31 May 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Tangible assets	8		20,630,000		19,580,000
Current assets					
Debtors	9	3,222,223		3,222,371	
Creditors: amounts falling due within one year	10	<u>162,947</u>		<u>175,591</u>	
Net current assets			<u>3,059,276</u>		<u>3,046,780</u>
Total assets less current liabilities			<u>23,689,276</u>		<u>22,626,780</u>
Creditors: amounts falling due after more than one year	11		<u>11,277,591</u>		<u>11,277,591</u>
			<u>12,411,685</u>		<u>11,349,189</u>
Capital and reserves					
Called up share capital	13		1,000		1,000
Revaluation reserve	14		12,766,469		11,716,469
Profit and loss account	14		(355,784)		(368,280)
Shareholders' funds	15		<u>12,411,685</u>		<u>11,349,189</u>

The financial statements were approved by the board of directors and authorised for issue on *23 October 2007*

E Zakay
Director



The notes on pages 8 to 14 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Turnover

Turnover represents net rentals charged to outside customers at invoiced amounts less value added tax

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost together with any incidental cost of acquisition

Investment properties

In accordance with Statement of Standard Accounting Practice 19 investment properties are revalued annually to open market value and no depreciation is provided. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are discounted.

Topland Services Limited

Notes forming part of the financial statements for the year ended 31 May 2007 (Continued)

1 Accounting policies (continued)

Lessor incentives

Lessor incentives include rent free periods and other incentives given to lessees on entering into lease agreements

Lessor incentives to new tenants to occupy the company's investment properties are treated as revenue expenditure and initially recorded as prepayments. The payments are then charged to the profit and loss account evenly over the period to the earlier of the first rent review to the prevailing market rate and the lease end date. Where lessor incentives relate to investment properties the properties are carried at open market value less the amount of the unamortised incentive.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Topland Group Plc and the company is included in consolidated financial statements.

Related party disclosure

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with members or investees of the group headed by Topland Group Plc on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating profit

	2007 £	2006 £
This is arrived at after charging		
Audit services	941	3,035
Non-audit services - tax	1,754	-
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Topland Services Limited**Notes forming part of the financial statements for the year ended 31 May 2007 (Continued)****4 Employees**

There were no persons employed by the company during the year (2006 - NIL)

5 Directors' remuneration

No director received any emoluments during the current year (2006 - £NIL)

6 Interest payable and similar charges

	2007 £	2006 £
Bank loans and overdrafts	627,555	507,297
Early loan repayment - redemption fee	-	687,081
Loan facility fee	-	28,180
	<u>627,555</u>	<u>1,222,558</u>

7 Taxation on profit/(loss) on ordinary activities

No taxation charge arises on the result for the year (2006 - £NIL)

Tax reconciliation

	2007 £	2006 £
Profit/(loss) on ordinary activities before tax	12,496	(655,947)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	3,749	(196,784)
Effect of		
Utilisation of tax losses	(100,093)	142,839
Transfer pricing adjustment	96,344	53,945
Current tax charge for period	-	-

Factors that may affect future tax charges

Tax payments may continue to be reduced in future due to the utilisation of group tax losses

Topland Services Limited

Notes forming part of the financial statements for the year ended 31 May 2007 (Continued)

8 Tangible fixed assets

	Investment properties - freehold land and buildings £
<i>Cost or valuation</i>	
At 1 June 2006	19,580,000
Revaluation surplus	1,050,000
	<hr/>
At 31 May 2007	20,630,000
	<hr/>
At 31 May 2006	19,580,000
	<hr/>

The investment properties were valued as at 31 May 2007 by the directors on an open market value basis. Selling costs have not been deducted as there is no intention to sell the properties.

The historical cost of the property is £7,863,531 (2006 - £7,863,531)

9 Debtors

	2007 £	2006 £
Trade debtors	-	211
Amounts owed by group undertakings	3,222,223	3,200,732
Prepayments and accrued income	-	21,428
	<hr/>	<hr/>
	3,222,223	3,222,371
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

Topland Services Limited**Notes forming part of the financial statements for the year ended 31 May 2007 (Continued)****10 Creditors: amounts falling due within one year**

	2007	2006
	£	£
Trade creditors	2,076	2,165
Accruals and deferred income	160,871	173,426
	<u>162,947</u>	<u>175,591</u>

Amounts owed to group companies have no fixed terms of repayment and bear no interest

11 Creditors: amounts falling due after more than one year

	2007	2006
	£	£
Bank loans (secured)	11,277,591	11,277,591
	<u>11,277,591</u>	<u>11,277,591</u>
Maturity of debt		
	Loans and overdrafts	Loans and overdrafts
	2007	2006
	£	£
In more than five years	11,277,591	11,277,591
	<u>11,277,591</u>	<u>11,277,591</u>

The loans are secured by a first legal mortgage over the investment properties and a floating charge over the assets of the company. Additionally the lender has a legal assignment over the rental income of the properties.

The loan is repayable in 2029 as a lump sum. Interest is payable at 5.57% per annum.

12 Deferred taxation

No provision has been made for the potential tax liability of £3,383,670 (2006: £3,184,312) which would arise if the investment properties were sold at their revalued amounts.

Topland Services Limited

Notes forming part of the financial statements for the year ended 31 May 2007 (Continued)

13 Share capital

	2007	Authorised 2006	Allotted, called up and fully paid	
	£	£	2007	2006
			£	£
<i>Equity share capital</i>				
1,000 ordinary shares of £1 each	1,000	1,000	1,000	1,000

14 Reserves

	Revaluation reserve	Profit and loss account
	£	£
At 1 June 2006	11,716,469	(368,280)
Revaluation surplus	1,050,000	-
Profit for the year	-	12,496
At 31 May 2007	12,766,469	(355,784)

15 Reconciliation of movements in shareholders' funds

	2007	2006
	£	£
Profit/(loss) for the year	12,496	(655,947)
Other net recognised gains and losses relating to the year		
- Unrecognised surplus on revaluation of properties	1,050,000	8,580,000
Net additions to shareholders' funds	1,062,496	7,924,053
Opening shareholders' funds	11,349,189	3,425,136
Closing shareholders' funds	12,411,685	11,349,189

16 Contingent liabilities

The investment properties are cross-charged as security for a loan taken out by Topland Portfolio No 1 Limited a fellow subsidiary for £12,477,380 (2006 £12,595,686)

17 Ultimate parent company and parent undertaking of larger group

The largest group in which the results of the company are consolidated is that headed by Topland Group Holdings Limited, incorporated in the British Virgin Islands. The smallest group in which they are consolidated is that headed by Topland Group Plc, a company incorporated in England and Wales.

The immediate parent company is Topland Group Plc.

The ultimate parent company and controlling party is Topland Group Holdings International Limited, a company incorporated in the British Virgin Islands.