

**REGISTRAR OF
COMPANIES**

Topland Services Limited

Report and Financial Statements

Year Ended

31 May 2004



BDO
BDO Stoy Hayward
Chartered Accountants

Topland Services Limited

Annual report and financial statements for the year ended 31 May 2004

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Directors

E Zakay
S Zakay

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 2004

The directors present their report together with the audited financial statements for the year ended 31 May 2004.

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.

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

The directors have no beneficial interest in the shares of the immediate or ultimate parent company.

Directors' responsibilities

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.

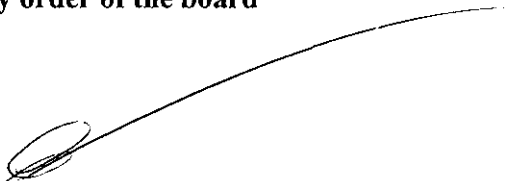
Topland Services Limited

Report of the directors for the year ended 31 May 2004 (*Continued*)

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors have appointed BDO Stoy Hayward LLP as its successor. The company has dispensed with the obligation to appoint auditors annually by means of an elective resolution.

By order of the board

A handwritten signature in dark ink, appearing to be 'C Moharm', written over a horizontal line.

C Moharm
Secretary

Date: 30th November 2004

Topland Services Limited

Report of the independent auditors

To the shareholders of Topland Services Limited

We have audited the financial statements of Topland Services Limited for the year ended 31 May 2004 on pages 5 to 14 which have been prepared under the accounting policies set out on pages 8 to 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards 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.

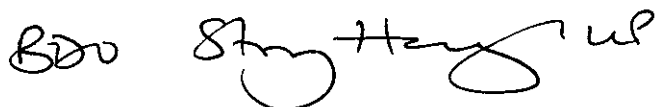
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Topland Services Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward', written in a cursive, flowing style.

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

Date: 30 November 2004

Topland Services Limited**Profit and loss account for the year ended 31 May 2004**

	Note	2004 £	2003 £
Turnover	2	591,008	584,434
Administrative expenses		<u>18,825</u>	<u>22,294</u>
Operating profit	3	572,183	562,140
Interest receivable and similar income		35	47
Interest payable and similar charges	6	<u>(482,723)</u>	<u>(485,582)</u>
Profit on ordinary activities before and after taxation for the financial year	14	<u>89,495</u>	<u>76,605</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 2004

	2004	2003
	£	£
Profit for the financial year	89,495	76,605
Unrealised surplus on revaluation of properties	595,812	643,375
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	685,307	719,980
	<hr/>	<hr/>

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

Topland Services Limited

Balance sheet at 31 May 2004

	Note	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Tangible assets	8		10,880,000		10,284,188
Current assets					
Debtors	9	94,893		125,417	
Creditors: amounts falling due within one year	10	502,148		622,167	
Net current liabilities			(407,255)		(496,750)
Total assets less current liabilities			10,472,745		9,787,438
Creditors: amounts falling due after more than one year	11		7,292,000		7,292,000
			3,180,745		2,495,438
Capital and reserves					
Called up share capital	13		1,000		1,000
Revaluation reserve	14		3,016,469		2,420,657
Profit and loss account	14		163,276		73,781
Equity shareholders' funds	15		3,180,745		2,495,438

The financial statements were approved by the Board on 30th November 2004

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 is not proposing to take advantage of rollover relief; 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 2004 (*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

	2004 £	2003 £
This is arrived at after charging:		
Audit services	3,350	6,819
	<u> </u>	<u> </u>

Topland Services Limited

Notes forming part of the financial statements for the year ended 31 May 2004 (*Continued*)

4 Employees

There were no persons employed by the company during the year (2003 - nil).

5 Directors' remuneration

No director received any emoluments during the year (2003 - £nil).

6 Interest payable and similar charges

	2004 £	2003 £
Bank loans and overdrafts	482,723	485,582
	<u> </u>	<u> </u>

7 Taxation on profit on ordinary activities

No taxation charge arises on the result for the year (2003: £nil).

Tax reconciliation:

	2004 £	2003 £
Profit on ordinary activities before tax	89,495	76,605
	<u> </u>	<u> </u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%)	26,849	22,982
Effect of:		
Group relief	(26,809)	(22,982)
Marginal rate relief	(40)	-
	<u> </u>	<u> </u>
Current tax charge for period	-	-
	<u> </u>	<u> </u>

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 2004 (Continued)

8 Tangible fixed assets

	Investment properties - freehold land and buildings £
<i>Cost or valuation</i>	
At 1 June 2003	10,284,188
Revaluation surplus	595,812
	<hr/>
At 31 May 2004	10,880,000
	<hr/>
At 31 May 2003	10,284,188
	<hr/>

The investment properties were valued as at 31 May 2004 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 (2003: £7,863,531).

9 Debtors

	2004 £	2003 £
Trade debtors	3,477	-
Amounts owed by group undertakings	1,000	-
Prepayments and accrued income	90,416	125,417
	<hr/>	<hr/>
	94,893	125,417
	<hr/>	<hr/>

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

10 Creditors: amounts falling due within one year

	2004 £	2003 £
Amounts owed to group undertakings	377,937	497,975
Other creditors	2,959	-
Accruals and deferred income	121,252	124,192
	<u>502,148</u>	<u>622,167</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

	2004 £	2003 £
Bank loans	7,292,000	7,292,000

Maturity of debt:

	Loans and overdrafts 2004 £	Loans and overdrafts 2003 £
In more than two years but not more than five years	121,526	77,958
In more than five years	7,170,474	7,214,042
	<u>7,292,000</u>	<u>7,292,000</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 leases.

Loans are repayable in instalments and £3,600,000 is repayable in 2023 as a lump sum. Interest is payable at 6.65% per annum.

12 Deferred taxation

No provision has been made for the potential tax liability of £726,687 (2003: £615,967) which would arise if investment properties were sold at their revalued amounts.

Topland Services Limited

Notes forming part of the financial statements for the year ended 31 May 2004 (*Continued*)

13 Share capital

	2004	Authorised 2003	Allotted, called up and fully paid	
	£	£	2004	2003
			£	£
<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 2003	2,420,657	73,781
Revaluation surplus	595,812	-
Profit for the year	-	89,495
At 31 May 2004	3,016,469	163,276

15 Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Profit for the year	89,495	76,605
Revaluation surplus relating to the year	595,812	643,375
Net additions to shareholders' funds	685,307	719,980
Opening shareholders' funds	2,495,438	1,775,458
Closing shareholders' funds	3,180,745	2,495,438

16 Contingent liabilities

The investment properties are cross-charged as security for a loan taken out by Topland Portfolio No.1 Limited for £13,589,764 (2003: £13,596,516).

17 Ultimate parent company

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.

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.