

Drift Properties Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2007



Company Registration No. 709849

Drift Properties Limited

DIRECTORS AND OFFICERS

DIRECTORS

H.E. MM Al Tajir
MS Al Tajir

SECRETARY

CD Parte

REGISTERED OFFICE

20 Arlington Street
Arlington House
London SW1A 1RL

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Drift Properties Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Drift Properties Limited for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of property investment.

DIRECTORS

The following directors have held office since 1 January 2007:

H.E. MM Al Tajir
MS Al Tajir

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

The auditor, Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board

H.E. MM Al Tajir
Director

19/12/2008



Drift Properties Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DRIFT PROPERTIES LIMITED

We have audited the financial statements on pages 5 to 11.

This report is made solely to the company'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 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

The directors' responsibilities for preparing the Annual Report and 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 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 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.

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.

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 at 31 December 2007 and of its loss for the year then ended and 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.

Baker Tilly UK Audit LLP
BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

19/12/2008

Drift Properties Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	1	1,805,000	1,812,265
Administrative expenses		(3,769)	(70,990)
OPERATING PROFIT		<u>1,801,231</u>	<u>1,741,275</u>
Investment income	2	32,591	5,581
Interest payable	3	(58,013)	(234,887)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,775,809</u>	<u>1,511,969</u>
Taxation	5	(2,658,950)	(2,157,595)
LOSS FOR THE YEAR	12	<u>(883,141)</u>	<u>(645,626)</u>

The turnover and operating profit for the year arise from the company's continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2007

	Note	2007 £	2006 £
Loss for the financial year		(883,141)	(645,626)
Unrealised surplus on revaluation of properties during the year	11	42,000,000	19,000,000
Total recognised gains and losses relating to the year		<u>41,116,859</u>	<u>18,354,374</u>

Drift Properties Limited
BALANCE SHEET
31 December 2007

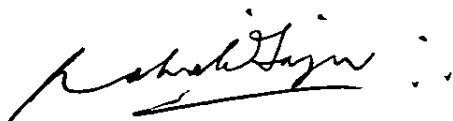
	<i>Notes</i>	2007 £	2006 £
FIXED ASSETS			
Tangible assets	6	196,000,000	154,000,000
CURRENT ASSETS			
Debtors	7	2,011,358	3,658,793
Cash at bank and in hand		1,817,712	400,980
		<u>3,829,070</u>	<u>4,059,773</u>
CREDITORS: Amounts falling due within one year	8	(10,539,783)	(5,038,028)
NET CURRENT LIABILITIES		<u>(6,710,713)</u>	<u>(978,255)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		189,289,287	153,021,745
CREDITORS: Amounts falling due after more than one year	9	-	(1,349,317)
NET ASSETS		<u>189,289,287</u>	<u>151,672,428</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,500,000	1,500,000
Revaluation reserve	11	188,647,337	146,647,337
Profit and loss account	12	(858,050)	3,525,091
EQUITY SHAREHOLDERS' FUNDS	13	<u>189,289,287</u>	<u>151,672,428</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements on pages 5 to 11 were approved by the board of directors and authorised for issue on 19 December 2008 and signed on its behalf by:

H.E. MM Al Tajir

Director



Drift Properties Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

TANGIBLE FIXED ASSETS

Investment properties are accounted for in accordance with SSAP 19, "Accounting for Investment Properties", which provides that these should not be subject to periodic depreciation charges (unless held on lease), but should be shown at open market value. This is contrary to the Companies Act 1985 which states that, subject to any provision for depreciation or diminution in value, fixed assets are normally to be stated at purchase price or production cost. Current cost accounting or the revaluation of specific assets to market value, as determined at the date of their last valuation, is also permitted.

The treatment of investment properties under the Companies Act does not give a true and fair view as these assets are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading operations of the enterprise. In such a case it is the current value of these investments, and changes in that current value, which are of prime importance. Consequently, for the proper appreciation of the financial position, the accounting treatment required by SSAP 19 is considered appropriate for investment properties.

DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

TURNOVER

Turnover represents rents and other property income receivable for the year, net of Value Added Tax.

Drift Properties Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

1 TURNOVER

The company's turnover was derived from its principal activity wholly undertaken in the United Kingdom.

2 INVESTMENT INCOME

	2007 £	2006 £
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Bank interest receivable	32,591	5,581
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3 INTEREST PAYABLE

	2007 £	2006 £
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Interest payable on loan	-	86,336
Other interest payable	58,013	148,551
	<u>58,013</u>	<u>234,887</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2007 £	2006 £
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Profit on ordinary activities before taxation is stated after charging:

Auditors' remuneration	-	-
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The audit fee of £2,500 (2006: £5,000) has been borne by another group company.

5 TAXATION

	2007 £	2006 £
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Current tax:

UK corporation tax on profits of the period	447,667	1,445,100
Payment for current year group relief	2,211,283	669,087
Prior year (overprovision)/underprovision	-	(294,096)

	<u>2,658,950</u>	<u>1,820,091</u>
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Adjustments in group relief in respect of previous periods	-	293,609
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Total current tax	<u>2,658,950</u>	<u>2,113,700</u>
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Deferred taxation:

Origination and reversal of timing differences (note 7)	-	43,895
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	<u>2,658,950</u>	<u>2,157,595</u>
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Drift Properties Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

5	TAXATION (continued)	2007 £	2006 £
	Factors affecting tax charge for period:		
	The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Profit/(loss) on ordinary activities before tax	1,775,809	1,511,969
	Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006: 30%)	532,743	453,591
	Effects of:		
	Expenses not deductible for tax purposes	-	34,648
	Capital allowances in excess of depreciation	(2,375)	(2,375)
	Imputed rental charge on related party rentals	2,139,111	1,616,444
	Imputed interest on related party balances	(10,529)	11,879
	Group relief	-	293,609
	Adjustments to tax charge in respect of previous year	-	(294,096)
		2,658,950	2,113,700

The potential unprovided deferred tax liability at the balance sheet date was £53,096,431 (2006:£ 40,896,894) in respect of the taxable profit that would arise on the sale of investment property.

6	TANGIBLE FIXED ASSETS	Investment property £
	Valuation:	
	1 January 2007	154,000,000
	Revaluation	42,000,000
	31 December 2007	196,000,000

The investment property is shown at valuation at the year end. The valuation was carried out the directors on an existing use open market basis, based on consultation with a firm of Chartered Surveyors.

On an historical cost basis the investment property would be stated at £7,352,663 (2006: £7,352,663).

Drift Properties Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

7	DEBTORS: Due within one year:	2007 £	2006 £
	Amount owed from group undertakings	1,543,295	3,238,288
	Corporation tax recoverable	463,730	416,235
	Other debtor	68	5
		<u>2,007,093</u>	<u>3,654,528</u>
	Due in more than one year:		
	Deferred tax asset	4,265	4,265
		<u>2,011,358</u>	<u>3,658,793</u>
	Deferred tax asset relates to unpaid interest due to related company.		
8	CREDITORS: Amounts falling due within one year	2007 £	2006 £
	Amounts owed to parent undertaking	8,247,652	2,551,733
	Amounts owed to related undertaking	1,596,176	827,422
	Corporation tax	447,666	1,459,331
	Other creditors	48,747	-
	Accruals and deferred income	199,542	199,542
		<u>10,539,783</u>	<u>5,038,028</u>
9	CREDITORS: Amounts falling due after more than one year	2007 £	2006 £
	Other loan – due after more than five years	-	1,349,317
10	SHARE CAPITAL	2007 £	2006 £
	Authorised:		
	1,500,000 ordinary shares of £1 each	1,500,000	1,500,000
	Allotted, issued and fully paid:		
	1,500,000 ordinary shares of £1 each	1,500,000	1,500,000
11	REVALUATION RESERVE	2007 £	2006 £
	1 January 2007	146,647,337	127,647,337
	Surplus on revaluation in the year	42,000,000	19,000,000
	31 December 2007	<u>188,647,337</u>	<u>146,647,337</u>

Drift Properties Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

12	PROFIT AND LOSS ACCOUNT	2007 £	2006 £
	Loss for the financial year	(883,141)	(645,626)
	Dividend paid	(3,500,000)	-
	Retained profit brought forward	3,525,091	4,170,717
	Retained profit carried forward	<u>(858,050)</u>	<u>3,525,091</u>
13	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2007 £	2006 £
	Opening shareholders' funds	151,672,428	133,318,054
	Loss for the financial year	(883,141)	(645,626)
	Dividend paid	(3,500,000)	-
	Surplus on revaluation in the year	42,000,000	19,000,000
	Closing shareholders' funds	<u>189,289,287</u>	<u>151,672,428</u>

14 CONTINGENT LIABILITIES

At 31 December 2007 the company had guaranteed, together with other related companies, bank loans to its fellow subsidiary company of £84,700,000 (2006: £73,862,500). The guarantee is supported by a mortgage debenture over all the company's property and assets.

15 ULTIMATE PARENT COMPANY

The company's ultimate parent company is Park Tower Holdings Establishment, which is incorporated in Liechtenstein. The immediate parent company is Park Tower Investments Limited which is registered in England and Wales, and for which group financial statements are prepared. Copies of the group financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The company is under the control of Park Tower Investments Limited, which owns 100% of the issued share capital.

16 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption within "Related Parties" that the company is exempt from disclosing transactions with fellow group undertakings in respect of subsidiaries within a 90% group.

At the year end the company was owed £Nil (2006: £379,226) by Al Tajir Establishment. The company is related through the directors' interest.