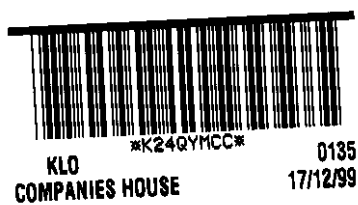


Topland Group Plc

Report and Financial Statements

Year Ended

31 May 1999



BDO Stoy Hayward
Chartered Accountants

TOPLAND GROUP PLC

Annual report and financial statements for the year ended 31 May 1999

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Directors

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Directors

E Zakay
S Zakay
C Bush

Secretary and registered office

C Moharm, 8 Baker Street, London, W1M 1DA.

Company number

2615001

Bankers

Barclays Bank Plc, Piccadilly Business Centre, 160 Piccadilly, London, W1A 2AB.

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

TOPLAND GROUP PLC

Chairman's statement

I am pleased to be able to report the results of the activities of the Topland Group Plc for the last financial period.

The Balance sheet which accompanies this report provides a picture of the Group's net asset worth at the end of the trading period 31st May 1999.

The period saw the continued growth of the Group with a number of new properties being added to the portfolio increasing its overall value to **£393 million** at year end. Overall profits before tax have again increased to **£5.7 million** and net assets have increased to **£133 million** from £76 million at year ended 31st May 1998.

As anticipated in my last report property values have continued to rise. Increased institutional investment in the latter part of the year together with high levels of demand for good quality investments from foreign investors has continued the upward pressure on property prices. This shows no sign of abatement and I therefore anticipate that it will become increasingly difficult to purchase well let investments. Having said this we have been looking to new areas of investment over the last year and have identified a number of new areas including forward funding pre-let developments and doctors surgeries and we expect to complete a number of these over the next financial year. As at the date of writing this report we have completed forward funding transactions totalling approximately £25 million and acquired two doctors surgeries with a further 6 anticipated for completion early in 2000.

I stated last year that we would seek to secure investments by way of sale and leasebacks and I am pleased to confirm that the programme has gained momentum over the last twelve months and will continue to be one of the cornerstones of our investment policy. We have since the year end completed approximately £34 million of transactions of this nature.

Our interest rate policy is continually being monitored to give us greater flexibility within our existing structure and it is our intention wherever possible to structure loans in order that shorter term fixed rates are taken to enable us to refinance at lower rates at maturity. We are currently continuing our policy of fixing rates on all financing.

The Bank of England has continued to reduce its base rate and at the end of our financial year this stood at 5.25%, although due to inflationary pressures creeping back into the economy since our year end rates have risen by half a percent and I anticipate that they will rise again before the end of the financial year 1999/2000. Even allowing for these changes in financing rates we have been able to take advantage of some keen financing and have refinanced several properties during the year thereby releasing cash and improving cash flow. However long term rates, which were particularly volatile during the last financial year, and which increased steadily over the second half of the year, will I believe fall back and we are ensuring that we are ready to take advantage as and when they do.

As the Group is continuing to meet its long term expansion plans the number of personnel has increased accordingly. The management team has been enlarged with the recruitment of a Senior Management Surveyor to head up the Department. The ongoing development of this team has meant that 75% of all the multi-let properties within the Portfolio are now managed in house and it is anticipated that this will rise to 100% by the next financial year end.


During the year we have also recruited in-house expertise in Treasury and Finance Broking which has not only enabled us to save costs but also allowed us to be far more sophisticated in our financing objectives. Further planned recruitment for the coming year, particularly for the finance and administration departments, will enable us to be well placed to meet our portfolio growth targets.

TOPLAND GROUP PLC

Chairman's statement (*Continued*)

The Group's overall plan for the coming year is to continue expansion of its portfolio with further acquisitions in good locations and at lower yields. Continued active management of its existing portfolio is also a priority, as is identifying new areas of investment within the property industry, to facilitate Topland's expansion plans.

I am confident that the coming year will bring further increased profits and net asset values. As at the date of preparing this review the portfolio value stands in the region of **£500 million** and I look forward to reporting to you again next year with even further improved results.



S Zakay
Chairman
8 December 1999

TOPLAND GROUP PLC

Report of the directors for the year ended 31 May 1999

The directors present their report together with the audited financial statements of the group for the year ended 31 May 1999.

Results and dividends

The consolidated profit and loss account is set out on page 6 and shows the profit after taxation for the year.

The directors do not recommend the payment of a dividend for the year (1998 - £Nil).

Principal activities, trading review and future developments

The principal activity of the group is that of property investment. The principal activity of the company is that of a holding company.

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will increase in the next year. A fuller report is given in the Chairman's statement on pages 1 and 2.

Revaluations in fixed assets are detailed in note 11.

Year 2000

The company and group has reviewed its operations and systems to assess the risks to its business in relation to the year 2000 issue. An action plan has been implemented to achieve Year 2000 compliance and was completed in the summer of 1999. The costs of the review and implementation, which were not significant, have been written off to the profit and loss account.

Directors

The directors of the company during the year and their beneficial interests in the shares of the company were:

	Ordinary shares of £1 each	
	1999	1998
E Zakay	-	-
S Zakay	-	-
C Bush (appointed 1 January 1999)	-	-

The directors had no interests in the ordinary share capital of the parent company.

Creditors' payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- to ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

At the year end trade creditors represented no days purchases (1998 – 30 days).

TOPLAND GROUP PLC

Report of the directors for the year ended 31 May 1999 (*Continued*)

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 period. 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;
- state whether applicable 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 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.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

C Moharm



Secretary

8 December 1999

TOPLAND GROUP PLC

Report of the auditors

To the shareholders of Topland Group Plc

We have audited the financial statements on pages 6 to 24 which have been prepared under the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

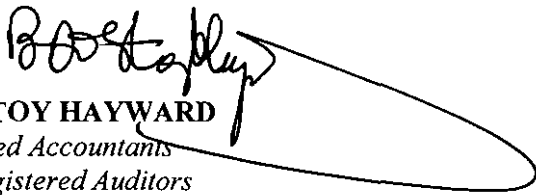
Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 May 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

8 December 1999

TOPLAND GROUP PLC

Consolidated profit and loss account for the year ended 31 May 1999

	Note	1999 £'000	1998 £'000
Turnover	2	24,839	16,256
Administrative expenses		(2,957)	(2,304)
Other operating income		1,775	457
Operating profit		<u>23,657</u>	<u>14,409</u>
Loss on disposal of investment properties	5	-	(508)
Interest receivable		215	34
Interest payable and similar charges	6	(18,164)	(11,946)
Profit on ordinary activities before taxation	7	<u>5,708</u>	<u>1,989</u>
Taxation on profit on ordinary activities	8	(3)	39
Profit on ordinary activities after taxation		<u>5,705</u>	<u>2,028</u>
Minority interest		(1,243)	(1,115)
Retained profit for the year	9,18	<u><u>4,462</u></u>	<u><u>913</u></u>

Note of historical costs profits and losses

Reported profit on ordinary activities before taxation	5,708	1,989
Realisation of property revaluation gains of previous years	-	1,512
Historical cost profit on ordinary activities before taxation	<u>5,708</u>	<u>3,501</u>
Historical cost profit on ordinary activities after taxation and minority interest	<u><u>4,462</u></u>	<u><u>2,425</u></u>

All amounts relate to continuing activities.

The notes on pages 11 to 24 form part of these financial statements.

TOPLAND GROUP PLC

Consolidated statement of total recognised gains and losses for the year ended 31 May 1999

	Note	1999 £'000	1998 £'000
Profit for the financial year		4,462	913
Unrealised surplus on revaluation of properties	18	30,636	24,399
		<hr/>	<hr/>
Total recognised gains and losses for the year		35,098	25,312
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 24 form part of these financial statements.

TOPLAND GROUP PLC

Consolidated balance sheet at 31 May 1999

	Note	1999	1998
		£'000	£'000
Fixed assets			
Intangible assets - goodwill	10	37	41
Intangible assets - negative goodwill	10	<u>(608)</u>	<u>(608)</u>
		(571)	(567)
Tangible assets	11	392,347	256,382
		<u>391,776</u>	<u>255,815</u>
Current assets			
Debtors	13	594	4,635
Cash at bank and in hand		<u>6,161</u>	<u>1,516</u>
		6,755	6,151
Creditors: amounts falling due within one year	14	<u>(21,267)</u>	<u>(15,303)</u>
Net current liabilities		<u>(14,512)</u>	<u>(9,152)</u>
Total assets less current liabilities		377,264	246,663
Creditors: amounts falling due after more than one year	15	(244,893)	(170,302)
		<u>132,371</u>	<u>76,361</u>
Capital and reserves			
Called up share capital	17	50	50
Revaluation reserve	18	74,835	44,199
Capital reserve	18	4,843	4,843
Profit and loss account	18	10,908	6,446
		<u>90,636</u>	<u>55,538</u>
Shareholders' funds - equity	19	90,636	55,538
Minority interest		41,735	20,823
		<u>132,371</u>	<u>76,361</u>

The financial statements were approved by the Board on 8 December 1999

E Zakay

S Zakay

Directors

The notes on pages 11 to 24 form part of these financial statements.

TOPLAND GROUP PLC

Company balance sheet at 31 May 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Investments	12	3,011	3,005
Current assets			
Debtors	13	3,066	928
Cash at bank and in hand		1	-
		<u>3,067</u>	<u>928</u>
Creditors: amounts falling due within one year	14	<u>(4,825)</u>	<u>(4,734)</u>
Net current liabilities		(1,758)	(3,806)
Total assets less current liabilities		<u>1,253</u>	<u>(801)</u>
Capital and reserves			
Called up share capital	17	50	50
Profit and loss account	18	1,203	(851)
Shareholders' funds - equity	19	<u>1,253</u>	<u>(801)</u>

The financial statements were approved by the Board on 8 December 1999

E Zakay

S Zakay

)
) **Directors**
)
S
S

The notes on pages 11 to 24 form part of these financial statements.

TOPLAND GROUP PLC

Consolidated cash flow statement for the year ended 31 May 1999

	Note	1999 £'000	1998 £'000
Net cash inflow from operating activities	20	29,834	10,675
Returns on investments and servicing of finance			
Interest received		215	34
Interest paid		(15,107)	(9,642)
Early redemption premium		(906)	(471)
Interest element of finance lease rental payments		(4)	-
		(15,802)	(10,079)
Taxation			
UK corporation tax (paid)/repaid		(3)	4
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(81,920)	(82,065)
Proceeds from sale of tangible fixed assets		-	5,862
Proceeds from sale of investments		-	22
		(81,920)	(76,181)
Acquisitions and disposals			
Purchase of subsidiaries		(637)	(3,552)
Cash acquired with subsidiary	23	215	-
		(422)	(3,552)
Cash outflow before financing		(68,313)	(79,133)
Financing			
Bank, building society and other loans - advances		80,789	84,718
- repayments		(9,032)	(5,641)
Loans from shareholders - advances		1,192	958
Hire purchase and finance leases - advances		110	92
- repayments		(38)	-
		73,021	80,127
Increase in cash	21,22	4,708	994

The notes on pages 11 to 24 form part of these financial statements.

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and are in accordance with applicable accounting standards. The principal accounting policies are:

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 May 1999. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the effective date of acquisition. Inter-group sales and profits are eliminated fully on consolidation.

Where a majority of voting rights are not held within the group, the relevant companies listed in note 12 are accounted for as subsidiaries on the grounds that a participating interest is held and dominant influence is exercised over the companies.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Purchased goodwill arising on acquisition before the adoption of FRS10 on 1 June 1997 was written off to reserves. After that date purchased goodwill in respect of acquisitions is capitalised. Goodwill is amortised in equal annual instalments over its estimated useful life, currently 10 years. Negative goodwill will be released to the profit and loss account on the realisation of the underlying assets.

Investments

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value.

Investment properties

The investment properties are revalued annually to open market value and no depreciation is provided in accordance with SSAP19. 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.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their evenly useful lives, except for investment properties. It is calculated at the following rates:

Motor vehicles, office equipment and fixtures and fittings - 25% per annum

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 (Continued)

1 Accounting policies (Continued)

Turnover

Turnover represents net rentals to outside tenants at invoiced amounts exclusive of value added tax.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

2 Turnover

Turnover and profit before taxation are attributable to the principal activity of the group. Turnover consists entirely of rental and service charge income arising in the United Kingdom.

3 Directors

	1999 £'000	1998 £'000
Directors' emoluments	265	214
Highest paid director	122	109

4 Employees

Staff costs consist of:

Wages and salaries	700	443
Social security costs	71	47
	771	490

The average number of persons employed by the group (including directors) during the year was

	Number	Number
Administration	13	10

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 (*Continued*)

5 Loss on disposal of investment properties

	1999 £'000	1998 £'000
Surplus of proceeds over historic cost	-	1,004
Revaluation surplus included in valuation at the beginning of the year	-	(1,512)
	<u>-</u>	<u>(508)</u>

6 Interest payable and similar charges

Bank loans	17,241	11,442
Other interest	17	33
Early redemption fees	906	471
	<u>18,164</u>	<u>11,946</u>

7 Profit on ordinary activities before taxation

This has been arrived at after charging/(crediting):

Depreciation:		
- on owned tangible fixed assets	22	21
- on assets held under finance lease and hire purchase contracts	63	32
Amortisation of goodwill	4	-
Auditors' remuneration:		
- audit	67	54
- other services to the group	69	28
Profit on disposal of fixed assets (excluding investment properties)	-	(20)
	<u>-</u>	<u>(20)</u>

8 Taxation on profit on ordinary activities

(Under)/overprovision from previous years	(3)	39
	<u>(3)</u>	<u>39</u>

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 (*Continued*)

9 Retained profit for the year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. Of the profit for the financial year, a profit of £2,054,000 (1998 - a loss of £833,000) is dealt with in the financial statements of the holding company.

10 Intangible assets

Group	Goodwill £'000	Negative goodwill £'000	Total £'000
Cost			
At 1 June 1998 and 31 May 1999	41	(608)	(567)
Amortisation			
At 1 June 1998	-	-	-
Charge for year	(4)	-	(4)
At 31 May 1999	(4)	-	(4)
Net book value			
At 31 May 1999	37	(608)	(571)
At 31 May 1998	41	(608)	(567)

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 *(Continued)*

11 Tangible assets

Group	Investment properties £'000	Motor vehicles office equipment, fixtures and fittings £'000	Total £'000
<i>Cost or valuation</i>			
At 1 June 1998	256,185	260	256,445
Additions	81,701	219	81,920
Acquired with purchase of subsidiary	3,825	-	3,825
Surplus on revaluation	50,305	-	50,305
	<hr/>	<hr/>	<hr/>
At 31 May 1999	392,016	479	392,495
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 June 1998	-	(63)	(63)
Charge for the year	-	(85)	(85)
	<hr/>	<hr/>	<hr/>
At 31 May 1999	-	(148)	(148)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 May 1999	392,016	331	392,347
	<hr/>	<hr/>	<hr/>
At 31 May 1998	256,185	197	256,382
	<hr/>	<hr/>	<hr/>

The investment properties were valued as at 31 May 1999 by the directors on an open market basis.

	1999 £'000	1998 £'000
Freehold land and buildings	387,441	252,115
Long leaseholds	4,575	4,070
	<hr/>	<hr/>
	392,016	256,185
	<hr/>	<hr/>

The historical cost of the properties was £272,388,000 (1998 - £186,862,000).

All other tangible fixed assets are stated at cost.

Assets under hire purchase and finance leases

Included in the net book value of assets is an amount of £174,000 (1998 - £123,000) in respect of assets held under finance leases and hire purchase contracts.

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 (Continued)

12 Fixed asset investments

Company	Interests in group undertakings £'000
<i>Cost</i>	
At 1 June 1998	3,005
Additions	6
	<hr/>
At 31 May 1999	3,011
	<hr/>
<i>Net book value</i>	
At 31 May 1999	3,011
	<hr/>
At 31 May 1998	3,005
	<hr/>

Name of subsidiary undertaking	Description of shares held	Proportion of nominal value of issued shares held by:	
		Group %	Company %
Berkley Estates (London) Limited	Ordinary £1 shares	100	100
Castlecrown Finance Limited	Ordinary £1 shares	100	100
Dalvennan Limited	Ordinary £1 shares	51	-
Fairland Limited *	Ordinary £1 shares	100	100
Goldmile Estates Limited	Ordinary £1 shares	26	-
Goldmile Holdings Limited	Ordinary £1 shares	26	-
Goldmile Investments Limited *	Ordinary £1 shares	26	-
Goldmile London Limited	Ordinary £1 shares	26	-
Goldmile Mayfair Limited	Ordinary £1 shares	26	-
Goldmile Properties Limited	Ordinary £1 shares	26	-
Goldstream Estates Limited	Ordinary £1 shares	100	-
Goldstream Holdings Limited	Ordinary £1 shares	100	100
Goldstream Investments Limited *	Ordinary £1 shares	100	-
Goldstream Limited	Ordinary £1 shares	100	-
Goldstream Properties Limited	Ordinary £1 shares	100	-
Greenland Properties Limited	Ordinary £1 shares	100	100
Platignum Enterprises Limited *	Ordinary £1 shares	26	-
Platignum Estates Limited	Ordinary £1 shares	26	-
Platignum Holdings Limited	Ordinary £1 shares	26	-

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 (Continued)

12 Fixed asset investments (Continued)

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by:	
		Group %	Company %
Platignum Investments Limited *	Ordinary £1 shares	26	-
Platignum Properties Limited	Ordinary £1 shares	26	-
Riverland East Limited	Ordinary £1 shares	51	-
Riverland Enterprises Limited	Ordinary £1 shares	51	-
Riverland Estates Limited	Ordinary £1 shares	51	-
Riverland Estates (UK) Limited	Ordinary £1 shares	51	-
Riverland (Harrow) Investments Limited	Ordinary £1 shares	51	-
Riverland Holdings Limited	Ordinary £1 shares	51	51
Riverland Investments Limited	Ordinary £1 shares	51	-
Riverland Limited *	Ordinary £1 shares	51	-
Riverland London Limited	Ordinary £1 shares	51	-
Riverland North Limited	Ordinary £1 shares	51	-
Riverland Properties Limited	Ordinary £1 shares	51	-
Riverland Properties (UK) Limited *	Ordinary £1 shares	51	-
Riverland South Limited *	Ordinary £1 shares	51	-
Riverland UK Limited	Ordinary £1 shares	51	-
Riverland West Limited	Ordinary £1 shares	51	-
Rootmead Limited	Ordinary £1 shares	100	-
Silverdome Estates Limited	Ordinary £1 shares	100	-
Silverdome Holdings Limited	Ordinary £1 shares	100	100
Silverdome Properties Limited	Ordinary £1 shares	100	-
Timefare Services Limited	Ordinary £1 shares	100	100
Topland Assets Limited **	Ordinary £1 shares	100	100
Topland City Limited **	Ordinary £1 shares	100	100
Topland Commercial Limited **	Ordinary £1 shares	100	100
Topland County Limited **	Ordinary £1 shares	100	100
Topland Enterprises Limited	Ordinary £1 shares	100	100
Topland Estates (London) Limited	Ordinary £1 shares	100	100
Topland Estates (UK) Limited	Ordinary £1 shares	100	100
Topland Finance Limited *	Ordinary £1 shares	100	100
Topland Forward Limited **	Ordinary £1 shares	100	100
Topland Investments Limited	Ordinary £1 shares	100	100
Topland Investments Mayfair Limited	Ordinary £1 shares	100	100
Topland London Limited	Ordinary £1 shares	100	100
Topland Mayfair Limited	Ordinary £1 shares	100	100
Topland Properties Limited	Ordinary £1 shares	100	100
Topland Real Estate Limited **	Ordinary £1 shares	100	100
Topland UK Limited	Ordinary £1 shares	100	100
Top Lid Enterprises Limited	Ordinary £1 shares	75	75
Top Lid Estates Limited	Ordinary £1 shares	75	75
Top Lid Investments Limited	Ordinary £1 shares	75	75
Top Lid London Limited *	Ordinary £1 shares	75	75
Top Lid Mayfair Limited *	Ordinary £1 shares	75	75
Top Lid Properties Limited	Ordinary £1 shares	100	100
Westmount Group Plc	Ordinary £1 shares	100	100
Westmount Holdings Limited	Ordinary £1 shares	100	-
Westmount Investments Limited	Ordinary £1 shares	100	-
Westmount London Limited	Ordinary £1 shares	100	-

+ Additions

* Dormant

All of the above-named subsidiaries are in the business of property investment, except those indicated as dormant, and Berkley Estates London Limited which undertakes property management.

All companies are incorporated in England and Wales, except Dalvennan Limited which is incorporated in the Isle of Man.

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 *(Continued)*

13 Debtors

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Trade debtors	195	144	-	-
Amounts owed by group undertakings	-	-	3,066	928
Other debtors	288	4,444	-	-
Prepayments and accrued income	111	47	-	-
	<u>594</u>	<u>4,635</u>	<u>3,066</u>	<u>928</u>

Amounts owed by group undertakings have no fixed terms of repayment and bear no interest.

All amounts fall due within one year.

14 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Bank overdrafts	47	110	1	1
Unsecured loans	1,500	2,419	1,500	2,419
Loans (secured - see note 15)	9,234	6,613	-	-
Amounts owed to group undertakings	-	-	3,323	2,313
Trade creditors	-	14	-	-
Obligations under hire purchase agreements and finance leases	17	16	-	-
Other creditors including taxes and social security	2,718	18	-	-
Accruals and deferred income	7,751	5,732	1	1
	<u>21,267</u>	<u>15,303</u>	<u>4,825</u>	<u>4,734</u>

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

The unsecured loans bear no interest and are redeemable in June and November 1999.

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 (*Continued*)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank and other loans	240,674	167,343	-	-
Obligations under hire purchase agreements and finance leases	181	113	-	-
Loans from shareholders	4,038	2,846	-	-
	<u>244,893</u>	<u>170,302</u>	<u>-</u>	<u>-</u>
Loan maturity analysis				
Repayable as follows:				
Between one and two years	9,922	7,699	-	-
Between two and five years	48,308	27,120	-	-
In more than five years	186,482	135,370	-	-
	<u>244,712</u>	<u>170,189</u>	<u>-</u>	<u>-</u>

The loans are secured by fixed legal charges over the group's investment properties, by floating charges over the assets and undertakings of group companies, and in respect of certain investment properties, legal rental assignments and intra group guarantees. Interest is payable on the loans at rates ranging from approximately 5.89% to 10.09% per annum. Of amounts repayable in more than five years £106,709,450 is repayable by instalments and £79,772,550 is repayable, in full at the end of each loan term.

Other loans include directors' personal pension loans of £32,000 (1998 - £32,000) which fall due for repayment in two instalments in 2009 and 2011 and interest is payable at a variable rate (currently 7.19% per annum).

The loans from shareholders are repayable after 31 May 2000 and these loans bear no interest.

Obligations under hire purchase agreements and finance leases are repayable:

	Group	
	1999 £'000	1998 £'000
Within one to two years	25	16
Within two to five years	156	97
	<u>181</u>	<u>113</u>

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 (*Continued*)

16 Deferred taxation

In accordance with the group's accounting policy, no provision has been made for the deferred taxation arising on the revaluation of investment properties as the directors have no intention of selling the properties in the foreseeable future. The total potential liability on the revaluation of the investment properties is £37,300,000 (1998 - £19,800,000).

17 Share capital

	1999 £'000	1998 £'000
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
50,000 ordinary shares of £1 each	50	50
	<u> </u>	<u> </u>

18 Reserves

Group	Revaluation reserve £'000	Capital reserve £'000	Profit and loss account £'000
At 1 June 1998	44,199	4,843	6,446
Revaluation surplus on investment properties net of minority interest	30,636	-	-
Retained profit for the year	-	-	4,462
	<u> </u>	<u> </u>	<u> </u>
At 31 May 1999	74,835	4,843	10,908
	<u> </u>	<u> </u>	<u> </u>
 Company			 Profit and loss account £'000
At 1 June 1998			(851)
Retained profit for the year			2,054
			<u> </u>
At 31 May 1999			1,203
			<u> </u>

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 (Continued)

19 Reconciliation of movements in shareholders' funds

Group	1999 £'000	1998 £'000
Opening shareholders' funds	55,538	30,226
Profit for the financial year	4,462	913
Other recognised gains and losses relating to the year	30,636	24,399
	<hr/>	<hr/>
Closing shareholders' funds	90,636	55,538
	<hr/>	<hr/>
Company		
Opening shareholders' funds	(801)	32
Profit/(loss) for the year	2,054	(833)
	<hr/>	<hr/>
Closing shareholders' funds	1,253	(801)
	<hr/>	<hr/>

20 Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	23,657	14,409
Depreciation	85	53
Amortisation of intangible fixed assets	4	-
Loss on sale of tangible fixed assets	-	(20)
Decrease/(increase) in debtors	4,046	(4,160)
Increase in creditors	2,042	393
	<hr/>	<hr/>
Net cash inflow from operating activities	29,834	10,675
	<hr/>	<hr/>

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 (Continued)

21 Reconciliation of net cash flow to movement in net debt

	1999 £'000	1998 £'000
Increase in cash in the year	4,708	994
Repayment of loans	9,032	5,641
Advances of loan from shareholders	(1,192)	(958)
Hire purchase and finance lease rentals	(72)	(92)
New loans	(80,789)	(84,718)
Loans acquired with subsidiary	(3,276)	-
	<hr/>	<hr/>
Movement in net debt	(71,589)	(79,133)
Net debt at 1 June 1998	(177,944)	(98,811)
	<hr/>	<hr/>
Net debt at 31 May 1999	(249,533)	(177,944)
	<hr/>	<hr/>

22 Analysis of net debt

	At 1 June 1998 £'000	Cash flow £'000	Acquisitions £'000	At 31 May 1999 £'000
Cash in hand and at bank	1,516	4,645	-	6,161
Overdrafts	(110)	63	-	(47)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,406	4,708	-	6,114
	<hr/>	<hr/>	<hr/>	<hr/>
Hire purchase and finance leases	(129)	(72)	-	(201)
Loans due within one year	(9,032)	(1,702)	-	(10,734)
Loans due after one year	(167,312)	(70,055)	(3,276)	(240,643)
Loans from shareholders	(2,846)	(1,192)	-	(4,038)
Other loans	(31)	-	-	(31)
	<hr/>	<hr/>	<hr/>	<hr/>
	(179,350)	(73,021)	(3,276)	(255,647)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(177,944)	(68,313)	(3,276)	(249,533)
	<hr/>	<hr/>	<hr/>	<hr/>

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 *(Continued)*

23 Purchase of subsidiary undertaking

On 1 October 1998, 100% of Dalvennan Limited was acquired by Riverland Holdings Limited.

	£'000
Net assets acquired	
Tangible fixed assets	3,825
Debtors	6
Cash	215
Creditors	(133)
Loans	(3,276)
	<hr/>
	637
	<hr/>
Satisfied by:	
Cash	637
	<hr/>

The directors believe that the fair value of the assets was equal to the book value at the date of acquisition.

The pre-acquisition results of Dalvennan Limited were:

	Period 6 April 1998 30 September 1998 £'000	Year ended 5 April 1998 £'000
Turnover	155	325
Administrative expenses	(8)	(10)
	<hr/>	<hr/>
Operating profit	147	315
Interest receivable	9	5
Interest payable	(136)	(225)
	<hr/>	<hr/>
Profit before taxation	20	95
Taxation	(3)	(21)
	<hr/>	<hr/>
Profit after taxation	17	74
	<hr/>	<hr/>
Total recognised gains and losses for the period	17	74
	<hr/>	<hr/>

TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1999 (*Continued*)

24 Commitments under operating leases

As at 31 May 1999, the company had annual commitments under non-cancellable operating leases as set out below:

	1999 £'000	1998 £'000
Operating leases which expire:		
Over five years	26	26

The group's leases of land and buildings are subject to periodic rent reviews.

25 Contingent liabilities

The company has given a guarantee to the bank for an amount of £3,000,000 (1998 - £2,000,000) in favour of Berkley Estates London Limited.

26 Related party transactions

The company has taken advantage of the exemption conferred by Financial Standard No 8 from the requirement to disclose details of transactions with group companies.

At 31 May 1999 the company owed £32,000 (1998 - £32,000) to the directors' personal pension fund, of which Messrs E and S Zakay are members.

27 Ultimate parent company and controlling party

The ultimate parent company and controlling party is New Liberty Limited, a company incorporated in the British Virgin Islands.