

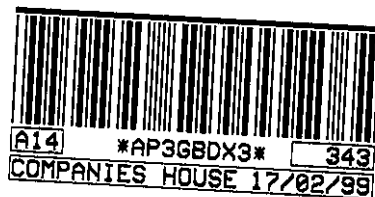
**REGISTRAR OF  
COMPANIES**

**Topland Group Plc**

Report and Financial Statements

Year Ended

31 May 1998



**BDO**

BDO Stoy Hayward  
Chartered Accountants

# **TOPLAND GROUP PLC**

## **Annual report and financial statements for the year ended 31 May 1998**

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Directors

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### **Directors**

E Zakay  
S Zakay

### **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.

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## TOPLAND GROUP PLC

### Chairman's statement

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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 31 May 1998.

The period saw the continued growth of the group with a number of new properties being added to the group's portfolio increasing its value to £258 million at year end. Profits before tax (on the historical cost basis) have again increased to £3.5 million and net assets have increased to £76 million from £45 million at year ended 31 May 1997.

The group is continuing to meet its long term expansion plans and has increased the number of employees within the organisation. The investment and management teams have been increased and with further planned recruitment for the coming year, particularly in finance and administration, the group will be well placed to meet its portfolio growth targets.

The last twelve months has seen property values for well let investments continue to rise and this will, I believe, be the trend for the coming twelve months bearing in mind downward pressure on interest rates. Properties with shorter leases but with high residual values will become increasingly sought after given the healthy demand for well located and quality buildings by occupiers. Rental growth of such properties will continue to be above average but generally growth has been demonstrated across all sectors of property.


Since lease lengths on new lettings are now typically no greater than 15 years and often with break clauses the supply of such investments will reduce with time creating even greater upward pressure on values. We have as a consequence decided to pursue an acquisition programme of as many sale and leaseback transactions, as possible, where we can negotiate longer lease terms.

As interest rates have continued to fall during 1998 as the Bank of England acted to stave off recession and long term rates in particular have seen significant changes, we have continued to implement our policy of refinancing existing assets thereby improving cashflow. The market indicators are that rates will continue to fall during the next twelve months. However, our interest rate policy is continually being monitored to ensure that we are in a position to take full advantage of the state of the financial markets by seeking greater flexibility within our loan structures. Where possible we will fix in to shorter term loans to enable us to refinance at lower rates upon maturity.

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. Active management of the existing portfolio is a priority and it is intended that the already strong management team will be enhanced with the recruitment of additional personnel and continually improving management systems.

I am confident that the coming year will bring further increased profits and net assets values. As at the date of preparing this review of the group activities the portfolio value stands in excess of £350 million and I look forward to reporting to you again next year with further improved results.

S Zakay  
Chairman  
29 January 1999



## **TOPLAND GROUP PLC**

### **Report of the directors for the year ended 31 May 1998**

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The directors present their report together with the audited financial statements of the group for the year ended 31 May 1998.

#### **Results and dividends**

The consolidated 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, 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 page 1.

#### **Year 2000**

The company is currently reviewing its operation systems to assess the risks to its business in relation to Year 2000 compliance. From this review a prioritised action plan will be developed and implemented. Costs of the review which are not expected to be significant, are to be written off to the profit and loss account as incurred.

#### **Directors**

The directors of the company during the year were:

	<b>Ordinary shares of £1 each</b>	
	<b>1998</b>	<b>1997</b>
E Zakay	-	-
S Zakay	-	-

The directors who served throughout the year 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 period end trade creditors represented 30 days purchases.

## **TOPLAND GROUP PLC**

### **Report of the directors for the year ended 31 May 1998 (*Continued*)**

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#### **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 departure 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, who were appointed as auditors of the company by the directors, 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



29 January 1999

# TOPLAND GROUP PLC

## Report of the auditors

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### To the shareholders of Topland Group Plc

We have audited the financial statements on pages 5 to 25 which have been prepared under the accounting policies set out on page 10.

#### *Respective responsibilities of directors and auditors*

As described on page 3 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.

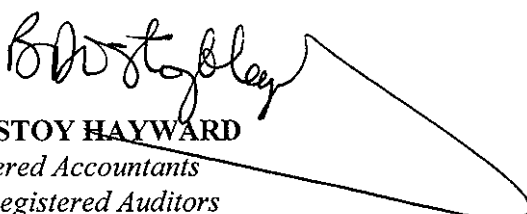
#### *Basis of opinion*

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 1998 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

29 January 1999

# **TOPLAND GROUP PLC**

## **Consolidated profit and loss account for the year ended 31 May 1998**

	Note	Year ended 31 May 1998 £'000	14 months ended 31 May 1997 £'000
<b>Turnover</b>	2	16,256	11,665
Administrative expenses		(2,304)	(1,818)
Other operating income		457	401
<b>Operating profit</b>		14,409	10,248
Loss on disposal of investments and provision for diminution in value		-	(8)
(Loss)/profit on disposal of investment properties	5	(508)	330
Interest receivable		34	78
Interest payable and similar charges	6	(11,946)	(7,805)
<b>Profit on ordinary activities before taxation</b>	7	1,989	2,843
Taxation on profit on ordinary activities	8	39	-
<b>Profit on ordinary activities after taxation</b>		2,028	2,843
Minority interests		(1,115)	(1,183)
<b>Retained profit for the year</b>	9,18	913	1,660

### **Note of historical costs profits and losses**

Reported profit on ordinary activities before taxation	1,989	1,660
Realisation of property revaluation gains of previous years	1,512	414
<b>Historical cost profit on ordinary activities before taxation</b>	3,501	2,074
<b>Historical cost profit on ordinary activities after taxation and minority interest</b>	2,425	2,074

All amounts relate to continuing activities.

The notes on pages 10 to 25 form part of these financial statements.

**TOPLAND GROUP PLC****Consolidated statement of total recognised gains and losses for the year ended 31 May 1998**

	Note	Year ended 31 May 1998 £'000	14 months ended 31 May 1997 £'000
<b>Consolidated statement of total recognised gains and losses</b>			
Profit for the financial year		913	21,660
Unrealised surplus on revaluation of properties	18	24,399	7,311
		<hr/>	<hr/>
Total recognised gains and losses for the year		25,312	28,971
		<hr/>	<hr/>

The notes on pages 10 to 25 form part of these financial statements.



# TOPLAND GROUP PLC

## Consolidated balance sheet at 31 May 1998

	Note	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Intangible assets - goodwill	10	41	-
Intangible assets - negative goodwill	10	(608)	-
		(567)	-
Tangible assets	11	256,382	147,278
Investments	12	-	22
		255,815	147,300
<b>Current assets</b>			
Debtors	13	4,635	475
Cash at bank and in hand		1,516	657
		6,151	1,132
<b>Creditors: amounts falling due within one year</b>	14	(15,303)	(10,104)
<b>Net current liabilities</b>		(9,152)	(8,972)
<b>Total assets less current liabilities</b>		246,663	138,328
<b>Creditors: amounts falling due after more than one year</b>	15	(170,302)	(93,271)
		76,361	45,057
<b>Capital and reserves</b>			
Called up share capital	17	50	50
Revaluation reserve	18	44,199	21,312
Capital reserve	18	4,843	4,843
Profit and loss account	18	6,446	4,021
<b>Shareholders' funds - equity</b>	19	55,538	30,226
Minority interest		20,823	14,831
		76,361	45,057

The financial statements were approved by the Board on 29 January 1999

E Zakay

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Directors

S Zakay

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The notes on pages 10 to 25 form part of these financial statements.

**TOPLAND GROUP PLC**

**Company balance sheet at 31 May 1998**

	Note	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Investments	12	3,005	39
<b>Current assets</b>			
Debtors	13	1,287	2,939
Cash at bank and in hand		-	2
		<u>1,287</u>	<u>2,941</u>
<b>Creditors: amounts falling due within one year</b>	14	(4,734)	(2,948)
		<u></u>	<u></u>
<b>Net current liabilities</b>		(3,447)	(7)
<b>Provisions for liabilities and charges</b>		(359)	-
		<u></u>	<u></u>
<b>Total assets less current liabilities</b>		(801)	32
		<u></u>	<u></u>
<b>Capital and reserves</b>			
Called up share capital	17	50	50
Profit and loss account		(851)	(18)
		<u></u>	<u></u>
<b>Shareholders' funds - equity</b>		(801)	32
		<u></u>	<u></u>

The financial statements were approved by the Board on 29 January 1999

E Zakay

S Zakay

) \_\_\_\_\_  
 ) **Directors**  
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The notes on pages 10 to 25 form part of these financial statements.

**TOPLAND GROUP PLC**

**Consolidated cash flow statement for the year ended 31 May 1998**

	Note	Year ended 31 May 1998		14 months ended 31 May 1997	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	20		10,675		9,413
<b>Returns on investments and servicing of finance</b>					
Interest received		34		78	
Interest paid		(10,113)		(7,653)	
Payments to minority interest		-		-	
			(10,079)		(7,575)
<b>Taxation</b>					
UK corporation tax repaid/(paid)			4		(3)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(82,065)		(32,307)	
Proceeds from sale of tangible fixed assets		5,862		1,500	
Proceeds from sale of investments		22		27	
			(76,181)		(30,780)
<b>Acquisitions and disposals</b>					
Purchase of subsidiaries net of cash acquired	24		(3,552)		-
<b>Financing</b>					
Bank, building society and other loans - advances		84,718		32,025	
- repayments		(5,641)		(4,838)	
Loans from shareholders - advances		958		-	
- repayments		-		(1,323)	
Hire purchase and finance leases		92		(21)	
			80,127		25,843
<b>Increase/(decrease) in cash</b>	21		994		(3,102)

The notes on pages 10 to 25 form part of these financial statements.

## TOPLAND GROUP PLC

### Notes forming part of the financial statements for the year ended 31 May 1998

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#### 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 1998. 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.

##### *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. 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 a permanent diminution in value.

##### *Investment properties*

The 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.

##### *Depreciation*

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

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

##### *Turnover*

Turnover represents net rentals to outside customers at invoiced amounts less 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.

## TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1998 (*Continued*)

### 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

	Year ended 31 May 1998 £'000	14 months ended 31 May 1997 £'000
Directors' emoluments	214	155
Highest paid director	109	98

### 4 Employees

Staff costs consist of:

Wages and salaries	443	340
Social security costs	47	34
	490	374

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

	Number	Number
Administration	10	6

**TOPLAND GROUP PLC**Notes forming part of the financial statements for the year ended 31 May 1998 *(Continued)***5 (Loss)/profit on disposal of investment properties**

	Year ended 31 May 1998 £'000	14 months ended 31 May 1997 £'000
Surplus of proceeds over historic cost	1,004	744
Revaluation surplus included in valuation at the beginning of the year	(1,512)	(414)
	<u>(508)</u>	<u>330</u>

**6 Interest payable and similar charges**

Bank loans and overdrafts	11,442	7,711
Premium on redemption of zero coupon bonds	471	-
Other interest	33	94
	<u>11,946</u>	<u>7,805</u>

**7 Profit on ordinary activities before taxation**

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

Depreciation:		
- on owned tangible fixed assets	21	36
- on assets held under finance lease and hire purchase contracts	32	20
Auditors' remuneration:		
- audit	54	37
- other services to the group	28	88
(Profit)/loss on disposal of fixed assets (excluding investment properties)	(20)	12
	<u></u>	<u></u>

**8 Taxation on profit from ordinary activities**

Overprovision from previous years	39	-
	<u></u>	<u></u>

There is no tax charge on the profits of the group due to the availability of excess management charges.

# **TOPLAND GROUP PLC**

Notes forming part of the financial statements for the year ended 31 May 1998 (*Continued*)

## **9 Retained profit for the period**

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 loss of £833,000 (1997 - a loss of £19,000) is dealt with in the financial statements of the holding company.

## **10 Intangible assets**

	1998 £'000	1997 £'000
Goodwill arising on acquisitions - see note 24	41	-
Negative goodwill arising on acquisitions - see note 24	(608)	-
	<u>          </u>	<u>          </u>
	(567)	-
	<u>          </u>	<u>          </u>

## **11 Tangible assets**

Group	Investment properties £'000	Motor vehicles office equipment, fixtures and fittings £'000	Total £'000
<i>Cost or valuation</i>			
At 1 April 1997	147,165	173	147,338
Additions	82,436	192	82,628
Surplus on revaluation	32,879	-	32,879
Disposals	(6,295)	(105)	(6,400)
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 May 1998	256,185	260	256,445
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Depreciation</i>			
At 1 April 1997	-	60	60
Charge for the year	-	53	53
Disposals	-	(50)	(50)
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 May 1998	-	63	63
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Net book value</i>			
At 31 May 1998	256,185	197	256,382
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 May 1997	147,165	113	147,278
	<u>          </u>	<u>          </u>	<u>          </u>

## TOPLAND GROUP PLC

### Notes forming part of the financial statements for the year ended 31 May 1998 (*Continued*)

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#### 11 Tangible assets (*Continued*)

The investment properties were valued as at 31 May 1998 by the directors on an open market basis.

	1998 £'000	1997 £'000
Freehold land and buildings	253,645	141,440
Long leaseholds	4,070	5,725
	<hr/>	<hr/>
	257,715	147,165
	<hr/>	<hr/>

The historical cost of the properties was £186,862,000 (1997 - £107,516,000).

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 £123,000 (1997 - £45,000) 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 1998 (*Continued*)

12 Fixed asset investments

Group	Quoted shares £'000
<i>Cost</i>	
At 1 April 1997	36
Disposals	(36)
	<hr/>
At 31 May 1998	-
	<hr/>
<i>Provision</i>	
At 1 April 1997	14
Disposals	(14)
	<hr/>
At 31 May 1998	-
	<hr/>
<i>Net book value</i>	
At 31 May 1998	-
	<hr/> <hr/>
At 31 May 1997	22
	<hr/> <hr/>

# **TOPLAND GROUP PLC**

Notes forming part of the financial statements for the year ended 31 May 1998 (*Continued*)

## **12 Fixed asset investments (*Continued*)**

Company	Quoted shares £'000	Interests in group undertakings £'000	Company Total £'000
<i>Cost</i>			
At 1 April 1997	36	17	53
Additions	-	2,988	2,988
Disposals	(36)	-	(36)
	<hr/>	<hr/>	<hr/>
At 31 May 1998	-	3,005	3,005
	<hr/>	<hr/>	<hr/>
<i>Provision</i>			
At 1 April 1997	14	-	14
Disposals	(14)	-	(14)
	<hr/>	<hr/>	<hr/>
At 31 May 1998	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 May 1998	-	3,005	3,005
	<hr/>	<hr/>	<hr/>
At 31 May 1997	22	17	39
	<hr/>	<hr/>	<hr/>

## **Interests in group undertakings**

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose consolidated results or consolidated financial position, in the opinion of the directors, principally affected the figures of the group. The subsidiary undertakings are principally in the business of property investment.

Name of 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
Goldmile Estates Limited	Ordinary £1 shares	51	
Goldmile Holdings Limited	Ordinary £1 shares	51	
Goldmile Properties Limited	Ordinary £1 shares	51	
Goldstream Estates Limited	Ordinary £1 shares	100	
Goldstream Holdings Limited	Ordinary £1 shares	100	100

# **TOPLAND GROUP PLC**

Notes forming part of the financial statements for the year ended 31 May 1998 *(Continued)*

## **12 Fixed asset investments *(Continued)***

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by:	
		Group %	Company %
Goldstream Limited	Ordinary £1 shares	100	
Goldstream Properties Limited	Ordinary £1 shares	100	
Greenland Properties Limited	Ordinary £1 shares	100	100
Platignum Estates Limited	Ordinary £1 shares	51	
Platignum Holdings Limited	Ordinary £1 shares	51	
Platignum Properties Limited	Ordinary £1 shares	51	
Riverland East Limited	Ordinary £1 shares	51	
Riverland Enterprises Limited	Ordinary £1 shares	51	
Riverland Estates 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 London Limited	Ordinary £1 shares	51	
Riverland North Limited	Ordinary £1 shares	51	
Riverland Properties Limited	Ordinary £1 shares	51	
Riverland UK Limited	Ordinary £1 shares	51	
Rootmead Limited	Ordinary £1 shares	100	
Silverdome Estates Limited	Ordinary £1 shares	99	
Silverdome Holdings Limited	Ordinary £1 shares	99	99
Silverdome Properties Limited	Ordinary £1 shares	99	
Timefare Services 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 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 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 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	

All companies were incorporated in England and Wales.

# TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1998 (*Continued*)

## 13 Debtors

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Trade debtors	144	156	-	-
Amounts owed by group undertakings	-	-	1,287	2,939
Other debtors	4,444	278	-	-
Prepayments and accrued income	47	41	-	-
	<u>4,635</u>	<u>475</u>	<u>1,287</u>	<u>2,939</u>

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

## 14 Creditors: amounts falling due within one year

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank overdrafts	110	245	1	-
Unsecured loans	2,419	935	2,419	935
Loans (secured - see note 15)	6,613	4,995	-	-
Amounts owed to group undertakings	-	-	2,313	2,009
Trade creditors	14	87	-	-
Obligations under hire purchase agreements and finance leases	16	22	-	-
Corporation tax	-	35	-	-
Other taxes and social security	18	1,097	-	2
Other creditors	381	25	-	-
Accruals and deferred income	5,732	2,663	1	2
	<u>15,303</u>	<u>10,104</u>	<u>4,734</u>	<u>2,948</u>

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

These unsecured loans bear no interest and are redeemable in June and November 1998.

# TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1998 (*Continued*)

## 15 Creditors: amounts falling due after more than one year

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Loans	167,312	91,337	-	-
Obligations under hire purchase agreements and finance leases	113	15	-	-
Other term loans	31	31	-	-
Loans from shareholders	2,846	1,888	-	-
	<u>170,302</u>	<u>93,271</u>	<u>-</u>	<u>-</u>
Loan maturity analysis				
Repayable as follows:				
Between one and two years	4,853	5,761	-	-
Between two and five years	27,120	39,319	-	-
In five years or more	135,339	46,257	-	-
	<u>167,312</u>	<u>91,337</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 7.5% to 10.26% per annum.

Other term loans comprise directors' personal pension loans which fall due for repayment in two instalments in 2009 and 2011 and interest is payable at a variable rate (currently 8.5% per annum).

The loans from shareholders are repayable after 31 May 1999 and these loans bear no interest.

Obligations under hire purchase agreements and finance leases are repayable:

	Group	
	1998 £'000	1997 £'000
Within one to two years	16	15
Within two to five years	97	-
	<u>113</u>	<u>15</u>

# TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1998 (*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 at 31% on the revaluation of the investment properties is £19,800,000 (1997 - £10,058,000).

## 17 Share capital

	1998 £'000	1997 £'000
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
50,000 ordinary shares of £1 each	50	50

## 18 Reserves

Group	Revaluation reserve £'000	Capital reserve £'000	Profit and loss account £'000
At 1 June 1997	21,312	4,843	4,021
Revaluation surplus on investment properties net of minority interest	24,399	-	-
Retained profit for the period	-	-	913
Realised revaluation surplus on sale of investment property	(1,512)	-	1,512
At 31 May 1998	44,199	4,843	6,446
<b>Company</b>			<b>Profit and loss account £'000</b>
At 1 June 1997			(18)
Retained loss for the year			(833)
At 31 May 1998			(851)

# **TOPLAND GROUP PLC**

Notes forming part of the financial statements for the year ended 31 May 1998 *(Continued)*

## **19 Reconciliation of movements in shareholders' funds**

	Year ended 31 May 1998 £'000	14 months ended 31 May 1997 £'000
<b>Group</b>		
Opening equity shareholders' funds - previously reported	30,226	20,805
Prior year adjustment	-	450
	<hr/>	<hr/>
Opening shareholders' funds restated	30,226	21,255
Profit for the financial period	913	1,660
Other recognised gains and losses relating to the period	24,399	7,311
	<hr/>	<hr/>
Closing shareholders' funds	55,538	30,226
	<hr/> <hr/>	<hr/> <hr/>
<b>Company</b>		
Loss for the period	(833)	(19)
Opening shareholders' funds	32	51
	<hr/>	<hr/>
Closing shareholders' funds	(801)	32
	<hr/> <hr/>	<hr/> <hr/>

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

	Year ended 31 May 1998 £'000	14 months ended 31 May 1997 £'000
Operating profit	14,409	10,248
Depreciation	53	56
Profit on disposal of quoted investments	-	(2)
(Profit)/loss on sale of tangible fixed assets	(20)	12
(Increase)/decrease in debtors	(4,160)	535
Increase/(decrease) in creditors	393	(1,436)
	<hr/>	<hr/>
Net cash inflow from operating activities	10,675	9,413
	<hr/> <hr/>	<hr/> <hr/>

**TOPLAND GROUP PLC**

Notes forming part of the financial statements for the year ended 31 May 1998 (*Continued*)

**21 Reconciliation of net cash flow to movement in net debt**

	Year ended 31 May 1998 £'000	14 months ended 31 May 1997 £'000
Increase/(decrease) in cash in the year	994	(3,102)
Repayment of loans	5,641	4,838
(Advances)/repayment of loan from shareholders	(958)	1,323
Hire purchase and finance lease rentals	(92)	21
New loans	(84,718)	(32,025)
	<hr/>	<hr/>
Movement in net debt	(79,133)	(28,945)
Net debt at 1 April 1997	(98,811)	(69,866)
	<hr/>	<hr/>
Net debt at 31 May 1998	(177,944)	(98,811)
	<hr/> <hr/>	<hr/> <hr/>

**22 Analysis of net debt**

	At 1 June 1997 £'000	Cash flow £'000	At 31 May 1998 £'000
Cash in hand and at bank	657	859	1,516
Overdrafts	(245)	135	(110)
		<hr/>	
		994	
		<hr/>	
Hire purchase and finance leases	(37)	(92)	(129)
Loan due within 1 year	(5,930)	(3,102)	(9,032)
Loan due after 1 year	(91,337)	(75,975)	(167,312)
Loan from shareholders	(1,888)	(958)	(2,846)
Other term loans	(31)	-	(31)
		<hr/>	
		(80,127)	
	<hr/>	<hr/>	<hr/>
Total	(98,811)	(79,133)	(177,944)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



## TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1998 (Continued)

### 23 Commitments under operating leases

As at 31 May 1998, the company had annual commitments under non-cancellable operating leases as set out below:

	1998 £'000	1997 £'000
Operating leases which expire:		
Over five years	26	26

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

### 24 Acquisitions

25% of Greenland Properties Limited, Topland Mayfair Limited, Topland Investments Mayfair Limited, Topland (Estates) London Limited and Topland Enterprises were purchased on 27 June 1997.

	Greenland Properties £	Topland Mayfair £	Topland Investments Mayfair £	Topland (Estates) London £	Topland Enterprises £
Fixed assets - Tangible	1,300,000	4,600,000	10,150,000	6,500,000	14,000,000
Cash	-	-	-	-	72,643
Debtors	250	250	500	695,660	556,579
Creditors	(1,090,300)	(3,532,270)	(8,016,529)	(5,000,356)	(9,461,121)
	<u>209,950</u>	<u>1,067,980</u>	<u>2,133,971</u>	<u>2,195,304</u>	<u>5,168,101</u>
Proportion purchased (25%)	52,488	266,995	533,493	548,826	1,292,025
Cash consideration	43,000	204,000	410,000	430,000	1,021,000
	<u>(9,488)</u>	<u>(62,995)</u>	<u>(123,493)</u>	<u>(118,826)</u>	<u>(271,025)</u>

In calculating the goodwill arising on the above acquisitions, the directors assessed the fair values to be the same as the book values as shown above.

## TOPLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 May 1998 *(Continued)*

### 24 Acquisitions *(Continued)*

The entire share capital of Riverland (Harrow) Investments Limited was purchased on 24 April 1998 by Riverland Holdings Limited for £566,585.

	Book value £	Revaluation £	Fair value to the group £
Fixed assets - tangible	6,036,629	563,371	6,600,000
Trade debtors	158,000	-	158,000
Creditors	(6,195,627)	-	(6,195,627)
Net (liabilities)/assets	(998)	563,371	562,373
Cash consideration			566,585
Net assets acquired			562,373
Goodwill arising			4,212

In calculating the goodwill arising on acquisition, the fair value of the net assets of Riverland (Harrow) Investments Limited have been assessed and adjustments made in respect of the assessed fair value of the freehold investment property. The adjustment is summarised in the table above.

## TOPLAND GROUP PLC

### Notes forming part of the financial statements for the year ended 31 May 1998 (Continued)

#### 24 Acquisitions (Continued)

24% of Top Lid Investments was purchased on 14 August 1997 for £130,563, 48% of Silverdome Holdings Limited was purchased on 10 June 1997 for £746,969.

	Top Lid Investments £	Silverdome Holdings £
Fixed assets - tangible	7,400,000	3,400,000
Cash	555,213	56,617
Debtors	18,201	143,929
Creditors	(7,335,816)	(2,121,741)
	<hr/>	<hr/>
Net assets	637,598	1,478,805
	<hr/>	<hr/>
Proportion purchased	153,024	709,826
Cash consideration	130,563	746,969
	<hr/>	<hr/>
Goodwill arising	(22,461)	37,143
	<hr/>	<hr/>

In calculating the goodwill on acquisition, the fair values of the net assets have been assessed by the directors and were the same as the book values shown above.

#### Cash flow

The net outflow of cash arising from acquisitions was £3,552,117.

#### 25 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 1998 the company owed £31,200 (1997 - £31,200) to the directors' personal pension fund, of which Messrs E and S Zakay are members.

#### 26 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.