

Galaplace Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2010

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COMPANIES HOUSE

Company Registration No 02767201

Galaplace Limited

COMPANY INFORMATION

DIRECTORS	M D Gubbay R Tchenguiz V A Tchenguiz M R Turner
SECRETARY	M H P Ingham
COMPANY NUMBER	02767201 (England & Wales)
REGISTERED OFFICE	4th Floor Leconfield House Curzon Street London W1J 5JA
AUDITORS	Baker Tilly UK Audit LLP The Clock House 140 London Road Guildford Surrey GU1 1UW
SOLICITORS	Osborne Clarke One London Wall London EC2Y 5EB

Galaplace Limited

DIRECTORS' REPORT

The directors present their report and the financial statements of Galaplace Limited for the year ended 31 May 2010

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity is the letting of investment property

The investment property held at 31 May 2010 was valued as at that date at £11,630,000 by the directors. The decrease in value during the year amounted to £7,760,000 as set out in note 7

The current tenancy expires on 24 December 2011 and the company's bank loan is repayable on 17 January 2012

The directors are currently considering either a refinancing or a disposal of its investment property

In the opinion of the directors the result for the year and the financial position of the company at 31 May 2010 were satisfactory

DIVIDENDS

The directors do not recommend payment of an ordinary dividend

DIRECTORS

The following directors have held office since 1 June 2009

M D Gubbay
R Tchenguiz
V A Tchenguiz
M R Turner

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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

AUDITORS

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 provisions applicable to companies entitled to the small companies exemption

On behalf of the board



M R Turner
Director

10 October 2011

Galaplace Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Galaplace Limited

INDEPENDENT AUDITOR'S REPORT

To The Members Of Galaplace Limited

We have audited the financial statements on pages 4 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 the directors and auditors

As more fully explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2010 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 7 of the financial statements which set out some possible contingent events that may have an impact on the company's ability to continue as a going concern as a result of a breach of the change in control covenants on the company's borrowings and the requirement to refinance these borrowings which would otherwise be due for repayment on 17 January 2012. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.

Baker Tilly UK Audit LLP

David Worrow FCA (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

The Clock House, 140 London Road

Guildford, Surrey, GU1 1UW

12 October 2011

Galaplace Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 May 2010

	Notes	2010 £	2009 £
RENT RECEIVABLE		2,645,855	2,568,791
Cost of sales		(375,525)	(375,525)
GROSS PROFIT		2,270,330	2,193,266
Other operating expenses	1	(48,380)	(45,594)
OPERATING PROFIT		2,221,950	2,147,672
Investment income	2	263	3,220
Interest payable and similar charges	3	(1,050,660)	(1,104,568)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,171,553	1,046,324
Taxation	6	(354,446)	(353,854)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	817,107	692,470

All amounts derive from continuing activities

Galaplace Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 May 2010

	Notes	2010 £	2009 £
Profit for the financial year		817,107	692,470
Unrealised deficit on revaluation of properties	7	<u>(7,760,000)</u>	<u>(3,080,000)</u>
Total recognised gains and losses relating to the year		<u><u>(6,942,893)</u></u>	<u><u>(2,387,530)</u></u>

Galaplace Limited


BALANCE SHEET

As at 31 May 2010

Company registration No 02767201

	Notes	2010 £	2009 £
FIXED ASSETS			
Tangible assets	7	11,630,000	19,390,000
CURRENT ASSETS			
Debtors	8	6,385,566	6,418,183
Cash at bank and in hand	9	135,691	100,077
		6,521,257	6,518,260
CREDITORS Amounts falling due within one year	10	(15,552,514)	(2,264,223)
NET CURRENT (LIABILITIES)/ASSETS		(9,031,257)	4,254,037
TOTAL ASSETS LESS CURRENT LIABILITIES		2,598,743	23,644,037
CREDITORS Amounts falling due after more than one year	11	-	(14,107,000)
PROVISIONS FOR LIABILITIES	12	(820,102)	(815,503)
NET ASSETS		1,778,641	8,721,534
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Revaluation reserve	14	(592,800)	7,167,200
Profit and loss account	14	2,371,439	1,554,332
SHAREHOLDERS' FUNDS	15	1,778,641	8,721,534

The financial statements on pages 4 to 14 were approved by the board of directors and authorised for issue on 10 October 2011 and are signed on its behalf by


M R Turner

Director

Galaplace Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable accounting standards

The financial statements have been prepared under the historical cost convention with the exception of land and buildings which are stated at revalued amounts

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements

GOING CONCERN

The company's property investment and funding structure has been set up to be principally self funding

The funding structure incorporates various covenants in respect of change of control and as a result of the change in control during the year the company was in breach of these covenants

The company was still in breach of these covenants at the 31 May 2010 year end and in accordance with Financial Reporting Standard 25 the company's borrowings have been disclosed as due within one year as, at the year end, the loan was capable of being called on demand

The tenancy of the company's investment property determines on 24 December 2011 and the company's loan finance is repayable on 17 January 2012

The directors are currently considering the financing needs of the company and are confident that the company can put in place new loan facilities either by way of the existing facility being extended and the existing covenant breach waived or by way of a new financing facility being obtained

The principal consequences of a failure to put in place new loan facilities are that

- i the company's bank borrowings, which at 31 May 2010 amounted to £14,067,500, could become repayable on the demand of the lender,
- ii if not repaid when demanded, the lender could exercise its security direct over the company's investment property and sell the property at a time of its own choosing. This process may not represent an orderly realisation in the normal course of business so the company's investment property would, probably, only be realised at a value significantly less than the carrying value in these financial statements

The financial statements have been prepared on the going concern basis as the directors consider that the company will be successful in putting in place new borrowing facilities and that therefore, the company has, or can expect to have, sufficient working capital for its needs for at least the next 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate to prepare the accounts on the going concern basis

INVESTMENT PROPERTIES

In accordance with Statement of Standard Accounting Practice No 19, investment properties are revalued annually on an open market basis and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run

This treatment is a departure from the requirements of the Companies Act concerning the depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified

LEASING

The annual rentals on operating leases are charged to the profit and loss account on a straight line basis over the lease term

Galaplace Limited

ACCOUNTING POLICIES (CONTINUED)

DEFERRED TAXATION

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.

No provision is made for deferred tax on unrealised gains recognised on revaluing property to its market value.

Deferred tax is measured at the 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 substantively enacted by the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured on a non-discounted basis.

CASH FLOW STATEMENT

The company has taken advantage of the small company exemption from preparing a cash flow statement under the terms of FRS 1.

RENT RECEIVABLE

Rental income from investment properties leased out under operating leases is recognised in the profit and loss account on an accruals basis over the term of the lease. The effect of rent reviews is only recognised when such reviews have been agreed with tenants. Where rents are subject to fixed indexation in lieu of rent reviews, the rents are recognised on a systemic basis as income in the periods in which they are earned.

Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2010

1	OTHER OPERATING EXPENSES	2010 £	2009 £
	Administrative expenses	48,380	45,594
2	INVESTMENT INCOME	2010 £	2009 £
	Bank interest	263	3,220
3	INTEREST PAYABLE AND SIMILAR CHARGES	2010 £	2009 £
	On bank loans and overdrafts	954,574	1,020,750
	Other interest	42,133	30,365
	Amortisation of finance costs	53,453	53,453
	Loan and interest rate swap break costs	500	-
		1,050,660	1,104,568
4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2010 £	2009 £
	Profit is stated after charging		
	Operating lease rentals	375,525	375,525
	Auditor's remuneration	2,500	2,500

5 EMPLOYEES

There were no employees during the year apart from the directors, who received no emoluments

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2010

6	TAXATION	2010 £	2009 £
	UK Corporation tax		
	Current tax charge	349,847	348,105
	Deferred tax		
	Deferred tax charge current year	4,599	5,749
	Tax on profit on ordinary activities	<u>354,446</u>	<u>353,854</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>1,171,553</u>	<u>1,046,324</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	<u>328,035</u>	<u>292,971</u>
	Effects of		
	Capital allowances	(4,599)	(5,749)
	UK transfer pricing	26,411	60,883
		<u>21,812</u>	<u>55,134</u>
	Current tax charge	<u>349,847</u>	<u>348,105</u>

7 TANGIBLE FIXED ASSETS

	Investment properties £
Valuation	
At 1 June 2009	19,390,000
Revaluation (deficit)	(7,760,000)
At 31 May 2010	<u>11,630,000</u>

The property was valued as at 31 May 2010 at £11,630,000 (2009 £19,390,000) by the directors

The original cost of the property was £12,222,800 (2009 £12,222,800)

Investment property at net book value comprises	2010 £	2009 £
Long Leasehold	<u>11,630,000</u>	<u>19,390,000</u>

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2010

8	DEBTORS	2010 £	2009 £
	Other debtors	6,298,613	6,277,844
	Prepayments and accrued income	86,953	140,339
		<u>6,385,566</u>	<u>6,418,183</u>

Amounts falling due after more than one year and included in the debtors above are

	2010 £	2009 £
Prepayments	<u>33,433</u>	<u>86,886</u>

9 BANK

Included in the company's cash at bank is £135,691 (2009 £100,077) of funds lodged with financial institutions as part of the security arrangements for the borrowings from those institutions and which are not otherwise freely available for use

10	CREDITORS amounts falling due within one year	2010 £	2009 £
	Bank loan (note 11)	14,067,500	1,167,000
	Corporation tax	1,092,899	743,051
	Accruals and deferred income	392,115	354,172
		<u>15,552,514</u>	<u>2,264,223</u>

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2010

11 CREDITORS amounts falling due after more than one year	2010 £	2009 £
Bank loan	-	14,107,000
Loan maturity analysis		
Due within one year	1,432,763	1,167,000
In more than one year but not more than two years	12,634,737	1,323,000
In more than two years but not more than five years	-	12,784,000
	<u>14,067,500</u>	<u>15,274,000</u>
Included within creditors		
Due within one year	14,067,500	1,167,000
Due after more than one year	-	14,107,000
	<u>14,067,500</u>	<u>15,274,000</u>

The bank loan is repayable by instalments by January 2012, and bears interest at 6.49% per annum. The bank loan is secured by a fixed and floating charge over the whole assets of the company.

As noted in the going concern paragraph on page 7 at 31 May 2010 the bank loan facilities were in default of the loan covenants. In accordance with the requirements of Financial Reporting Standard 25 the loans have been disclosed as due within one year as, at the year end, the loan was capable of being called on demand.

12 PROVISIONS FOR LIABILITIES

	Deferred tax liability £
Balance at 1 June 2009	815,503
Profit and loss account	4,599
Balance at 31 May 2010	<u>820,102</u>

The deferred tax liability is made up as follows

	2010 £	2009 £
Excess of capital allowances over depreciation	<u>820,102</u>	<u>815,503</u>

No provision for deferred taxation has been made in respect of the property held as an investment which is included in these financial statements at a valuation of £11,630,000 (2009: £19,390,000). It is estimated that if this property were to be sold at that valuation the tax liability would amount to £nil (2009: £199,800).

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2010

13	SHARE CAPITAL	2010	2009
		£	£
	Allotted, issued and fully paid		
	Equity		
	2 ordinary shares of £1 each	2	2

14	RESERVES	Revaluation reserve	Profit and loss account
		£	£
	Balance at 1 June 2009	7,167,200	1,554,332
	Profit for the year	-	817,107
	Revaluation during the year	(7,760,000)	-
	Balance at 31 May 2010	(592,800)	2,371,439

15	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2010	2009
		£	£
	Profit for the financial year	817,107	692,470
	Other recognised gains and losses	(7,760,000)	(3,080,000)
	Net depletion in shareholders' funds	(6,942,893)	(2,387,530)
	Opening shareholders' funds	8,721,534	11,109,064
	Closing shareholders' funds	1,778,641	8,721,534

16 FINANCIAL COMMITMENTS

At 31 May 2010 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 May 2011

	Land and buildings	
	2010	2009
	£	£
Operating leases which expire		
In over five years	375,525	375,525

Galaplace Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2010

17 CONTROL

During the year, control of the company passed from joint ownership between Highread Limited and Aldersgate Investments Limited to being solely owned by Aldersgate Investments Limited

At the balance sheet date the immediate parent company is Aldersgate Investments Limited. The ultimate parent company is Landal Worldwide Corp, a company registered in the British Virgin Islands

18 RELATED PARTY TRANSACTIONS

At the balance sheet date, and included in other debtors, £70,367 (2009 £70,367) was due from Highread Limited and £70,365 (2009 £70,365) was due from Aldersgate Investments Limited

The company is related to other companies with whom it has directors in common. Rotch Property Group Limited, one such company, provides management services to the company. At the balance sheet date, and included within other debtors, £6,157,881 (2009 £6,137,055) was due from that company. Management fees payable for the year amounted to £44,063 (2009 £43,125)

No interest accrues on the above related party balances