

Company Registration No. 04199377 (England and Wales)

FLAGSHIP INVESTMENTS LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006



FLAGSHIP INVESTMENTS LIMITED

COMPANY INFORMATION

Director	HN Sharif
Secretary	W Ahmed
Company number	04199377
Registered office	3 Sheldon Square London W2 6PS
Auditors	MRI Moores Rowland LLP 3 Sheldon Square London W2 6PS

FLAGSHIP INVESTMENTS LIMITED

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FLAGSHIP INVESTMENTS LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2006

The director presents his report and financial statements for the year ended 31 March 2006.

Principal activities

The principal activity of the company continued to be that of property investment.

Director

The following director has held office since 1 April 2005:

HN Sharif

Director's interests

The director's interest in the shares of the company was as stated below:

	Ordinary shares of £1 each	
	31 March 2006	1 April 2005
HN Sharif	1	1

Charitable donations

	2006	2005
	£	£
Donations made during the year	2,000	4,500

Auditors

MRI Moores Rowland LLP were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

FLAGSHIP INVESTMENTS LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2006

Director's responsibilities

The director is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.


Statement of disclosure to auditor

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

On behalf of the board



HN Sharif

Director

2010.3.107

FLAGSHIP INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF FLAGSHIP INVESTMENTS LIMITED

We have audited the financial statements of Flagship Investments Limited for the year ended 31 March 2006 set out on pages 5 to 14. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 director and auditors

As described in the Statement of Director's Responsibilities on page 2 the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether in our opinion the information given in the director's report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director 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.

FLAGSHIP INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDER OF FLAGSHIP INVESTMENTS LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the director's report is consistent with the financial statements.

MRI Moores Rowland LLP

MRI Moores Rowland LLP

20/03/07

Chartered Accountants

Registered Auditor

3 Sheldon Square

London

W2 6PS

FLAGSHIP INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £	2005 £
Rent receivable		188,877	179,923
Property outgoings		(62,391)	(32,830)
		<u>126,486</u>	<u>147,093</u>
Other operating income		410	-
Administrative expenses		(217,549)	(150,476)
Operating loss	2	<u>(90,653)</u>	<u>(3,383)</u>
Investment income	3	-	62,682
Other interest receivable and similar income	3	484	2,383
Interest payable and similar charges		(269,170)	(185,515)
Loss on ordinary activities before taxation		<u>(359,339)</u>	<u>(123,833)</u>
Tax on loss on ordinary activities	4	-	6,414
Loss for the year	12	<u><u>(359,339)</u></u>	<u><u>(117,419)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FLAGSHIP INVESTMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £	2005 £
Loss for the financial year		(359,339)	(117,419)
Unrealised surplus on revaluation of properties		558,266	369,834
Total recognised gains and losses relating to the year		<u>198,927</u>	<u>252,415</u>

FLAGSHIP INVESTMENTS LIMITED

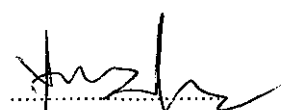
BALANCE SHEET

AS AT 31 MARCH 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Tangible assets	5	6,338,381		4,769,963	
Investments	6	101		1	
		<u>6,338,482</u>		<u>4,769,964</u>	
Current assets					
Debtors	7	39,535	229,728		
Investments	8	10,426	-		
Cash at bank and in hand		58	23,853		
		<u>50,019</u>	<u>253,581</u>		
Creditors: amounts falling due within one year	9	<u>(1,774,041)</u>	<u>(1,078,098)</u>		
Net current liabilities		<u>(1,724,022)</u>		<u>(824,517)</u>	
Total assets less current liabilities		<u>4,614,460</u>		<u>3,945,447</u>	
Creditors: amounts falling due after more than one year	10	<u>(4,125,920)</u>		<u>(3,655,834)</u>	
		<u>488,540</u>		<u>289,613</u>	
Capital and reserves					
Called up share capital	11	1		1	
Revaluation reserve	12	949,454		391,188	
Profit and loss account	12	(460,915)		(101,576)	
Shareholder's funds		<u>488,540</u>		<u>289,613</u>	

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Approved by the Board for issue on 20/03/07.....



HN Sharif
Director

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold and leasehold land and buildings and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2005).

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Rent receivable

Rent receivable represents amounts receivable for leases on investment properties.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings - freehold	No depreciation
Land and buildings - leasehold	No depreciation
Computer equipment	25% reducing balance
Fixtures, fittings & equipment	20% reducing balance

In accordance with Statement of Standard Accounting Practice No 19:

- investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; and
- no depreciation or amortisation is provided in respect of freehold properties and leasehold investment properties with over 20 years to run.

This treatment, with regards to the company's investment properties, may be a departure from the requirements of the Companies Act concerning 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 accounts 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.

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Current asset investments are stated at the lower of cost and net realisable value.

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

1 Accounting policies

(continued)

1.7 Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. *Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets.* Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.9 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

1.10 Finance costs

The costs relating to the obtaining of loan finance are amortised through the profit and loss account at a constant periodic rate. The loan is included in the balance sheet at the amount received from the lender less the unamortised costs.

2 Operating loss

2006	2005
£	£

Operating loss is stated after charging:

Depreciation of tangible assets

6,071	7,272
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Auditors' remuneration

5,000	5,000
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3 Investment income

2006	2005
£	£

Dividends received from listed investments

-	16,715
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Profit on disposal of listed investments

-	45,967
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Bank interest

484	2,383
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484	65,065
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FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

4	Taxation	2006 £	2005 £
	Deferred tax		
	Deferred tax charge/credit current year	-	(6,414)

5 Tangible fixed assets

	Investment properties			
	Freehold	Long leasehold	Equipment	Total
	£	£	£	£
Cost or valuation				
At 1 April 2005	1,979,074	2,763,000	42,069	4,784,143
Additions	-	1,014,660	1,563	1,016,223
Revaluation	45,926	512,340	-	558,266
At 31 March 2006	2,025,000	4,290,000	43,632	6,358,632
Depreciation				
At 1 April 2005	-	-	14,180	14,180
Charge for the year	-	-	6,071	6,071
At 31 March 2006	-	-	20,251	20,251
Net book value				
At 31 March 2006	2,025,000	4,290,000	23,381	6,338,381
At 31 March 2005	1,979,074	2,763,000	27,889	4,769,963

The investment properties are shown at the director's valuation at the year end. On a historical cost basis the investment property would be stated at £1,948,489 (2005: £1,948,489) in respect of the freehold and £3,417,057 (2005: £2,402,397) for the long leaseholds.

The properties have been provided as security for the loans reflected in notes 9 and 10.

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

6 Fixed asset investments

	Shares in group undertakings and participating interests £
Cost or valuation	
At 1 April 2005	1
Additions	100
	<hr/>
At 31 March 2006	101
	<hr/>
Net book value	
At 31 March 2006	101
	<hr/>
At 31 March 2005	1
	<hr/>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertaking			
Flagship Securities Limited	UK	Ordinary	100.00
Joint venture			
Hartstone Properties Limited	UK	Ordinary	50.00

The aggregate amount of capital and reserves and the results of the subsidiary undertaking for the last relevant financial year were as follows:

		Capital and reserves 2006 £	Profit for the year 2006 £
	Principal activity		
Flagship Securities Limited	Securities trading	23,698	23,598
		<hr/>	<hr/>

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

6 Fixed asset investments

(continued)

Hartstone Properties Limited was set up as a joint venture with Northern and Midland Holdings Limited, to be the nominee holder of a freehold property. Each venturer has exposure to 50% of all risks and returns relating to this property in accordance with the Joint Venture Agreement dated 30 April 2002.

In accordance with Financial Reporting Standard 5, "Reporting the Substance of Transactions", 50% of this property has been treated as being owned by Flagship Investments Limited. Included in tangible fixed assets under freehold investment properties is £1,600,000 (2005 - £1,584,074) relating to this property. Included in rent receivable is £122,500 (2005 - £122,500) relating to rental income from this property.

7 Debtors	2006 £	2005 £
Other debtors	39,535	229,728

8 Current asset investments	2006 £	2005 £
Other investments	10,426	-

9 Creditors: amounts falling due within one year	2006 £	2005 £
Bank loans and overdrafts	1,691,286	1,020,059
Amounts owed to subsidiary undertakings	5,583	-
Taxation and social security	9,679	-
Other creditors	67,493	58,039
	1,774,041	1,078,098

Included within bank loans and overdrafts is a secured loan of £1,662,573 (2005: £1,012,097) (refer to note 5).

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

10 Creditors: amounts falling due after more than one year	2006 £	2005 £
Bank loans (secured)	1,050,000	1,050,000
Building society loans (secured)	1,200,000	1,200,000
	<u> </u>	<u> </u>
Gross loans	2,250,000	2,250,000
Unamortised finance cost	(11,752)	(12,487)
	<u> </u>	<u> </u>
	2,238,248	2,237,513
Other loans (see note 16)	1,887,672	1,418,321
	<u> </u>	<u> </u>
	4,125,920	3,655,834
	<u> </u>	<u> </u>
Loan maturity analysis		
In more than two years but not more than five years	1,050,000	1,050,000
In more than five years	1,200,000	1,200,000
	<u> </u>	<u> </u>

The bank and building society loans are secured by the properties in note 5.

11 Share capital	2006 £	2005 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
1 Ordinary share of £1 each	1	1
	<u> </u>	<u> </u>

12 Statement of movements on reserves	Revaluation reserve £	Profit and loss account £
Balance at 1 April 2005	391,188	(101,576)
Loss for the year	-	(359,339)
Revaluation during the year	558,266	-
	<u> </u>	<u> </u>
Balance at 31 March 2006	949,454	(460,915)
	<u> </u>	<u> </u>

FLAGSHIP INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

13 Financial commitments

At 31 March 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2007:

	2006 £	2005 £
Operating leases which expire:		
Within one year	32,509	32,509

14 Control

The ultimate controlling party is the director, Mr H Sharif, by virtue of his 100% ownership of the company.

15 Related party transactions

At the year end the company owed the director £1,887,672 (2005: £1,418,321) in respect of long term loans. No interest is charged on the loans and there are no fixed repayment terms. However, the director has agreed to subordinate the sum of £250,000 for such time as the bank loans remain outstanding.

The company owed £5,583 (2005: £nil) to Flagship Securities Limited, a wholly owned subsidiary, in respect of salary expenses paid on behalf of Flagship Investments Limited. This amount was outstanding at the year end and has been included within creditors.

16 Post balance sheet events

In July 2006, a leasehold property valued at £435,000 at the year end was sold for £435,000.

In December 2006, another leasehold property valued at £1,200,000 at the year end was sold for £1,320,000.