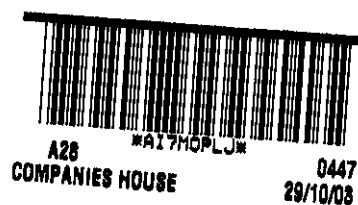


REGISTERED NUMBER: 3280282 (England and Wales)

REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MAY 2003
FOR
ABILITY DEVELOPMENTS LIMITED



ABILITY DEVELOPMENTS LIMITED

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for the year ended 31 May 2003

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ABILITY DEVELOPMENTS LIMITED

COMPANY INFORMATION
for the year ended 31 May 2003

DIRECTOR: A.C. Panayiotou

SECRETARY: M. Thomas

REGISTERED OFFICE: Langley House
Park Road
London
N2 8EX

REGISTERED NUMBER: 3280282 (England and Wales)

AUDITORS: Langley & Partners
Registered Auditors
Langley House
Park Road
London N2 8EX

ABILITY DEVELOPMENTS LIMITED

REPORT OF THE DIRECTOR **for the year ended 31 May 2003**

The director presents his report with the financial statements of the company for the year ended 31 May 2003.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of property investment and development. The principal activities of its wholly owned subsidiaries, Ability Investments Limited and Ability Air Limited, in the year under review were property management and letting and aircraft leasing respectively.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The director is satisfied with the performance of the company during the year under review. The company has reported an increase in turnover and in the market value of its investment properties, resulting in a strengthening of the balance sheet position.

DIVIDENDS

No dividends will be distributed for the year ended 31 May 2003.

FUTURE DEVELOPMENTS

It is anticipated that the company will continue to expand, improve its turnover and strengthen its balance sheet position for the foreseeable future.

DIRECTORS

The directors during the year under review were:

C. Panayiotou	- resigned 31.7.02
A.C. Panayiotou	- appointed 31.7.02

The director holding office at 31 May 2003 did not hold any beneficial interest in the issued share capital of the company at date of appointment or 31 May 2003.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

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 to 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.

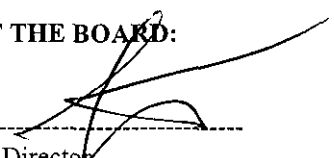
ABILITY DEVELOPMENTS LIMITED

REPORT OF THE DIRECTOR
for the year ended 31 May 2003

AUDITORS

The auditors, Langley & Partners, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



A.C. Panayiotou - Director

13 October 2003

ABILITY DEVELOPMENTS LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
ABILITY DEVELOPMENTS LIMITED

We have audited the financial statements of Ability Developments Limited for the year ended 31 May 2003 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

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 director and auditors

As described in the statement of director's responsibilities the company's director is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Director is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Report of the Director 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 United Kingdom 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Langley & Partners
Registered Auditors
Langley House
Park Road
London N2 8EX

Langley & Partners

13 October 2003

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ABILITY DEVELOPMENTS LIMITED**PROFIT AND LOSS ACCOUNT
for the year ended 31 May 2003**

		<u>31.5.03</u>		<u>31.5.02</u>	
	Notes	£	£	£	£
TURNOVER			3,145,767		2,866,134
Administrative expenses			<u>1,067,833</u>		<u>745,895</u>
			2,077,934		2,120,239
Other operating income			<u>203,497</u>		<u>10,046</u>
OPERATING PROFIT	3		2,281,431		2,130,285
Interest receivable and similar income			<u>89,425</u>		<u>43,900</u>
			2,370,856		2,174,185
Interest payable and similar charges	4		<u>4,305,075</u>		<u>2,095,001</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(1,934,219)		79,184
Tax on (loss)/profit on ordinary activities	5		<u>-</u>		<u>66</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			(1,934,219)		79,118
Deficit brought forward:					
As previously reported		(171,117)		(320,633)	
Prior year adjustments	6	<u>(70,398)</u>		<u>-</u>	
As restated			<u>(241,515)</u>		<u>(320,633)</u>
DEFICIT CARRIED FORWARD			<u>£(2,175,734)</u>		<u>£(241,515)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

ABILITY DEVELOPMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 May 2003

	<u>31.5.03</u>	<u>31.5.02</u>
	£	£
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(1,934,219)	79,118
Revaluation of freehold investment property	<u>24,942,905</u>	<u>9,418,964</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	23,008,686	<u><u>£9,498,082</u></u>
Prior year adjustment	Note 6	
	<u>(70,398)</u>	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	<u><u>£22,938,288</u></u>	

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material.

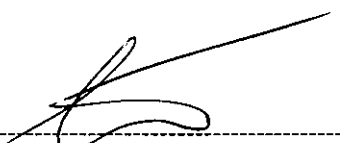
ABILITY DEVELOPMENTS LIMITED

BALANCE SHEET

31 May 2003

		<u>31.5.03</u>		<u>31.5.02</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		139,742,011		83,779,081
Investments	8		<u>6</u>		<u>4</u>
			139,742,017		83,779,085
CURRENT ASSETS:					
Debtors	9	1,000,943		1,097,538	
Cash at bank and in hand		<u>3,528,835</u>		<u>500,938</u>	
		4,529,778		1,598,476	
CREDITORS: Amounts falling due within one year	10	<u>9,683,169</u>		<u>13,723,930</u>	
NET CURRENT LIABILITIES:			<u>(5,153,391)</u>		<u>(12,125,454)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			134,588,626		71,653,631
CREDITORS: Amounts falling due after more than one year	11		<u>65,407,142</u>		<u>25,480,833</u>
			<u>£69,181,484</u>		<u>£46,172,798</u>
CAPITAL AND RESERVES:					
Called up share capital	16		99		99
Revaluation reserve	17		71,357,119		46,414,214
Profit and loss account			<u>(2,175,734)</u>		<u>(241,515)</u>
SHAREHOLDERS' FUNDS:	21		<u>£69,181,484</u>		<u>£46,172,798</u>

ON BEHALF OF THE BOARD:



 A.C. Panayiotou - Director

Approved by the Board on 13 October 2003

The notes form part of these financial statements

ABILITY DEVELOPMENTS LIMITED

CASH FLOW STATEMENT
for the year ended 31 May 2003

		<u>31.5.03</u>	<u>31.5.02</u>
	Notes	£	£
Net cash inflow from operating activities	1	7,278,059	3,616,845
Returns on investments and servicing of finance	2	(4,215,650)	(2,051,101)
Taxation		-	(66)
Capital expenditure	2	<u>(31,038,728)</u>	<u>(11,299,928)</u>
		(27,976,319)	(9,734,250)
Financing	2	<u>31,004,227</u>	<u>10,276,555</u>
Increase in cash in the period		<u><u>£3,027,908</u></u>	<u><u>£542,305</u></u>
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>3,027,908</u>	<u>542,305</u>
Change in net funds resulting from cash flows		<u>3,027,908</u>	<u>542,305</u>
Movement in net funds in the period		<u>3,027,908</u>	<u>542,305</u>
Net funds/(debt) at 1 June		<u>500,927</u>	<u>(41,378)</u>
Net funds at 31 May		<u><u>£3,528,835</u></u>	<u><u>£500,927</u></u>

The notes form part of these financial statements

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 May 2003

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31.5.03 £	31.5.02 £
Operating profit	2,281,431	2,130,285
Depreciation charges	67,688	81,645
Profit on sale of fixed assets	(48,985)	(149,959)
Decrease in debtors	96,593	667,023
Increase in creditors	<u>4,881,332</u>	<u>887,851</u>
Net cash inflow from operating activities	<u><u>7,278,059</u></u>	<u><u>3,616,845</u></u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31.5.03 £	31.5.02 £
Returns on investments and servicing of finance		
Interest received	89,425	43,900
Interest paid	<u>(4,305,075)</u>	<u>(2,095,001)</u>
Net cash outflow for returns on investments and servicing of finance	<u><u>(4,215,650)</u></u>	<u><u>(2,051,101)</u></u>
Capital expenditure		
Purchase of tangible fixed assets	(32,424,547)	(12,467,637)
Sale of tangible fixed assets	<u>1,385,819</u>	<u>1,167,709</u>
Net cash outflow for capital expenditure and financial investment	<u><u>(31,038,728)</u></u>	<u><u>(11,299,928)</u></u>
Financing		
New loan taken out in year	31,050,727	10,230,055
Amount introduced by director	-	46,500
Amount withdrawn by director	<u>(46,500)</u>	<u>-</u>
Net cash inflow from financing	<u><u>31,004,227</u></u>	<u><u>10,276,555</u></u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 May 2003

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.6.02 £	Cash flow £	At 31.5.03 £
Net cash:			
Cash at bank and in hand	500,938	3,027,897	3,528,835
Bank overdraft	<u>(11)</u>	<u>11</u>	<u>-</u>
	<u>500,927</u>	<u>3,027,908</u>	<u>3,528,835</u>
 Total	 <u>500,927</u>	 <u>3,027,908</u>	 <u>3,528,835</u>
 Analysed in Balance Sheet			
Cash at bank and in hand	500,938		3,528,835
Bank overdraft	<u>(11)</u>		<u>-</u>
	<u>500,927</u>		<u>3,528,835</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2003

1. ACCOUNTING POLICIES

Accounting convention

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

Freehold and leasehold properties

Freehold and leasehold property additions are recognised in the financial statements on the date of exchange of contracts.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- see below
Leasehold property	- see below
Fixtures and fittings	- 15% on reducing balance
Motor vehicles	- 25% on reducing balance

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation is provided in respect of investment properties. The requirement of Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The director considers that to depreciate such properties would not give a true and fair view, but that a true and fair view is given by following SSAP 19 as described above.

Turnover

Turnover represents net rental income receivable, excluding value added tax.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Comparative amounts

The financial statements include adjustments made to the comparative amounts where necessary in order to make the current and previous years figures comparable.

2. STAFF COSTS

	31.5.03	31.5.02
	£	£
Wages and salaries	314,981	-
Social security costs	<u>37,948</u>	<u>-</u>
	<u>352,929</u>	<u>-</u>

The average monthly number of employees during the year was as follows:

	31.5.03	31.5.02
Administration	<u>2</u>	<u>-</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2003

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31.5.03	31.5.02
	£	£
Depreciation - owned assets	67,688	81,645
Profit on disposal of fixed assets	(48,985)	(149,959)
Auditors' remuneration	<u>15,850</u>	<u>10,000</u>
 Directors' emoluments	 <u>321,139</u>	 <u>-</u>

Information regarding the highest paid director for the year ended 31 May 2003 is as follows:

	31.5.03
	£
Emoluments etc	<u>321,139</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	31.5.03	31.5.02
	£	£
Bank loan interest	<u>4,305,075</u>	<u>2,095,001</u>

5. TAXATION

Analysis of the tax charge

The tax charge on the loss on ordinary activities for the year was as follows:

	31.5.03	31.5.02
	£	£
Current tax:		
Interest on corporation tax	-	<u>66</u>
Tax on (loss)/profit on ordinary activities	<u>-</u>	<u>66</u>

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold and it is the company's intention to hold these properties for long term investment. The total amount unprovided for is £21,407,136. At present, it is not envisaged that any tax will become payable in the foreseeable future.

6. PRIOR YEAR ADJUSTMENTS

An amount of £58,960 has been transferred from additions to freehold property in the balance sheet to administrative expenses in the profit and loss account for the year ended 31 May 2002, following a reclassification of the cost. In addition a deferred taxation asset of £11,438 and a deferred taxation charge of £505 have been removed from the balance sheet and profit and loss account respectively for the year ended 31 May 2002 in order to make the 31 May 2003 and 31 May 2002 figures comparable.

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

7. TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property	Fixtures and fittings	Motor vehicles	Totals
	£	£	£	£	£
COST OR VALUATION:					
At 1 June 2002	77,578,500	5,900,000	144,823	243,111	83,866,434
Additions	31,934,474	460,955	29,118	-	32,424,547
Disposals	(1,336,834)	-	-	-	(1,336,834)
Surplus on revaluation	26,303,860	-	-	-	26,303,860
Deficit on revaluation	-	(1,360,955)	-	-	(1,360,955)
At 31 May 2003	134,480,000	5,000,000	173,941	243,111	139,897,052
DEPRECIATION:					
At 1 June 2002	-	-	26,575	60,778	87,353
Charge for year	-	-	22,105	45,583	67,688
At 31 May 2003	-	-	48,680	106,361	155,041
NET BOOK VALUE:					
At 31 May 2003	134,480,000	5,000,000	125,261	136,750	139,742,011
At 31 May 2002	77,578,500	5,900,000	118,248	182,333	83,779,081

Cost or valuation at 31 May 2003 is represented by:

	Freehold property	Leasehold property	Fixtures and fittings	Motor vehicles	Totals
	£	£	£	£	£
Valuation in 1999	13,709,856	441,902	-	-	14,151,758
Valuation in 2000	11,692,895	100,000	-	-	11,792,895
Valuation in 2001	11,050,598	-	-	-	11,050,598
Valuation in 2002	5,642,346	3,776,618	-	-	9,418,964
Valuation in 2003	26,303,860	(1,360,955)	-	-	24,942,905
Cost	66,080,445	2,042,435	173,941	243,111	68,539,932
	134,480,000	5,000,000	173,941	243,111	139,897,052

If freehold and leasehold properties had not been revalued they would have been included at the following historical cost:

	31.5.03	31.5.02
	£	£
Cost	68,122,880	37,123,245

Freehold and leasehold properties were valued by Copping Joyce Chartered Surveyors LLP on 31 May 2003. Freehold and leasehold properties to the value of £110,780,000 were valued on an open market basis. Freehold properties to the value of £18,700,000 were valued as a site with planning consent for development and the remaining freehold property of £10,000,000 was valued on the basis of its site value, ignoring additional value arising from its partial development.

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2003

8. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 June 2002	4
Additions	<u>2</u>
At 31 May 2003	<u>6</u>
NET BOOK VALUE:	
At 31 May 2003	<u>6</u>
At 31 May 2002	<u>4</u>
	31.5.03 31.5.02
	£ £
Unlisted investments	<u>6</u> <u>4</u>

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

Ability Investments Limited

Nature of business: Property management and letting

	%
Class of shares:	holding
Ordinary shares	100.00

	31.5.03	31.5.02
	£	£
Aggregate capital and reserves	60,983	33,823
Profit for the year	<u>27,160</u>	<u>24,874</u>

Ability Air Limited

Nature of business: Charter of passenger aircraft and travel

	%
Class of shares:	holding
Ordinary shares	100.00

	31.5.03
	£
Aggregate capital and reserves	(161,924)
Loss for the period	<u>(161,926)</u>

Ability Shipping Limited

Nature of business: Charter of yacht

	%
Class of shares:	holding
Ordinary	100.00

Ability Shipping Limited was incorporated on 13 December 2002, and as a consequence its first financial statements for the period ended 31 December 2003 are not available.

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2003

**9. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.5.03	31.5.02
	£	£
V.A.T.	253,027	89,054
Other debtors	66,483	258,291
Prepayments	90,643	-
Amount owed by connected company	521,607	695,193
Amount owed by parent company	69,183	55,000
	<u>1,000,943</u>	<u>1,097,538</u>

**10. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.5.03	31.5.02
	£	£
Bank loans and overdrafts (see note 12)	2,661,955	11,157,328
Mortgages (see note 12)	563,276	943,496
Trade creditors	291,852	294,225
Amount owed to connected companies	2,236,632	1,258,573
Other creditors	3,814,681	-
Deposits held	14,558	2,492
Director's current account	-	46,500
Social security and other taxes	87,046	-
Accrued expenses	13,169	21,316
	<u>9,683,169</u>	<u>13,723,930</u>

**11. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	31.5.03	31.5.02
	£	£
Bank loans (see note 12)	20,906,059	3,958,211
Mortgages (see note 12)	44,501,083	21,522,622
	<u>65,407,142</u>	<u>25,480,833</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2003

12. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	31.5.03 £	31.5.02 £
Amounts falling due within one year or on demand:		
Bank overdrafts	-	11
Bank loans	2,661,955	11,157,317
Mortgages	<u>563,276</u>	<u>943,496</u>
	<u>3,225,231</u>	<u>12,100,824</u>
Amounts falling due between one and two years:		
Bank loans	11,965,446	212,500
Mortgages	<u>563,276</u>	<u>943,496</u>
	<u>12,528,722</u>	<u>1,155,996</u>
Amounts falling due between two and five years:		
Bank loans	8,940,613	637,500
Mortgages	<u>1,689,827</u>	<u>2,830,487</u>
	<u>10,630,440</u>	<u>3,467,987</u>
Amounts falling due in more than five years:		
Repayable otherwise than by instalments		
Bank loans	5,690,583	-
Mortgages	<u>30,491,947</u>	<u>-</u>
	<u>36,182,530</u>	<u>-</u>
Repayable by instalments		
Bank loans	-	3,108,211
Mortgages	<u>6,065,450</u>	<u>17,748,639</u>
	<u>6,065,450</u>	<u>20,856,850</u>

Bank loan and mortgage amounts falling due in more than five years repayable otherwise than by instalments incur an interest rate charge falling between 1.15% per annum above LIBOR and 5.72% fixed per annum expiring between 2010 and 2013.

Mortgage amounts falling due in more than five years repayable by instalments incur an interest rate charge between 1.15% per annum above LIBOR and 1.30% per annum above LIBOR expiring between 2012 and 2015.

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2003

13. OBLIGATIONS UNDER LEASING AGREEMENTS

The following payments are committed to be paid within one year:

	31.5.03 £	Operating leases 31.5.02 £
Expiring: In more than five years	<u>7,000</u>	<u>-</u>

14. SECURED DEBTS

The following secured debts are included within creditors:

	31.5.03 £	31.5.02 £
Bank loans	20,110,747	15,115,528
Mortgages	<u>39,527,666</u>	<u>22,466,114</u>
	<u>59,638,413</u>	<u>37,581,642</u>

Bank loans and mortgages are secured by way of a mortgage debenture and floating charge over all the assets of the company.

15. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax for which no provision has been made, is as follows:

	31.5.03 £	31.5.02 £
Freehold investment property revalued	<u>21,407,136</u>	<u>13,924,264</u>

16. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.5.03	31.5.02
		£1	£	£
1,000	Ordinary		<u>1,000</u>	<u>1,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.5.03	31.5.02
		£1	£	£
99	Ordinary		<u>99</u>	<u>99</u>

17. REVALUATION RESERVE

	31.5.03 £	31.5.02 £
Brought forward	46,414,214	36,995,250
Revaluation of investment properties during the year	<u>24,942,905</u>	<u>9,418,964</u>
	<u>71,357,119</u>	<u>46,414,214</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2003

18. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Sarneas Investments Limited, a company registered in Cyprus. Sarneas Investments Limited is under the control of The Costas Panayiotou 1997 Settlement Trust.

19. TRANSACTIONS WITH DIRECTORS

During the year under review the company made a loan to the director, A.C. Panayiotou, in contravention of section 330 of the Companies Act 1985. The maximum balance of the loan was £85,993 including interest charged at the Inland Revenue official rate of £1,421. This amount was repaid in full during the year.

The director, A.C. Panayiotou has provided a personal guarantee to the company's bankers to the value of £3,000,000.

20. RELATED PARTY DISCLOSURES

Included in creditors falling due within one year is a balance owed to Domel Properties Limited of £1,906,547 (2002: £954,517). During the year under review, the company paid expenses of £89,338 on behalf of Domel Properties Limited. In addition, an amount of £85,000 was repaid and an amount of £1,151,598 was transferred from Domel Properties Limited as a financing transaction. During the year the company charged rent and service charges to Domel Properties Limited to the value of £68,547 (2002: £5,200) and this has been included in the profit and loss account for the year. Of this, an amount of £25,229 was outstanding at the balance sheet date. This company is connected by virtue of being under the common control of Sarneas Investments Limited.

Included in creditors falling due within one year are amounts of £371,183 (2002: £304,056) and £2 (2002: nil) owed to Ability Investments Limited and Ability Shipping Limited respectively, the wholly owned subsidiary companies. During the year under review the company received a sum of £2,468,602 as a financing transaction from Ability Investments Limited and paid expenses to the value of £8,051 on behalf of Ability Investments Limited. In addition, Ability Investments Limited paid expenses to the value of £4,778 on behalf of the company. Included in the profit and loss account is rent receivable of £2,398,202 (2002: £2,238,771) from Ability Investments Limited as part of a lease agreement between the companies.

Included in creditors falling due within one year is a balance of £2,000 (2002: debtor £8,500) owed to Brick Block Limited as a result of loan transactions. Brick Block Limited and Ability Developments Limited are connected by virtue of having C. Panayiotou as common director during the year (resigned 31 July 2002).

Also included in creditors falling due within one year is a balance of £334,254 (2002: £46,500) owed to the former director, C. Panayiotou (resigned 31 July 2002).

During the year under review the company purchased a property to the value of £134,500 from C. Panayiotou, the brother of the former director, C. Panayiotou (resigned 31 July 2002), and this is included in additions to freehold property.

Included in debtors falling due within one year is a balance of £521,607 (2002: £686,693) owed by Ability Air Limited, a wholly owned subsidiary company. During the year under review, Ability Air Limited paid expenses of £94,756 on behalf of the company. In addition, an amount of £155,330 was repaid by Ability Air Limited and an amount of £85,000 was transferred to Ability Air Limited as a financing transaction. In addition, the company has provided a guarantee to the bankers of Ability Air Limited in respect of the bank loan, which had a balance outstanding of £898,273 at 31 May 2003.

Included in debtors falling due within one year is a balance of £69,183 (2002: £55,000) owed by Sarneas Investments Limited, the parent company of Ability Developments Limited. This balance arose as a result of expenses paid by the company on behalf of Sarneas Investments Limited.

Included in the profit and loss account for the year under review are consultancy fees of £22,000 (2002: £101,500) charged to the company by A. Panayiotou, prior to his appointment as the director of the company on 31 July 2002.

Transactions entered into between the company and connected undertakings have been conducted in the ordinary course of business and on an arms length basis.

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2003

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.5.03	31.5.02
	£	£
(Loss)/Profit for the financial year	(1,934,219)	79,118
Other recognised gains and losses relating to the year (net)	<u>24,942,905</u>	<u>9,418,964</u>
Net addition to shareholders' funds	23,008,686	9,498,082
Opening shareholders' funds (originally £46,243,196 before prior year adjustment of £(70,398))	<u>46,172,798</u>	<u>36,674,716</u>
Closing shareholders' funds	<u>69,181,484</u>	<u>46,172,798</u>
 Equity interests	 <u>69,181,484</u>	 <u>46,172,798</u>

22. COMPARATIVE AMOUNTS

These financial statements include an adjustment made to the comparative amounts for the year ended 31 May 2002. Deposits held to the value of £280,453 have been transferred to amount owed to connected company in creditors falling due within one year in the balance sheet. This has been done in order to reflect the fact that this amount was held by the company on behalf of its wholly owned subsidiary company, Ability Investments Limited at 31 May 2002.

23. SUBSIDIARIES NOT CONSOLIDATED

These financial statements present information about the company as an individual undertaking and not about its group. The company has taken exemption under section 248 of the Companies Act 1985 and has not consolidated the results of its subsidiary companies in its financial statements on the grounds that it qualifies as a medium size group. Details of the company's active subsidiaries are given in the notes to the financial statements.