

REGISTERED NUMBER: 3280282 (England and Wales)

REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MAY 2004
FOR
ABILITY DEVELOPMENTS LIMITED



ABILITY DEVELOPMENTS LIMITED

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for the year ended 31 May 2004

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ABILITY DEVELOPMENTS LIMITED

COMPANY INFORMATION
for the year ended 31 May 2004

DIRECTOR:	A.C. Panayiotou
SECRETARY:	J.Y. Chin
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 2004**

The director presents his report with the financial statements of the company for the year ended 31 May 2004.

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, Ability Air Limited and Ability Shipping Limited, in the year under review were property management and letting, aircraft leasing and yacht 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 the investment properties, resulting in a strengthening of the balance sheet position.

DIVIDENDS

No dividends will be distributed for the year ended 31 May 2004.

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.

DIRECTOR

A.C. Panayiotou was the sole director during the year under review.

The director holding office at 31 May 2004 did not hold any beneficial interest in the issued share capital of the company at 1 June 2003 or 31 May 2004.

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

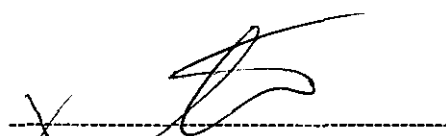
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

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

14 October 2004

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 2004 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

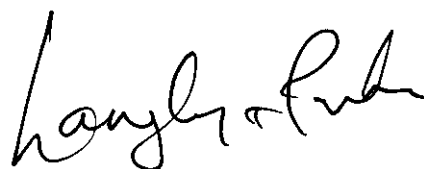
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2004 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



14 October 2004

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 2004

		<u>31.5.04</u>		<u>31.5.03</u>	
	Notes	£	£	£	£
TURNOVER			4,180,206		3,145,767
Administrative expenses			<u>1,132,794</u>		<u>1,067,833</u>
			3,047,412		2,077,934
Other operating income			<u>-</u>		<u>203,497</u>
OPERATING PROFIT	3		3,047,412		2,281,431
Interest receivable and similar income			<u>137,757</u>		<u>89,425</u>
			3,185,169		2,370,856
Interest payable and similar charges	4		<u>4,577,809</u>		<u>4,305,075</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(1,392,640)		(1,934,219)
Tax on loss on ordinary activities	5		<u>-</u>		<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION			(1,392,640)		(1,934,219)
Deficit brought forward:					
As previously reported		(2,175,734)		(171,117)	
Prior year adjustments		<u>-</u>		<u>(70,398)</u>	
As restated			<u>(2,175,734)</u>		<u>(241,515)</u>
DEFICIT CARRIED FORWARD			<u>£(3,568,374)</u>		<u>£(2,175,734)</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 2004

	<u>31.5.04</u>	<u>31.5.03</u>
	£	£
LOSS FOR THE FINANCIAL YEAR		
Revaluation of freehold and leasehold investment properties	(1,392,640) 40,419,585	(1,934,219) 24,942,905
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>£39,026,945</u>	23,008,686
Prior year adjustment		<u>(70,398)</u>
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		<u>£22,938,288</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.

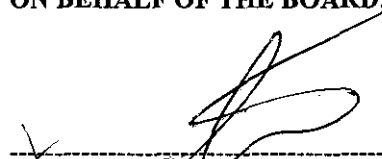
ABILITY DEVELOPMENTS LIMITED

BALANCE SHEET

31 May 2004

		<u>31.5.04</u>		<u>31.5.03</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	6		210,319,540		139,742,011
Investments	7		<u>6</u>		<u>6</u>
			210,319,546		139,742,017
CURRENT ASSETS:					
Debtors	8	5,781,883		1,000,943	
Cash at bank and in hand		<u>4,826,870</u>		<u>3,528,835</u>	
		10,608,753		4,529,778	
CREDITORS: Amounts falling due within one year	9	<u>13,348,721</u>		<u>9,683,169</u>	
NET CURRENT LIABILITIES:			<u>(2,739,968)</u>		<u>(5,153,391)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			207,579,578		134,588,626
CREDITORS: Amounts falling due after more than one year	10		<u>99,371,149</u>		<u>65,407,142</u>
			<u>£108,208,429</u>		<u>£69,181,484</u>
CAPITAL AND RESERVES:					
Called up share capital	14		99		99
Revaluation reserve	15		111,776,704		71,357,119
Profit and loss account			<u>(3,568,374)</u>		<u>(2,175,734)</u>
SHAREHOLDERS' FUNDS:	19		<u>£108,208,429</u>		<u>£69,181,484</u>

ON BEHALF OF THE BOARD:



 A.C. Panayiotou - Director

Approved by the Board on 14 October 2004

ABILITY DEVELOPMENTS LIMITED**CASH FLOW STATEMENT**
for the year ended 31 May 2004

		<u>31.5.04</u>	<u>31.5.03</u>
	Notes	£	£
Net cash (outflow)/inflow from operating activities	1	(2,548,952)	7,278,059
Returns on investments and servicing of finance	2	(4,440,052)	(4,215,650)
Capital expenditure	2	<u>(30,140,607)</u>	<u>(31,038,728)</u>
		(37,129,611)	(27,976,319)
Financing	2	<u>38,420,575</u>	<u>31,004,227</u>
Increase in cash in the period		<u><u>£1,290,964</u></u>	<u><u>£3,027,908</u></u>
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>1,290,964</u>	<u>3,027,908</u>
Change in net funds resulting from cash flows		<u>1,290,964</u>	<u>3,027,908</u>
Movement in net funds in the period		1,290,964	3,027,908
Net funds at 1 June		<u>3,528,835</u>	<u>500,927</u>
Net funds at 31 May		<u><u>£4,819,799</u></u>	<u><u>£3,528,835</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 2004

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	31.5.04 £	31.5.03 £
Operating profit	3,047,412	2,281,431
Depreciation charges	20,912	67,688
Profit on sale of fixed assets	(38,250)	(48,985)
(Increase)/Decrease in debtors	(4,780,938)	96,593
(Decrease)/Increase in creditors	<u>(798,088)</u>	<u>4,881,332</u>
Net cash (outflow)/inflow from operating activities	<u>(2,548,952)</u>	<u>7,278,059</u>

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

	31.5.04 £	31.5.03 £
Returns on investments and servicing of finance		
Interest received	137,757	89,425
Interest paid	<u>(4,577,809)</u>	<u>(4,305,075)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(4,440,052)</u>	<u>(4,215,650)</u>
Capital expenditure		
Purchase of tangible fixed assets	(30,315,607)	(32,424,547)
Sale of tangible fixed assets	<u>175,000</u>	<u>1,385,819</u>
Net cash outflow for capital expenditure and financial investment	<u>(30,140,607)</u>	<u>(31,038,728)</u>
Financing		
New loan taken out in year	38,395,610	31,050,727
Amount introduced by directors	24,965	-
Amount withdrawn by directors	<u>-</u>	<u>(46,500)</u>
Net cash inflow from financing	<u>38,420,575</u>	<u>31,004,227</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 May 2004

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.6.03 £	Cash flow £	At 31.5.04 £
Net cash:			
Cash at bank and in hand	3,528,835	1,298,035	4,826,870
Bank overdrafts	<u>-</u>	<u>(7,071)</u>	<u>(7,071)</u>
	<u>3,528,835</u>	<u>1,290,964</u>	<u>4,819,799</u>
 Total	 <u>3,528,835</u>	 <u>1,290,964</u>	 <u>4,819,799</u>

Analysed in Balance Sheet

Cash at bank and in hand	3,528,835	4,826,870
Bank overdrafts	<u>-</u>	<u>(7,071)</u>
	<u>3,528,835</u>	<u>4,819,799</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2004

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 properties have been recognised in the financial statements on the contract exchange date.

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	- 15% 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.

Hire purchase and leasing commitments

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

Turnover

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

2. STAFF COSTS

	31.5.04	31.5.03
	£	£
Wages and salaries	107,034	314,981
Social security costs	<u>14,557</u>	<u>37,948</u>
	<u>121,591</u>	<u>352,929</u>

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

	31.5.04	31.5.03
Administration	<u>2</u>	<u>2</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2004

3. OPERATING PROFIT

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

	31.5.04	31.5.03
	£	£
Depreciation - owned assets	20,912	67,688
Profit on disposal of fixed assets	(38,250)	(48,985)
Auditors' remuneration	<u>30,545</u>	<u>15,850</u>
 Directors' emoluments	 <u>112,515</u>	 <u>321,139</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	31.5.04	31.5.03
	£	£
Bank interest	25	-
Bank loan interest	<u>4,577,784</u>	<u>4,305,075</u>
	<u>4,577,809</u>	<u>4,305,075</u>

5. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 May 2004 nor for the year ended 31 May 2003.

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 properties were sold and it is the company's intention to hold these properties for long term investment. The total amount unprovided for is £33,533,011. At present, it is not envisaged that any tax will become payable in the foreseeable future.

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2004

6. TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property	Fixtures and fittings
	£	£	£
COST OR VALUATION:			
At 1 June 2003	134,480,000	5,000,000	173,941
Additions	30,274,895	30,945	6,116
Surplus on revaluation	<u>39,950,529</u>	<u>469,055</u>	<u>-</u>
At 31 May 2004	<u>204,705,424</u>	<u>5,500,000</u>	<u>180,057</u>
DEPRECIATION:			
At 1 June 2003	-	-	48,680
Charge for year	<u>-</u>	<u>-</u>	<u>19,707</u>
At 31 May 2004	<u>-</u>	<u>-</u>	<u>68,387</u>
NET BOOK VALUE:			
At 31 May 2004	<u>204,705,424</u>	<u>5,500,000</u>	<u>111,670</u>
At 31 May 2003	<u>134,480,000</u>	<u>5,000,000</u>	<u>125,261</u>
	Motor vehicles	Computer equipment	Totals
	£	£	£
COST OR VALUATION:			
At 1 June 2003	243,111	-	139,897,052
Additions	-	3,651	30,315,607
Disposals	(243,111)	-	(243,111)
Surplus on revaluation	<u>-</u>	<u>-</u>	<u>40,419,584</u>
At 31 May 2004	<u>-</u>	<u>3,651</u>	<u>210,389,132</u>
DEPRECIATION:			
At 1 June 2003	106,361	-	155,041
Charge for year	-	1,205	20,912
Eliminated on disposals	<u>(106,361)</u>	<u>-</u>	<u>(106,361)</u>
At 31 May 2004	<u>-</u>	<u>1,205</u>	<u>69,592</u>
NET BOOK VALUE:			
At 31 May 2004	<u>-</u>	<u>2,446</u>	<u>210,319,540</u>
At 31 May 2003	<u>136,750</u>	<u>-</u>	<u>139,742,011</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2004

6. TANGIBLE FIXED ASSETS - continued

Cost or valuation at 31 May 2004 is represented by:

	Freehold property	Leasehold property	Fixtures and fittings	Computer equipment	Totals
	£	£	£	£	£
Valuation in 2003	68,399,555	2,957,565	-	-	71,357,120
Valuation in 2004	39,950,529	469,055	-	-	40,419,584
Cost	96,355,340	2,073,380	180,057	3,651	98,612,428
	<u>204,705,424</u>	<u>5,500,000</u>	<u>180,057</u>	<u>3,651</u>	<u>210,389,132</u>

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

	31.5.04	31.5.03
	£	£
Cost	<u>98,482,720</u>	<u>68,122,880</u>

Freehold and leasehold properties were valued by Copping Joyce Chartered Surveyors LLP on 31 May 2004. Freehold and leasehold properties to the value of £166,284,000 were valued on an open market basis. Freehold property to the value of £27,000,000 was valued as a site with planning consent for development.

In addition, a freehold property to the value of £16,921,424 was valued on an open market basis by the director in accordance with the provisions of SSAP 19.

7. FIXED ASSET INVESTMENTS

			£
COST:			
At 1 June 2003			
and 31 May 2004			<u>6</u>
NET BOOK VALUE:			
At 31 May 2004			<u><u>6</u></u>
At 31 May 2003			<u><u>6</u></u>
		31.5.04	31.5.03
		£	£
Unlisted investments		<u>6</u>	<u>6</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2004

7. **FIXED ASSET INVESTMENTS - continued**

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		
		31.5.04	31.5.03
		£	£
Aggregate capital and reserves		115,081	60,983
Profit for the year		<u>54,098</u>	<u>27,160</u>

Ability Air Limited

Nature of business: Charter of passenger aircraft and travel

	%		
Class of shares:	holding		
Ordinary shares	100.00		
		31.5.04	31.5.03
		£	£
Aggregate capital and reserves		(1,203,546)	(161,924)
Loss for the year		<u>(1,041,622)</u>	<u>(161,926)</u>

Ability Shipping Limited

Nature of business: Yacht owning and chartering

	%		
Class of shares:	holding		
Ordinary	100.00		
		31.5.04	
		£	
Aggregate capital and reserves		<u>2</u>	

Ability Shipping Limited did not trade during the period to 31 May 2004.

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2004

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

	31.5.04 £	31.5.03 £
V.A.T.	2,930,324	253,027
Other debtors	64,578	66,483
Prepayments	532,898	90,643
Owed by connected company	2,184,900	521,607
Owed by parent company	69,183	69,183
	<u>5,781,883</u>	<u>1,000,943</u>

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

	31.5.04 £	31.5.03 £
Bank loans and overdrafts (see note 11)	6,495,102	2,661,955
Mortgages (see note 11)	681,904	563,276
Trade creditors	949,802	291,852
Owed to connected company	2,102,120	2,236,632
Other creditors	2,388,459	3,814,681
Deposits held	50,307	14,558
Director's current account	511,865	-
Social security and other taxes	12,235	87,046
Accrued expenses	156,927	13,169
	<u>13,348,721</u>	<u>9,683,169</u>

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

	31.5.04 £	31.5.03 £
Bank loans (see note 11)	44,728,379	20,906,059
Mortgages (see note 11)	14,400,503	14,009,136
Mortgage interest (see note 11)	40,242,267	30,491,947
	<u>99,371,149</u>	<u>65,407,142</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2004

11. LOANS AND OVERDRAFTS

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

	31.5.04 £	31.5.03 £
Amounts falling due within one year or on demand:		
Bank overdrafts	7,071	-
Bank loans	6,488,031	2,661,955
Mortgages	<u>681,904</u>	<u>563,276</u>
	<u>7,177,006</u>	<u>3,225,231</u>
Amounts falling due between one and two years:		
Bank loans	35,774,320	11,965,446
Mortgages	<u>681,904</u>	<u>563,276</u>
	<u>36,456,224</u>	<u>12,528,722</u>
Amounts falling due between two and five years:		
Bank loans	8,954,059	8,940,613
Mortgages	<u>2,045,712</u>	<u>1,689,827</u>
	<u>10,999,771</u>	<u>10,630,440</u>
Amounts falling due in more than five years:		
Repayable otherwise than by instalments		
Mortgages	5,699,173	5,690,583
Mortgage interests	<u>40,242,267</u>	<u>30,491,947</u>
	<u>45,941,440</u>	<u>36,182,530</u>
Repayable by instalments		
Mortgages	<u>5,973,714</u>	<u>6,065,450</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 6.50% fixed per annum expiring between 2010 and 2014.

Mortgage amounts falling due in more than five years repayable by instalments incur an interest rate charge falling between 1.25% per annum above LIBOR and 6.50% fixed per annum expiring between 2012 and 2022.

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2004

12. OBLIGATIONS UNDER LEASING AGREEMENTS

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

	31.5.04 £	Operating leases 31.5.03 £
Expiring: In more than five years	<u>7,000</u>	<u>7,000</u>

13. SECURED DEBTS

The following secured debts are included within creditors:

	31.5.04 £	31.5.03 £
Bank loans	56,915,585	29,258,597
Mortgages	<u>49,616,501</u>	<u>39,527,666</u>
	<u>106,532,086</u>	<u>68,786,263</u>

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

14. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.5.04 £	31.5.03 £
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.5.04 £	31.5.03 £
99	Ordinary	£1	<u>99</u>	<u>99</u>

15. REVALUATION RESERVE

	31.5.04 £	31.5.03 £
Brought forward	71,357,120	46,414,214
Property revaluation	<u>40,419,584</u>	<u>24,942,905</u>
	<u>111,776,704</u>	<u>71,357,119</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 May 2004**

16. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking is Sarneas Investments Limited, a company registered in Cyprus. Sarneas Investments Limited is under the control of The Costas Panayiotou 1997 Settlement Trust.

17. TRANSACTIONS WITH DIRECTOR

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

18. RELATED PARTY DISCLOSURES

Included in creditors falling due within one year is a balance £1,791,447 (2003: £1,906,547) owed to Domel Properties Limited. During the year under review, the company paid expenses of £5,197 on behalf of Domel Properties Limited. In addition, an amount of £120,297 was repaid by the company to Domel Properties Limited. During the year the company charged rent and service charges to Domel Properties Limited to the value of £67,284 (2003: £68,547) and this has been included in the profit and loss account for the year. This company is connected by virtue of being under the common control of Sarneas Investments Limited.

Also included in creditors falling due within one year are amounts of £351,773 (2003: 371,183) owed to a wholly owned subsidiary company, Ability Investments Limited. During the year under review the company received a sum of £3,071,833 as a financing transaction from Ability Investments Limited and paid expenses to the value of £5,755 on behalf of Ability Investments Limited. In addition, included in the profit and loss account is rent receivable of £3,085,488 (2003: £2,398,202) from Ability Investments Limited as part of a lease agreement between the companies.

Included in debtors falling due within one year is a balance of £1,976,023 (2003: £521,607) owed by a wholly owned subsidiary company, Ability Air Limited. This has arisen as the company provided £539,586 for part finance of a new aircraft purchased by Ability Air Limited during the year. In addition a sum of £914,830 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 loans, which had a balance outstanding of £5,396,185 at 31 May 2004.

Included in debtors falling due within one year is a balance of £208,877 (2003: £2 creditor) owed by a wholly owned subsidiary company, Ability Shipping Limited. This balance arose as a result of expenses of £208,879 paid by the company on behalf of Ability Shipping Limited during the year under review.

Included in debtors falling due within one year is a balance of £69,183 (2003: £69,183) owed by Sarneas Investments Limited, the parent company of Ability Developments Limited. This balance has remained unchanged during the year under review.

Also included in debtors falling due within one year is a balance of £46,895 (2003: creditor £334,254) owed by The Costas Panayiotou 1997 (Number 3) Settlement Trust, as a result of financing transactions. This Settlement Trust is connected by virtue of having the same settler of the company ultimate controlling party. In addition, the company purchase a freehold property from The Costas Panayiotou 1997 (Number 3) Settlement Trust, for the sum of £625,000.

Included in creditors falling due within one year is a balance of £511,865 owed to the director, A.C. Panayiotou. In addition, the company sold a motor vehicle to the director, A.C. Panayiotou to the sum of £175,000 during the year under review.

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 2004

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.5.04	31.5.03
	£	£
Loss for the financial year	(1,392,640)	(1,934,219)
Other recognised gains and losses relating to the year (net)	<u>40,419,585</u>	<u>24,942,905</u>
Net addition to shareholders' funds	39,026,945	23,008,686
Opening shareholders' funds	<u>69,181,484</u>	<u>46,172,798</u>
Closing shareholders' funds	<u>108,208,429</u>	<u>69,181,484</u>
Equity interests	<u>108,208,429</u>	<u>69,181,484</u>

20. 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 its active subsidiaries are given in the notes to the financial statements.