REGISTERED NUMBER: 3280282 (England and Wales)

REPORT OF THE DIRECTOR AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2005

FOR

ABILITY DEVELOPMENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

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ABILITY DEVELOPMENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

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for the year ended 31 May 2005

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ABILITY DEVELOPMENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

COMPANY INFORMATION
for the year ended 31 May 2005

DIRECTOR:	A.C. Panayiotou
SECRETARY:	J.Y. Chin
REGISTERED OFFICE:	Ability House 7 Portland Place London W1B 1PP
REGISTERED NUMBER:	3280282 (England and Wales)
AUDITORS:	Langley & Partners Langley House Park Road London N2 8EX BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL

REPORT OF THE DIRECTOR
for the year ended 31 May 2005

The director presents his report with the financial statements of the company for the year ended 31 May 2005.

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 subsidiary undertakings in the year under review were property management and letting, aircraft leasing and yacht leasing.

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

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

DIVIDENDS
No dividends will be distributed for the year ended 31 May 2005.

FUTURE DEVELOPMENTS
It is anticipated that the company and group companies will continue to expand, improve their turnover and strengthen their balance sheet positions for the foreseeable future. Since the balance sheet date, the company has transferred a property in the course of construction to its wholly owned subsidiary, Ability 31 Mill Harbour Limited. The company has also transferred three freehold properties to its wholly owned subsidiary Ability ML Limited (held through an intermediate subsidiary company). In addition, Ability (Baker Street) Limited, also a wholly owned subsidiary of the company, was incorporated on 16 May 2005. This company purchased property during the period which will be redeveloped in subsequent accounting periods.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

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

The director holding office at 31 May 2005 did not hold any beneficial interest in the issued share capital of the company at 1 June 2004 or 31 May 2005.

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 the group and of the profit or loss of the company and the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the director is aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the group's auditors are unaware, and 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 group's auditors are aware of that information.

REPORT OF THE DIRECTOR
for the year ended 31 May 2005

AUDITORS

The auditors, Langley & Partners and BDO Stoy Hayward LLP, 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

Date: 15/03/06

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 2005 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 and the group's affairs as at 31 May 2005 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Langley & Partners
Langley House
Park Road
London
N2 8EX

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

Date: 15/03/06

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

ABILITY DEVELOPMENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT
for the year ended 31 May 2005

	Notes	31.5.05 £	31.5.04 £
TURNOVER		6,551,249	4,875,848
Cost of sales		135,992	119,123
GROSS PROFIT		6,415,257	4,756,725
Administrative expenses		2,624,784	2,232,202
		3,790,473	2,524,523
Other operating income		(4,029)	88,772
OPERATING PROFIT	3	3,786,444	2,613,295
Interest receivable and similar income		369,102	137,757
		4,155,546	2,751,052
Interest payable and similar charges	4	10,097,446	5,164,813
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,941,900)	(2,413,761)
Tax on loss on ordinary activities	5	(1,048)	(2,831)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(5,940,852)	(2,410,930)
Minority interest		5,499	364
LOSS FOR THE FINANCIAL YEAR		(5,935,353)	(2,410,566)

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

The notes form part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 May 2005

	31.5.05	31.5.04
	£	£
LOSS FOR THE FINANCIAL YEAR	(5,935,353)	(2,410,566)
Unrealised surplus on revaluation of properties	88,643,396	40,419,585
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	£82,708,043	£38,009,019

Note of historical cost profits and losses.
The difference between the results as disclosed in the profit and loss accounts and the results on an unmodified historical cost basis is not material.

The notes form part of these financial statements

ABILITY DEVELOPMENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

GROUP BALANCE SHEET
31 May 2005

	Notes	31.5.05 £	31.5.05 £	31.5.04 £	31.5.04 £
FIXED ASSETS:					
Tangible assets	6		417,727,802		216,705,125
Investments	7		-		-
			417,727,802		216,705,125
CURRENT ASSETS:					
Debtors	8	1,223,224		3,901,350	
Cash at bank and in hand		19,241,931		4,876,369	
		20,465,155		8,777,719	
CREDITORS: Amounts falling due within one year	9	106,886,719		13,940,201	
NET CURRENT LIABILITIES:			(86,421,564)		(5,162,482)
TOTAL ASSETS LESS CURRENT LIABILITIES:			331,306,238		211,542,643
CREDITORS: Amounts falling due after more than one year	10		(141,360,697)		(104,298,596)
PROVISIONS FOR LIABILITIES AND CHARGES:	14		(3,806)		(4,854)
			£189,941,735		£107,239,193
CAPITAL AND RESERVES:					
Called up share capital	15		99		99
Revaluation reserve	16		200,420,100		111,776,704
Profit and loss account	16		(10,622,599)		(4,687,246)
SHAREHOLDERS' FUNDS:	21		189,797,600		107,089,557
Minority interests - equity			144,135		149,636
			£189,941,735		£107,239,193

ON BEHALF OF THE BOARD:

.....
A.C. Panayiotou - Director

Approved by the Board on 15/03/06

The notes form part of these financial statements

COMPANY BALANCE SHEET
31 MAY 2005

	Notes	31.5.05 £	31.5.05 £	31.5.04 £	31.5.04 £
FIXED ASSETS:					
Tangible assets	6		352,025,812		210,319,540
Investments	7		112		6
			352,025,924		210,319,546
CURRENT ASSETS:					
Debtors	8	6,169,602		5,781,883	
Cash at bank		19,152,566		4,826,870	
		25,322,168		10,608,753	
CREDITORS: Amounts falling due within one year	9	70,692,392		13,348,721	
NET CURRENT LIABILITIES:			(45,370,224)		(2,739,968)
TOTAL ASSETS LESS CURRENT LIABILITIES:			306,655,700		207,579,578
CREDITORS: Amounts falling due after more than one year	10		130,569,036		99,371,149
			£176,086,664		£108,208,429
CAPITAL AND RESERVES:					
Called up share capital	15		99		99
Revaluation reserve	16		184,920,100		111,776,704
Profit and loss account	16		(8,833,535)		(3,568,374)
SHAREHOLDERS' FUNDS:	21		£176,086,664		£108,208,429

ON BEHALF OF THE BOARD:

.....
A.C.Panayiotou - Director

Approved by the Board on 15/03/06

The notes form part of these financial statements

ABILITY DEVELOPMENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

GROUP CASH FLOW STATEMENT
for the year ended 31 May 2005

	Notes	31.5.05 £	31.5.04 £
Net cash inflow from operating activities	1	15,021,953	(396,773)
Returns on investments and servicing of finance	2	(9,728,344)	(5,027,056)
Taxation		(90,643)	1,118
Capital expenditure	2	(77,961,713)	(36,364,723)
		(72,758,747)	**(41,787,434)**
Financing	2	87,124,246	43,068,489
Increase in cash in the period		**£14,365,499**	**£1,281,055**

	Notes		
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		**14,365,499**	**1,281,055**
Change in net funds resulting from cash flows		14,365,499	1,281,055
New finance leases		(271,950)	-
Movement in net funds in the period		**14,093,549**	**1,281,055**
Net funds at 1 June		**4,876,265**	**3,595,210**
Net funds at 31 May		**£18,969,814**	**4,876,265**

The notes form part of these financial statements

NOTES TO THE GROUP CASH FLOW STATEMENT
for the year ended 31 May 2005

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

	31.5.05 £	31.5.04 £
Operating profit	3,786,444	2,613,295
Depreciation charges	982,433	1,143,066
Profit on sale of fixed assets	-	(38,250)
Decrease/(Increase) in debtors	2,768,766	(3,398,911)
Increase in creditors	7,484,310	(715,973)
Net cash inflow from operating activities	15,021,953	(396,773)

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

	31.5.05 £	31.5.04 £
Returns on investments and servicing of finance		
Interest received	369,102	137,757
Interest paid	(10,079,345)	(5,164,813)
Interest element of hire purchase payments	(18,101)	-
Net cash outflow for returns on investments and servicing of finance	(9,728,344)	(5,027,056)
Capital expenditure		
Purchase of tangible fixed assets	(77,961,713)	(36,539,723)
Sale of tangible fixed assets	-	175,000
Net cash outflow for capital expenditure	(77,961,713)	(36,364,723)
Financing		
New loans taken out in year	85,759,653	42,406,624
Finance lease	271,950	-
Amounts received from Housing Association	1,483,738	-
Introduced in LLP	-	150,000
Amount introduced by director	-	511,865
Amount withdrawn by director	(391,095)	-
Net cash inflow from financing	87,124,246	43,068,489

The notes form part of these financial statements

NOTES TO THE GROUP CASH FLOW STATEMENT
for the year ended 31 May 2005

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.6.04 £	Cash flow £	Other non-cash changes £	At 31.5.05 £
Net cash:				
Cash at bank and in hand	4,876,369	14,365,562		19,241,931
Bank overdrafts	(104)	(63)		(167)
	4,876,265	14,365,499		19,241,764
Debt:				
Hire purchase	-	-	(271,950)	(271,950)
	-	-	(271,950)	(271,950)
Total	4,876,265	14,365,499	(271,950)	18,969,814
Analysed in Balance Sheet				
Cash at bank and in hand	4,876,369			19,241,931
Bank overdrafts	(104)			(167)
Hire purchase				
within one year	-			(30,600)
after one year	-			(241,350)
	4,876,265			18,969,814

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2005

1. ACCOUNTING POLICIES

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

Turnover
Turnover represents net invoiced sales of services and rental income, excluding value added tax.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- see below
Leasehold property	- see below
Property in the course of construction	- see below
Fixtures and fittings	- 15% on reducing balance
Motor vehicles	- 15% on reducing balance
Aircraft	- 25% on reducing balance
Engines	- 6% 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. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

Properties in the course of construction are independently valued on an open market basis. Where independent valuation is not available, it is the policy of the company to use director's estimation of open market value. Any surplus or deficit arising is transferred to revaluation reserve. The director considers that this accounting policy will provide a true and fair view.

Costs incurred which lend enhancement to future periods such as long term scheduled maintenance or major overhaul of aircraft and engines are capitalised and amortised over the period benefiting from these enhancements.

Minor and routine maintenance and repairs to aircraft and engines are expensed as incurred.

Interest on loans specifically granted for the purchase and construction of fixed assets are capitalised up to the date of completion of the assets.

No depreciation has been charged to assets in the course of construction.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2005

1. **ACCOUNTING POLICIES - continued**

Hire purchase and leasing commitments
Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

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

Freehold, leasehold and property under construction
Properties have been recognised in the financial statements on the contract exchange date.

Basis of consolidation
The consolidated financial statements of the group include the financial statements of the company and its direct and indirect subsidiary undertakings made up to 31 May 2005. The results of subsidiary acquired are included in the consolidated profit and loss account from the date of control passes. Intra group sales and profits are eliminated fully on consolidation.

2. **STAFF COSTS**

	31.5.05	31.5.04
	£	£
Wages and salaries	309,650	107,034
Social security costs	39,795	14,557
	349,445	121,591

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

	31.5.05	31.5.04
Administration	4	2

3. **OPERATING PROFIT**

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

	31.5.05	31.5.04
	£	£
Depreciation - owned assets	906,224	1,249,427
Depreciation - assets on hire purchase contracts	76,209	-
Profit on disposal of fixed assets	-	(38,250)
Auditors' remuneration	33,400	47,006
Auditors' remuneration for non-audit work	27,651	29,464
Director's emoluments	244,939	112,515

Information regarding the highest paid director for the year ended 31 May 2005 is as follows:

	31.5.05
	£
Emoluments etc	244,939

4. INTEREST PAYABLE AND SIMILAR CHARGES

	31.5.05	31.5.04
	£	£
Bank interest	7,229	199
Bank loan interest	9,219,580	4,715,223
Bank charges	852,391	449,391
Profit/loss on foreign exchange	145	-
Hire purchase	18,101	-
	10,097,446	5,164,813

5. TAXATION

Analysis of the tax credit

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

	31.5.05	31.5.04
	£	£
Current tax:		
Over/under provision for tax	-	(1,095)
Interest on corporation tax	-	(23)
Total current tax	-	(1,118)
Deferred taxation	(1,048)	(1,713)
Tax on loss on ordinary activities	(1,048)	(2,831)

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 £60,126,030. At present, it is not envisaged that any tax will become payable in the foreseeable future and for which no provision has been made in these financial statements in accordance with FRS 19.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2005

6. TANGIBLE FIXED ASSETS

	The Group				
	Freehold property	Leasehold property	Property in the course of construction	Plant and Machinery	Asset under the course of construction
	£	£	£	£	£
COST:					
At 1 June 2004	159,384,000	6,900,000	43,921,424	7,563,611	169,585
Additions	14,894,182	(36,134)	90,765,274	-	7,183,356
Surplus on revaluation	6,828,961	136,134	81,678,302		-
At 31 May 2005	181,107,143	7,000,000	216,365,000	7,563,611	7,352,941
DEPRECIATION:					
At 1 June 2004	-	-	-	1,357,611	-
Charge for year	-	-	-	884,209	-
At 31 May 2005	-	-	-	2,241,820	-
NET BOOK VALUE:					
At 31 May 2005	181,107,143	7,000,000	216,365,000	5,321,791	7,352,941
At 31 May 2004	159,384,000	6,900,000	43,921,424	6,206,000	169,585

	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£
COST OR VALUATION:				
At 1 June 2004	190,057	-	3,651	218,132,328
Additions	46,977	508,058	-	113,361,713
Surplus on revaluation	-	-	-	88,643,397
At 31 May 2005	237,034	508,058	3,651	420,137,438
DEPRECIATION:				
At 1 June 2004	68,387	-	1,205	1,427,203
Charge for year	21,208	76,209	807	982,433
At 31 May 2005	89,595	76,209	2,012	2,409,636
NET BOOK VALUE:				
At 31 May 2005	147,439	431,849	1,639	417,727,802
At 31 May 2004	121,670	-	2,446	216,705,125

The net book value of the asset under construction of £7,352,941 includes an amount of £332,930 in respect of capital finance costs. A capitalisation rate of 100% was used to determine the amount of finance costs capitalised during the period. The yacht was in the course of construction at the balance sheet date.

6. **TANGIBLE FIXED ASSETS - continued**

Cost or valuation at 31 May 2005 is represented by:

	Freehold property	Leasehold property	Buildings	Plant and machinery
	£	£	£	£
Valuation brought forward as at 1 June 2004	95,698,171	3,830,337	12,248,194	-
Valuation in 2005	6,828,961	136,134	81,678,302	-
Cost	78,580,011	3,033,529	122,438,504	14,916,552
	181,107,143	7,000,000	216,365,000	14,916,552

	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£
Valuation brought forward as at 1 June 2004	-	-	-	111,776,702
Cost	-	-	-	88,643,397
	237,034	508,058	3,651	219,717,339
	237,034	508,058	3,651	420,137,438

If freehold, leasehold and properties under the course of construction had not been revalued they would have been included at the following historical cost:

	31.5.05	31.5.04
	£	£
Cost	204,052,044	98,482,720

Freehold properties, leasehold properties and properties in the course of construction were valued to the sum of £342,472,143 by Cluttons Chartered Surveyors LLP during the year under review. The valued figures are based on open market values in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual.

In addition, property to the value of £59,000,000 was valued by the director on open market value in accordance with the provisions of SSAP 19.

6. **TANGIBLE FIXED ASSETS - continued**

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	The Group & the Company
	Motor vehicles
	£
COST:	
Additions	508,058
At 31 May 2005	508,058
DEPRECIATION:	
Charge for year	76,209
At 31 May 2005	76,209
NET BOOK VALUE:	
At 31 May 2005	431,849

7. **FIXED ASSET INVESTMENTS**

	The Company
	£
COST:	
At 1 June 2004	6
Additions	106
At 31May 2005	112
NET BOOK VALUE:	
At 31 May 2005	112
At 31 May 2004	6

Unlisted investments were as follows:

	The Company	
	31.5.05	31.5.04
	£	£
Investment in subsidiary companies	112	6

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

7. **FIXED ASSET INVESTMENTS - continued**

Ability Air Limited
Nature of business: Charter of passenger aircraft ad travel

	%
Class of shares:	holding
Ordinary shares	100.00

Ability (Baker Street) Limited
Nature of business: Property investments and developments

	%
Class of shares:	holding
Ordinary shares	100.00

Ability (Baker Street) Limited has an accounting reference date of 31 May 2006. Interim accounts to 31 May 2005 have been prepared and consolidated in order to meet the requirements of FRS2.

Ability Shipping Limited
Nature of business: Yacht owning and charter

	%
Class of shares:	holding
Ordinary shares	100.00

Ability Shipping Limited did not trade during the period to 31 May 2005.

Ability Shipping LLP*
Nature of business: Yacht owning and charter

	%
Class of shares:	holding
Ordinary	90.00

Ability 31 Mill Harbour Limited
Nature of business: Property investments and developments

	%
Class of shares:	holding
Ordinary shares	100.00

Ability 31 Mill Harbour Limited did not trade during the period to 31 May 2005.

The Ability Group Limited
Nature of business: Property investments and developments

	%
Class of shares:	holding
Ordinary shares	100.00

The Ability Group Limited did not trade during the period to 31 May 2005.

Ability Trio Limited
Nature of business: Property investments and developments

	%
Class of shares:	holding
Ordinary shares	100.00

Ability Trio Limited did not trade during the period to 31 May 2005.

* Held through intermediate subsidiary company.

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group	
	31.5.05	31.5.04
	£	£
V.A.T.	32,631	2,942,845
Trade debtors	265,078	141,846
Other debtors	177,611	214,578
Prepayments	576,928	532,898
Owed by connected company	10,500	-
Owed by parent company	69,833	69,183
Tax debtor	90,643	-
	1,223,224	3,901,350

	The Company	
	31.5.05	31.5.04
	£	£
V.A.T.	21,924	2,930,324
Other debtors	154,032	64,578
Prepayments	478,812	532,898
Amount owed by connected company	5,354,358	2,184,900
Amount owed by parent company	69,833	69,183
Tax debtors	90,643	-
	6,169,602	5,781,883

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group	
	31.5.05	31.5.04
	£	£
Bank loan and overdrafts (see note 11)	58,061,480	6,956,873
Mortgages (see note 11)	-	681,904
Hire purchase (see note 12)	30,600	-
Trade creditors	840,661	1,409,359
Owed to connected companies	2,572,734	1,730,185
Other creditors	43,648,028	2,388,459
Deposits	136,774	50,307
Director's current account	120,770	511,865
Social security and other taxes	-	12,235
Accrued expenses	1,475,672	199,014
	106,886,719	13,940,201

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2005

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR continued

	The Company	
	31.5.05	31.5.04
	£	£
Bank loans and overdrafts (see note 11)	57,592,742	6,495,102
Mortgages (see note 11)	-	681,904
Hire purchase contracts (see note 12)	30,600	-
Trade creditors	308,144	949,802
Owed to connected company	2,871,775	2,102,120
Other creditors	8,248,028	2,388,459
Deposits held	136,774	50,307
Director's current account	120,770	511,865
Social security and other taxes	-	12,235
Accrued expenses	1,383,559	156,927
	70,692,392	13,348,721

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

	The Group	
	31.5.05	31.5.04
	£	£
Bank loans (see note 11)	52,123,055	49,655,826
Mortgages (see note 11)	87,512,554	54,642,770
Other creditors	1,483,738	-
Hire purchase contracts (see note 12)	241,350	-
	141,360,697	104,298,596

	The Company	
	31.5.05	31.5.04
	£	£
Bank loans (see note 11)	42,440,941	44,728,379
Mortgages (see note 11)	86,403,007	14,400,503
Mortgage interests (see note 11)	-	40,242,267
Other creditors	1,483,738	-
Hire purchase contracts (see note 12)	241,350	-
	130,569,036	99,371,149

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2005

11. LOANS AND OVERDRAFTS

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

	The Group	
	31.5.05	31.5.04
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	167	104
Bank loans	58,061,313	6,956,769
Mortgages	-	681,904
	58,061,480	7,638,777
Amounts falling due between one and two years:		
Bank loans	6,856,246	36,243,057
Mortgages	-	681,904
	6,856,246	36,924,961
Amounts falling due between two and five years:		
Bank loans	45,266,809	13,412,769
Mortgages	-	2,045,712
	45,266,809	15,458,481
Amounts falling due in more than five years:		
Repayable otherwise than by instalments		
Mortgages	87,512,554	45,941,440
	87,512,554	45,941,440
Repayable by instalments		
Mortgages	-	5,973,714

11. **LOANS AND OVERDRAFTS continued**

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

	The Company	
	31.5.05	31.5.04
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	167	7,071
Bank loans	57,592,575	6,488,031
Mortgages	-	681,904
	57,592,742	7,177,006
Amounts falling due between one and two years:		
Bank loans	2,788,874	35,774,320
Mortgages	-	681,904
	2,788,874	36,456,224
Amounts falling due between two and five years:		
Bank loans	39,652,067	8,954,059
Mortgages	-	2,045,712
	39,652,067	10,999,771
Amounts falling due in more than five years:		
Repayable otherwise than by instalments		
Mortgages	86,403,007	5,699,173
Mortgage interests	-	40,242,267
	86,403,007	45,941,440
Repayable by instalments		
Mortgages	-	5,973,714

Bank loan amounts falling due in more than five years repayable otherwise than by instalments incur a weighted average interest rate of 5.9% and all mature in 2011. This bank loan reflects the effect of interest rate swaps in transforming floating rate liabilities into fixed rate liabilities.

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

The Group and the Company

	Hire purchase contracts	
	31.5.05	31.5.04
	£	£
Gross obligations repayable:		
Within one year	45,892	-
Between one and five years	279,711	-
	325,603	-
Finance charges repayable:		
Within one year	15,292	-
Between one and five years	38,361	-
	53,653	-
Net obligations repayable:		
Within one year	30,600	-
Between one and five years	241,350	-
	271,950	-

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

	Operating leases	
	31.5.05	31.5.04
	£	£
Expiring:		
In more than five years	7,000	7,000

13. SECURED DEBTS

The following secured debts are included within creditors:

	The Group	
	31.5.05	31.5.04
	£	£
Bank loans	110,184,368	56,612,595
Mortgages	87,512,554	55,324,674
Hire purchase contracts	271,950	-
Other creditors	4,432,574	2,083,553
	202,401,446	114,020,822

13. **SECURED DEBTS continued**

The following secured debts are included within creditors:

	The Company	
	31.5.05	31.5.04
	£	£
Bank loans	100,033,516	51,216,410
Mortgages	86,403,007	15,082,407
Mortgage interests	-	40,242,267
Hire purchase contracts	271,950	-
Other creditors	4,432,574	2,083,553
	191,141,047	108,624,637

14. **PROVISIONS FOR LIABILITIES AND CHARGES**

	The Group	
	31.5.05	31.5.04
	£	£
Deferred tax	3,806	4,854

	Deferred tax
	£
Balance at 1 June 2004	4,854
Profit and loss account credit for the year	(1,048)
Balance at 31 May 2005	3,806

Deferred tax provision

	31.5.05	31.5.04
	£	£
Accelerated capital allowances	3,806	4,854
	3,806	4,854

15. **CALLED UP SHARE CAPITAL**

Authorised:

Number:	Class:	Nominal value:	31.5.05	31.5.04
			£	£
1,000	Ordinary	£1	1,000	1,000

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.5.05	31.5.04
			£	£
99	Ordinary	£1	99	99

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2005

16. RESERVES

The Group

	Revaluation Reserve	Profit & loss account
	£	£
At 1 June 2004	111,776,704	(4,687,246)
Movement in the year	88,643,397	(5,935,353)
As at 31 May 2005	200,420,100	(10,622,599)

The Company

	Revaluation Reserve	Profit and loss accounts
	£	£
At 1 June 2004	111,776,704	(3,568,374)
Loss for the financial year	-	(5,265,161)
Property revaluation	73,143,396	-
At 31 May 2005	184,920,100	(8,833,535)

17. ULTIMATE PARENT COMPANY

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

18. CONTINGENT LIABILITIES

The company has guaranteed bank loans of certain subsidiary undertakings which at 31 May 2005 amounted to £11,260,398 (2004: £5,396,185).

The company is from time to time party to legal actions arising in the ordinary course of business. The director is advised that there are no current actions which could have a material adverse effect on the financial position of the company.

19. RELATED PARTY DISCLOSURES

Included in creditors falling due within one year is a balance £2,605,041 (2004: £1,791,447) owed to Domel Properties Limited as a result of financing transactions. This company is connected by virtue of being under the common control of Sarmeas Investments Limited. During the year under review, the company charged rent to Domel Properties Limited to the value of £40,000 (2004: £40,000) and this has been included in the profit and loss account for the year. In addition, the company purchased freehold properties for the sum of £4,753,286 from Domel Properties Limited.

Included in creditors falling due within one year is a balance of £120,770 (2004: £511,865) owed to the director, A.C. Panayiotou. In addition, the director has provided a personal guarantee to the company's bankers to the value of £3,000,000.

20. POST BALANCE SHEET EVENTS

Since the balance sheet date, the company has transferred a property in the course of construction to its wholly owned subsidiary, Ability 31 Mill Harbour Limited. The company has also transferred three freehold properties to its wholly owned subsidiary Ability ML Limited (held through an intermediate subsidiary company). In addition, Ability (Baker Street) Limited, also a wholly owned subsidiary of the company, was incorporated on 16 May 2005. This company purchased property during the period which will be redeveloped in subsequent accounting periods.

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.5.05	31.5.04
	£	£
Loss for the financial year	(5,935,353)	(2,410,566)
Other recognised gains and losses relating to the year (net)	88,643,396	40,419,585
Net addition to shareholders' funds	82,708,043	38,009,019
Opening shareholders' funds	107,089,557	69,080,538
Closing shareholders' funds	189,797,600	107,089,557
Equity interests	189,941,735	107,239,193