

REGISTERED NUMBER: 3280282 (England and Wales)

REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS FOR THE PERIOD
1 JUNE 2006 TO 31 DECEMBER 2006
FOR
ABILITY DEVELOPMENTS LIMITED



ABILITY DEVELOPMENTS LIMITED

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for the period 1 June 2006 to 31 December 2006

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ABILITY DEVELOPMENTS LIMITED

COMPANY INFORMATION
for the period 1 June 2006 to 31 December 2006

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 Group LLP
Langley House
Park Road
London
N2 8EX

HLB Vantis Audit Plc
82 St John Street
London
EC1M 4JN

ABILITY DEVELOPMENTS LIMITED

REPORT OF THE DIRECTOR **for the period 1 June 2006 to 31 December 2006**

The director presents his report with the financial statements of the company for the period 1 June 2006 to 31 December 2006.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of property investment and development.

REVIEW OF BUSINESS

The results for the period 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 period under review. The net cash position at 31 December 2006 was £25.8m (31 May 2006: £21.8m). The value of the property portfolio increased to £214.8m (31 May 2006: £198.5m).

The company reported a decrease of rental income for the seven month period ending 31 December 2006 of 9% (calculated on a pro rata basis). The reason for this decrease is that a number of properties were transferred to other group companies during the prior period.

The director is content with the portfolio held by the company at the balance sheet date. The company remains in a strong financial position to take advantage of opportunities as they become available and continues to enjoy excellent relations with its banks and professional advisors.

EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the period is given in the notes to the accounts.

DIVIDENDS

No dividends will be distributed for the period ended 31 December 2006.

FUTURE DEVELOPMENTS

Exchange of contracts took place during the prior period on property located in London E14 held by the company within fixed assets. A phased completion has taken place after the balance sheet date.

After the period end, the company sold a portfolio of its properties held within fixed assets.

DIRECTOR

A.C. Panayiotou held office during the whole of the period from 1 June 2006 to the date of this report.

FINANCIAL INSTRUMENTS

Information on financial risks and other risks is set out below:

Treasury activities take place under procedures and policies monitored by the director. They are designed to minimise the financial risks faced by the company which primarily arise from interest rate, credit and liquidity risks. It is not the policy of the company to enter into speculative transactions.

The company's principal financial instruments comprise bank balances, bank loans, trade creditors, rent debtors and loans to/from related companies. The purpose of these instruments is to raise funds for and finance the company's operations.

ABILITY DEVELOPMENTS LIMITED

REPORT OF THE DIRECTOR
for the period 1 June 2006 to 31 December 2006

FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances liquidity risk has been managed through continual review of the funding status of the company and its exposure to liquidity risk.

In respect of loans these are controlled by the director and are made to and from related companies. These loans are interest free and payable on demand at the discretion of the director.

Rent debtors are managed in respect of credit and cash flow risk by carrying out checks on prospective tenants and the regular monitoring of amounts outstanding for both time and credit limits. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Derivative transactions entered into by the company comprise interest rate swaps to limit the company's exposure to interest rate risk.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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.

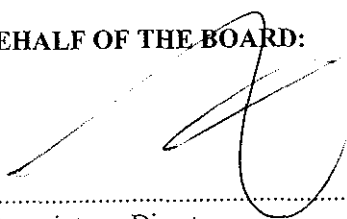
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 company'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 company's auditors are aware of that information.

AUDITORS

The joint auditors, Langley Group LLP and HLB Vantis Audit Plc, 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: 30/10/07

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 period ended 31 December 2006 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 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

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Director is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ABILITY DEVELOPMENTS LIMITED

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

Opinion

In our opinion:

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

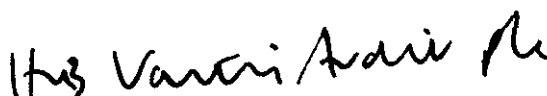
Langley Group LLP
Chartered Certified Accountants and Registered Auditors
Langley House
Park Road
London
N2 8EX



Date:.....

30/10/07

HLB Vantis Audit Plc
Chartered Accountants and Registered Auditors
82 St John Street
London
EC1M 4JN



Date:.....

30/10/2007

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 period 1 June 2006 to 31 December 2006

	Notes	Period 1.6.06 to 31.12.06 £	Year Ended 31.5.06 £
TURNOVER		3,197,127	6,542,308
Administrative expenses		<u>(1,027,880)</u>	<u>(1,793,316)</u>
		2,169,247	4,748,992
Other operating income		<u>35,869</u>	<u>84,263</u>
OPERATING PROFIT	3	2,205,116	4,833,255
Loss on sale of fixed assets		<u>-</u>	<u>37,116,606</u>
		2,205,116	(32,283,351)
Interest receivable and similar income		<u>763,548</u>	<u>476,440</u>
		2,968,664	(31,806,911)
Interest payable and similar charges	4	<u>4,963,722</u>	<u>10,535,967</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,995,058)	(42,342,878)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		<u>(1,995,058)</u>	<u>(42,342,878)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current period or previous year.

ABILITY DEVELOPMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the period 1 June 2006 to 31 December 2006

	Period 1.6.06 to 31.12.06 £	Year Ended 31.5.06 £
LOSS FOR THE FINANCIAL PERIOD	(1,995,058)	(42,342,878)
Revaluation gain / (loss)	<u>10,262,423</u>	<u>(27,499,511)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	<u>(8,267,365)</u>	<u>(69,842,389)</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 December 2006

	Notes	31.12.06 £	£	31.5.06 £	£
FIXED ASSETS					
Tangible assets	6		214,858,556		198,562,794
Investments	7		<u>112</u>		<u>112</u>
			214,858,668		198,562,906
CURRENT ASSETS					
Debtors	8	32,436,075		41,035,609	
Cash at bank		<u>25,836,570</u>		<u>21,836,827</u>	
		58,272,645		62,872,436	
CREDITORS					
Amounts falling due within one year	9	<u>57,135,887</u>		<u>50,020,407</u>	
NET CURRENT ASSETS			<u>1,136,758</u>		<u>12,852,029</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			215,995,426		211,414,935
CREDITORS					
Amounts falling due after more than one year	10		<u>101,483,786</u>		<u>105,170,660</u>
NET ASSETS			<u>114,511,640</u>		<u>106,244,275</u>
CAPITAL AND RESERVES					
Called up share capital	14		99		99
Revaluation reserve	15		92,682,496		82,420,073
Profit and loss account	15		<u>21,829,045</u>		<u>23,824,103</u>
SHAREHOLDERS' FUNDS	20		<u>114,511,640</u>		<u>106,244,275</u>

The financial statements were approved by the director on 30/10/07 and were signed by:

.....
Director

The notes form part of these financial statements

ABILITY DEVELOPMENTS LIMITED

CASH FLOW STATEMENT
for the period 1 June 2006 to 31 December 2006

	Notes	Period 1.6.06 to 31.12.06		Year Ended 31.5.06	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	1		6,035,436		(52,499,988)
Returns on investments and servicing of finance	2		(4,200,174)		(10,059,527)
Taxation			147,598		(56,955)
Capital expenditure	2		<u>(6,051,892)</u>		<u>126,068,815</u>
			(4,069,032)		63,452,345
Financing	2		<u>8,050,863</u>		<u>(60,857,532)</u>
Increase in cash in the period			<u><u>3,981,831</u></u>		<u><u>2,594,813</u></u>
Reconciliation of net cash flow to movement in net debt	3				
Increase in cash in the period		3,981,831		2,594,813	
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		<u>(7,910,368)</u>		<u>60,596,266</u>	
Change in net debt resulting from cash flows			(3,928,537)		63,191,079
New finance leases			<u>(57,500)</u>		<u>(258,000)</u>
Movement in net debt in the period			(3,986,037)		62,933,079
Net debt at 1 June			<u>(104,622,995)</u>		<u>(167,556,074)</u>
Net debt at 31 December			<u><u>(108,609,032)</u></u>		<u><u>(104,622,995)</u></u>

The notes form part of these financial statements

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the period 1 June 2006 to 31 December 2006

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

	Period 1.6.06 to 31.12.06 £	Year Ended 31.5.06 £
Operating profit	2,205,116	4,833,255
Depreciation charges	76,054	100,692
Loss on disposal of fixed assets	-	(37,064,606)
Decrease/(Increase) in debtors	8,311,440	(34,668,556)
(Decrease)/Increase in creditors	(4,557,174)	14,299,227
Net cash inflow/(outflow) from operating activities	<u>6,035,436</u>	<u>(52,499,988)</u>

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

	Period 1.6.06 to 31.12.06 £	Year Ended 31.5.06 £
Returns on investments and servicing of finance		
Interest received	763,548	476,440
Interest paid	(4,954,109)	(10,504,587)
Interest element of hire purchase payments	(9,613)	(31,380)
Net cash outflow for returns on investments and servicing of finance	<u>(4,200,174)</u>	<u>(10,059,527)</u>
Capital expenditure		
Purchase of tangible fixed assets	(6,051,892)	(34,247,791)
Sale of tangible fixed assets	-	160,316,606
Net cash (outflow)/inflow for capital expenditure	<u>(6,051,892)</u>	<u>126,068,815</u>
Financing		
New loans in year	7,934,633	-
Loan repayments in year	-	(60,358,749)
Capital repayments in year	(24,266)	(237,517)
Amount introduced/(withdrawn) by directors	140,496	(261,266)
Net cash inflow/(outflow) from financing	<u>8,050,863</u>	<u>(60,857,532)</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the period 1 June 2006 to 31 December 2006

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.6.06 £	Cash flow £	Other non-cash changes £	At 31.12.06 £
Net cash:				
Cash at bank	21,836,827	3,999,743	-	25,836,570
Bank overdrafts	<u>(89,615)</u>	<u>(17,912)</u>	-	<u>(107,527)</u>
	<u>21,747,212</u>	<u>3,981,831</u>	-	<u>25,729,043</u>
Debt:				
Hire purchase	(292,433)	24,266	(57,500)	(325,667)
Debts falling due within one year	(30,953,366)	(1,848,543)	-	(32,801,909)
Debts falling due after one year	<u>(95,124,408)</u>	<u>(6,086,091)</u>	-	<u>(101,210,499)</u>
	<u>(126,370,207)</u>	<u>(7,910,368)</u>	<u>(57,500)</u>	<u>(134,338,075)</u>
Total	<u>(104,622,995)</u>	<u>(3,928,537)</u>	<u>(57,500)</u>	<u>(108,609,032)</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements present information about the company as an individual undertaking and not about its group. In the prior year, consolidated accounts were prepared on a voluntary basis. Exemption from the requirement to prepare group accounts has now been applied as described in note 21 to these accounts.

Accounting convention

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

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
Long leasehold	- see below
Property under construction	- see below
Fixtures and fittings	- 15% on reducing balance
Motor vehicles	- 15% on reducing balance
Computer equipment	- 33% 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 the 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 director, would be misleading.

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

Freehold, leasehold and property in the course of construction

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

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 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.

Turnover

Turnover represents net rental income receivable, excluding value added tax. Revenue and profit on sales of properties are recognised on legal completion.

Fixed asset investments

Investments in subsidiaries are carried at cost less impairment.

Debt instruments

Debt instruments are stated at their net proceeds on issue. Issue costs are amortised to the profit and loss account over the life of the instrument.

ABILITY DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2. STAFF COSTS

	Period 1.6.06 to 31.12.06 £	Year Ended 31.5.06 £
Wages and salaries	153,356	349,870
Social security costs	<u>15,437</u>	<u>49,091</u>
	<u>168,793</u>	<u>398,961</u>

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

	Period 1.6.06 to 31.12.06	Year Ended 31.5.06
Administration	<u>5</u>	<u>5</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	Period 1.6.06 to 31.12.06 £	Year Ended 31.5.06 £
Depreciation - owned assets	32,259	24,278
Depreciation - assets on hire purchase contracts	43,795	76,414
Loss on disposal of fixed assets	-	37,064,606
Auditors' remuneration	53,500	50,000
Auditors' remuneration for non audit work	<u>75,428</u>	<u>80,518</u>
Director's emoluments	<u>58,333</u>	<u>257,861</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Period 1.6.06 to 31.12.06 £	Year Ended 31.5.06 £
Bank interest	2,670	5,702
Bank loan interest	4,837,703	9,107,244
Bank charges	113,736	1,391,641
Hire purchase	<u>9,613</u>	<u>31,380</u>
	<u>4,963,722</u>	<u>10,535,967</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the period ended 31 December 2006 nor for the year ended 31 May 2006.

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 if the properties were sold and the total amount unprovided for is £27,804,748.

No provision has been made in these financial statements in accordance with FRS 19.

6. TANGIBLE FIXED ASSETS

	Freehold property £	Long leasehold £	Property under construction £
COST OR VALUATION			
At 1 June 2006	130,267,190	7,503,326	60,234,607
Additions	-	-	5,806,531
Revaluation	-	-	10,262,423
At 31 December 2006	<u>130,267,190</u>	<u>7,503,326</u>	<u>76,303,561</u>
DEPRECIATION			
At 1 June 2006 and 31 December 2006	-	-	-
NET BOOK VALUE			
At 31 December 2006	<u>130,267,190</u>	<u>7,503,326</u>	<u>76,303,561</u>
At 31 May 2006	<u>130,267,190</u>	<u>7,503,326</u>	<u>60,234,607</u>

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST OR VALUATION				
At 1 June 2006	227,763	585,638	12,779	198,831,303
Additions	-	302,861	-	6,109,392
Revaluation	-	-	-	10,262,423
At 31 December 2006	<u>227,763</u>	<u>888,499</u>	<u>12,779</u>	<u>215,203,118</u>
DEPRECIATION				
At 1 June 2006	110,320	152,623	5,565	268,508
Charge for period	<u>10,276</u>	<u>64,389</u>	<u>1,389</u>	<u>76,054</u>
At 31 December 2006	<u>120,596</u>	<u>217,012</u>	<u>6,954</u>	<u>344,562</u>
NET BOOK VALUE				
At 31 December 2006	<u>107,167</u>	<u>671,487</u>	<u>5,825</u>	<u>214,858,556</u>
At 31 May 2006	<u>117,443</u>	<u>433,015</u>	<u>7,214</u>	<u>198,562,795</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. TANGIBLE FIXED ASSETS - continued

Cost or valuation at 31 December 2006 is represented by:

	Freehold property £	Long leasehold £	Property under construction £
Valuation brought forward	77,604,367	4,469,797	345,909
Valuation in 2006	-	-	10,262,423
Cost	<u>52,662,823</u>	<u>3,033,529</u>	<u>65,695,229</u>
	<u>130,267,190</u>	<u>7,503,326</u>	<u>76,303,561</u>

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
Valuation brought forward	-	-	-	82,420,073
Valuation in 2006	-	-	-	10,262,423
Cost	<u>227,763</u>	<u>888,499</u>	<u>12,779</u>	<u>122,520,622</u>
	<u>227,763</u>	<u>888,499</u>	<u>12,779</u>	<u>215,203,118</u>

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

	31.12.06 £	31.5.06 £
Cost	<u>121,391,582</u>	<u>166,552,044</u>

Freehold properties and leasehold properties to the value of £137,770,515 and properties under construction of £76,303,561 were valued by the director on an open market value basis in accordance with the provisions of SSAP 19.

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

	Motor vehicles £
COST OR VALUATION	
At 1 June 2006	585,638
Additions	<u>67,500</u>
At 31 December 2006	<u>653,138</u>
DEPRECIATION	
At 1 June 2006	152,623
Charge for period	<u>43,795</u>
At 31 December 2006	<u>196,418</u>
NET BOOK VALUE	
At 31 December 2006	<u>456,720</u>
At 31 May 2006	<u>433,015</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
At 1 June 2006	
and 31 December 2006	<u>112</u>
NET BOOK VALUE	
At 31 December 2006	<u>112</u>
At 31 May 2006	<u>112</u>

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

Ability Investments Limited

Nature of business: Property management and letting

	%		
	holding		
Class of shares:	100.00		
Ordinary shares		31.12.06	31.5.06
		£	£
Aggregate capital and reserves		206,199	249,850
(Loss)/Profit for the period/year		<u>(43,651)</u>	<u>65,688</u>

Ability Air Limited

Nature of business: Charter of passenger aircraft and travel

	%		
	holding		
Class of shares:	100.00		
Ordinary shares		31.12.06	31.5.06
		£	£
Aggregate capital and reserves		(2,509,518)	(2,450,025)
Loss for the period/year		<u>(59,493)</u>	<u>(545,573)</u>

Ability Shipping Limited

Nature of business: Yacht chartering

	%		
	holding		
Class of shares:	100.00		
Ordinary		31.12.06	31.5.06
		£	£
Aggregate capital and reserves		(16,719)	(13,690)
Loss for the period/year		<u>(3,029)</u>	<u>(7,233)</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. FIXED ASSET INVESTMENTS - continued

Ability 31 Mill Harbour Limited

Nature of business: Property investments and developments

	%		
Class of shares:	holding		
Ordinary share	100.00		
		31.12.06	31.5.06
		£	£
Aggregate capital and reserves		(960,213)	(423,421)
Loss for the period/year		<u>(536,792)</u>	<u>(423,521)</u>

The Ability Group Limited

Nature of business: Property investments and developments

	%
Class of shares:	holding
Ordinary share	100.00

The Ability Group Limited did not trade during the periods to 31 May 2006 or 31 December 2006.

Ability Trio Limited

Nature of business: Property investments and developments

	%
Class of shares:	holding
Ordinary share	100.00

Ability Trio Limited did not trade during the periods to 31 May 2006 or 31 December 2006.

Ability (Baker Street) Limited

Nature of business: Property investments and developments

	%		
Class of shares:	holding		
Ordinary share	100.00		
		31.12.06	31.5.06
		£	£
Aggregate capital and reserves		354,898	(196,393)
Loss for the period/year		<u>(315,055)</u>	<u>(196,395)</u>

Ability ML Limited *

Nature of business: Property investments and developments

	%		
Class of shares:	holding		
Ordinary share	100.00		
		31.12.06	31.5.06
		£	£
Aggregate capital and reserves		(1,076,875)	590,509
Loss for the period/year		<u>(1,667,384)</u>	<u>(221,664)</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. FIXED ASSET INVESTMENTS - continued

Ability Shipping LLP *

Nature of business: Yacht owning and chartering

	%		
Class of shares:	holding		
Ordinary	90.00		
		31.12.06	31.5.06
		£	£
Aggregate capital and reserves		12,184,312	13,198,630
Loss for the period/year		<u>(1,037,897)</u>	<u>(684,821)</u>

* Held through intermediate subsidiary company.

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.06	31.5.06
	£	£
Other debtors	570,561	149,182
Amounts owed by group undertakings	31,633,683	40,276,467
Owed by parent company	69,833	69,833
Director's loan accounts	-	140,496
Tax debtors	-	147,598
Prepayments	<u>161,998</u>	<u>252,033</u>
	<u>32,436,075</u>	<u>41,035,609</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.06	31.5.06
	£	£
Bank loans and overdrafts (see note 11)	32,909,436	31,042,981
Hire purchase contracts (see note 12)	52,380	41,600
Trade creditors	52,822	5,143
Social security and other taxes	10,320	21,488
VAT	47,305	16,709
Amounts owed to group undertakings	4,526,086	3,538,373
Other creditors	17,341,346	14,362,468
Deposits held	150,693	152,597
Accrued expenses	<u>2,045,499</u>	<u>839,048</u>
	<u>57,135,887</u>	<u>50,020,407</u>

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

	31.12.06	31.5.06
	£	£
Bank loans (see note 11)	101,210,499	5,663,476
Other loans (see note 11)	-	89,460,932
Hire purchase contracts (see note 12)	273,287	250,833
Other creditors	<u>-</u>	<u>9,795,419</u>
	<u>101,483,786</u>	<u>105,170,660</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. LOANS

An analysis of the maturity of loans is given below:

	31.12.06 £	31.5.06 £
Amounts falling due within one year or on demand:		
Bank overdrafts	107,527	89,615
Bank loan	<u>32,801,909</u>	<u>30,953,366</u>
	<u>32,909,436</u>	<u>31,042,981</u>
 Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>6,046,265</u>	<u>-</u>
 Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>95,164,234</u>	<u>5,663,476</u>
 Amounts falling due in more than five years:		
Repayable otherwise than by instalments		
Bank loan due after 5 years	<u>-</u>	<u>89,460,932</u>

Bank loans reflect the effect of interest rate swaps in transforming floating rate liabilities into fixed rate liabilities.

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	31.12.06 £	Hire purchase contracts 31.5.06 £
Gross obligations repayable:		
Within one year	71,243	59,213
Between one and five years	<u>296,050</u>	<u>276,808</u>
	<u>367,293</u>	<u>336,021</u>
 Finance charges repayable:		
Within one year	18,863	17,613
Between one and five years	<u>22,763</u>	<u>25,975</u>
	<u>41,626</u>	<u>43,588</u>
 Net obligations repayable:		
Within one year	52,380	41,600
Between one and five years	<u>273,287</u>	<u>250,833</u>
	<u>325,667</u>	<u>292,433</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

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

		Other operating leases
	31.12.06	31.5.06
	£	£
Expiring:		
In more than five years	<u>-</u>	<u>7,000</u>

13. SECURED DEBTS

The following secured debts are included within creditors:

	31.12.06	31.5.06
	£	£
Bank loans	134,012,408	36,616,842
Mortgages	-	89,460,932
Hire purchase contracts	<u>325,667</u>	<u>292,433</u>
	<u>134,338,075</u>	<u>126,370,207</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:	31.12.06	31.5.06
			£	£
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.06	31.5.06
			£	£
99	Ordinary	£1	<u>99</u>	<u>99</u>

15. RESERVES

	Profit and loss account £	Revaluation reserve £	Totals £
At 1 June 2006	23,824,103	82,420,073	106,244,176
Loss for the period	(1,995,058)	-	(1,995,058)
Property revaluation	<u>-</u>	<u>10,262,423</u>	<u>10,262,423</u>
At 31 December 2006	<u>21,829,045</u>	<u>92,682,496</u>	<u>114,511,541</u>

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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. CONTINGENT LIABILITIES

The company has guaranteed bank loans of certain subsidiary undertakings which at 31 December 2006 amounted to £172,607,737 (31st May 2006: £155,147,105).

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.

18. RELATED PARTY DISCLOSURES

Included within debtors falling due within one year are the following balances:

Owed by Ability ML Limited* - £23,766,108 (31 May 2006: £23,301,577)
Owed by Ability Air Limited - £2,574,522 (31 May 2006: £2,366,344)
Owed by Ability Shipping Limited - £488,592 (31 May 2006: £487,992)
Owed by Ability 31 Mill Harbour Limited - £4,653,821 (31 May 2006: £6,216,163)
Owed by Ability (Baker Street) Limited - £126,703 (31 May 2006: £5,989,647)

Included within creditors falling due within one year are the following balances:

Owed to Ability Investments Limited - £1,313,040 (31 May 2006: £955,208)
Owed to Ability Shipping LLP* - £630,023 (31 May 2006: £1,914,029 debtor)

*Held through an intermediary subsidiary

The above companies are all related by virtue of being subsidiaries of Ability Developments Limited and all balances owed to/from the above companies arose in respect of financing transactions apart from the following:

The balance owed to Ability Investments Limited arose by virtue of £2,222,774 of rents collected on behalf of Ability Developments and rent of £2,115,313 included in the profit and loss account payable to Ability Developments Limited under the terms of the lease between the two companies.

The balance owed by Ability Air Limited arose in respect of financing transactions to the value of £251,758 and charter fees payable to Ability Air of £43,550.

Also included within debtors falling due with one year are the following balances:

Owed by Ability M3 Holdings SARL - £8,538 (31 May 2006: £nil)
Owed by Ability Lubeck Retail Holdings - £15,369 (31 May 2006: £nil)
Included within creditors falling due with one year is the following balance:
Owed to Domel Properties Limited - £2,583,024 (31 May 2006: £2,583,166)

These companies are connected by virtue of being under the common control of Sarneas Investments Limited.

Included in debtors falling due within one year is a balance of £69,833 (31 May 2006: £69,833) owed by the entity's parent company, Sarneas Investments Limited. There was no movement on this balance during the period under review.

The director, A.C. Panayiotou, has provided a personal guarantee to the company's bankers to the value of £3,000,000. C. Panayiotou, the father of the director, has provided a guarantee to the company's bankers in the sum of £2,112,500.

ABILITY DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. POST BALANCE SHEET EVENTS

After the balance sheet date, a sum of £2,621,000 was received in respect of the cancellation of a swap agreement.

The company sold a number of its freehold and leasehold properties for proceeds of £179,580,764 after the balance sheet date.

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.06	31.5.06
	£	£
Loss for the financial period	(1,995,058)	(42,342,878)
Other recognised gains and losses relating to the period (net)	<u>10,262,423</u>	<u>(27,499,511)</u>
Net reduction of shareholders' funds	8,267,365	(69,842,389)
Opening shareholders' funds	<u>106,244,275</u>	<u>176,086,664</u>
Closing shareholders' funds	<u>114,511,640</u>	<u>106,244,275</u>

21. 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.