Coy House

Abito Limited

Report and Financial Statements

31 March 2010

Directors
L G Lang
T McCormack

Auditors
Ernst & Young LLP
100 Barbirolli Square
Manchester M2 3EY

Bankers
Barclays Bank Plc
1 Marsden Street
Manchester M2 1HW

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Piccadilly Plaza
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Directors' report

The directors present their report and financial statements for the year ended 31 March 2010

Results and dividends

The loss for the year after taxation amounted to £805 (2009 – loss of £113,500) The directors do not recommend the payment of a dividend

Change in ownership

Details of a change in ownership of the company are disclosed in note 15

Changes in share capital

Changes in share capital are disclosed in note 13

Principal activities and review of the business

As at 1 April 2009, the company held a long leasehold interest in 225 residential apartments in the Salford Quays development together with 69 parking spaces and 2 commercial units The company also held a long leasehold interest in 25 apartments in the Greengate development

Due to the continuing lack of funding in the mortgage markets and general economic climate, only 18 apartments from the Salford Quays development and none from the Greengate development were sold during the year In line with its overall strategy, the company continues to actively market the units for sale but pending an improvement in liquidity, is benefitting from the current strong rental market At the year end, and to date, an effective occupancy level of 100% is being achieved on both developments and general demand is putting upward pressure on passing rents

The company's key financial reporting indicators are as follows

	2010	*2009*
	£000	*£000*
Turnover	1,905	7,127
Rental income	732	132
Net (loss)	(1)	(114)
Work in progress	23,319	23,315

Net profit has been impacted by a reduction of £805,000 in the provision against work in progress

Work in progress represents the carrying value of the unsold units held at Greengate and Salford Quays Abito

Directors

The directors who served the company during the year were as follows

L G Lang	(appointed 26 March 2010)
T McCormack	(appointed 26 March 2010)
K J Knott	(resigned 26 March 2010)
S D Bate	(resigned 26 March 2010)
J P Cross	(resigned 26 March 2010)
D Burkinshaw	(resigned 26 March 2010)
J J Hughes	(resigned 26 March 2010)
A Parker	(resigned 26 March 2010)

Directors' report (continued)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

In accordance with s 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment Ernst & Young LLP as auditor of the company

On behalf of the Board

L G Lang
Director

31 March 2011

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report

to the members of Abito Limited

We have audited the financial statements of Abito Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 16 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditors' report (continued)

to the members of Abito Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jan Gregory (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Manchester

Date 31 March 2011

Profit and loss account

for the year ended 31 March 2010

	Notes	2010 £	2009 £
Turnover	2	1,904,695	7,126,964
Cost of sales - normal		(1,769,703)	(7,126,964)
- exceptional	4	805,084	-
Gross profit		940,076	-
Administrative expenses		(984,259)	(190,659)
Other operating income		732,864	132,129
Operating profit / (loss)	3	688,681	(58,530)
Interest receivable and similar income	6	173	4,386
Interest payable and similar charges	7	(689,659)	(59,356)
Loss on ordinary activities before taxation		(805)	(113,500)
Tax	8	-	-
Loss for the financial year	14	(805)	(113,500)

All activities are continuing

Statement of total recognised gains and losses

for the year ended 31 March 2010

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £805 in the year ended 31 March 2010 (2009 – loss of £113,500)

Balance sheet

at 31 March 2010

	Notes	2010 £	2009 £
Current assets			
Stocks	9	23,319,450	23,314,934
Debtors	10	37,811	34,946
Cash at bank and in hand		1,845,996	139,758
		25,203,257	23,489,638
Creditors: amounts falling due within one year	11	(1,061,628)	(24,517,870)
Net current assets / (liabilities)		24,141,629	(1,028,232)
Creditors amounts falling due after more than one year	12	(21,399,766)	-
Net assets / (liabilities)		2,741,863	(1,028,232)
Capital and reserves			
Called up share capital	13	3,771,900	1,000
Profit and loss account	14	(1,030,037)	(1,029,232)
Shareholders' funds	14	2,741,863	(1,028,232)

The financial statements were approved and authorised for issue by the Board on 31 March 2011 and were signed on its behalf by

L G Lang

Director

31 March 2011

Notes to the financial statements

at 31 March 2010

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

In conjunction with a change of ownership on 26 March 2010, the company renegotiated its senior term loan facility of £17 3m with Barclays Bank PLC The loan is repayable on 21 October 2012 The company has also received a non interest bearing loan of £3 25m from its parent company with a commitment that it will not demand repayment of this loan for a period of at least one year from the date of approval of the financial statements

Given the above facilities, current level of cash balances held and trading forecasts, the directors are satisfied that the company has sufficient resources to enable it to continue to trade for at least a period of 12 months from the date of approval of the financial statements For these reasons, they continue to prepare the financial statements on the going concern basis

Statement of cash flows

The directors have taken advantage of the exemption in FRS 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is classified as small under current Companies Act legislation

Stocks and cost of sales

Stocks are valued at the lower of cost and net realisable value Cost represents the costs associated with bringing property developments held for resale, to their current condition Costs include acquisition costs, development costs and financing costs Properties held for long term use within the business are classified as fixed assets No interest is capitalised in respect of development properties from which a rental income is derived and no development activity is taking place

The overall cost of the developments at each period end is allocated over the individual unsold units based primarily on the square footage of the unit The appropriate amount is subsequently charged to cost of sales as units are sold

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements

at 31 March 2010

1. Accounting policies (continued)

Operating leases

Rent receivable under property leases in respect of development properties is accounted for on a straight line basis over the duration of the lease and is shown net of VAT as other operating income

2. Turnover

Sales of apartments are shown as turnover where legal completions have occurred before the balance sheet date Turnover excludes value added tax and other sales taxes

Turnover is derived entirely from activities in the United Kingdom

3. Operating profit / (loss)

This is stated after charging/(crediting)

	2010	*2009*
	£	*£*
Auditors' remuneration – audit services	6,500	5,475
Rents received	(732,864)	(132,129)

4. Exceptional items

	2010	*2009*
	£	*£*
Release of provision against work in progress	805,084	–

5. Directors' emoluments and staff costs

The company employed no staff during the year No salaries or wages have been paid to the directors during the current or previous year There were no pension contributions paid in the year (2009 – £nil)

6. Interest receivable and similar income

	2010	*2009*
	£	*£*
Bank interest receivable	173	4,386

7. Interest payable and similar charges

	2010	*2009*
	£	*£*
Bank interest payable	689,659	59,356

Notes to the financial statements

at 31 March 2010

8. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows

	2010	2009
	£	£
Current tax		
UK corporation tax on the loss for the year	-	-
Under / (over) provision in prior years	-	-
Total current tax (note 8(b))	-	-
Tax on loss on ordinary activities	-	-

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	2010	2009
	£	£
Loss on ordinary activities before tax	(805)	(113,500)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	(225)	(31,780)
Effects of		
Expenses not deductible for tax purposes	182	(193)
Tax losses carried forward	2,130	31,973
Non taxable items	(2,087)	-
Current tax for the year (note 8(a))	-	-

(c) Deferred tax

There is no provided deferred tax at 31 March 2010 (2009 – £nil) There is an unprovided deferred tax asset of £464,879 (2009 – £462,927) relating to tax losses carried forward

Notes to the financial statements

at 31 March 2010

9. Stocks

	2010	2009
	£	£
Work in progress	23,319,450	23,314,934

10. Debtors

	2010	2009
	£	£
Trade debtors	1,214	-
Other debtors	6,495	32,671
Prepayments and accrued income	30,102	2,275
	37,811	34,946

11. Creditors: amounts falling due within one year

	2010	2009
	£	£
Trade creditors	210,245	238,727
Amounts due to group companies	-	4,028,586
Other creditors including taxation and social security	29,029	-
Accruals and deferred income	822,354	529,507
Bank loan (note 12)	-	19,721,050
	1,061,628	24,517,870

Notes to the financial statements

at 31 March 2010

12. Creditors: amounts falling due after more than one year

	2010	2009
	£	£
Wholly repayable within five years		
Bank loans (secured)	18,302,632	-
Amounts due to parent company	3,097,134	-
	21,399,766	-
Amounts repayable		
Within one year	-	19,721,050

Bank loans are secured via fixed / floating charges over the assets of the company and comprise

- £17,319,298 senior loan due to Barclay's Bank PLC It is repayable in full on 21 October 2012 and bears interest at 2 75% over LIBOR
- £1,300,000 treasury facility due to Barclay's Bank PLC It is repayable in full on 21 October 2012 and bears interest at 2 75% over LIBOR (1 75% prior to September 2010)

LIBOR on approximately £13m of the senior loan is subject to a hedging agreement If LIBOR is less than 3 5% then 1 95% applies If greater than 3 5%, the actual rate is applied subject to a cap of 5% The hedge arrangement expires in October 2011

Bank loans are presented net of unamortised facility fees of £316,667

13. Issued share capital

		2010		2009
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	3,771,900	3,771,900	850	850
Ordinary 'B' shares of £1 each	-	-	150	150
	3,771,900	3,771,900	1,000	1,000

On 26 March 2010, the B Ordinary shares were reclassified as Ordinary shares and 3,770,900 additional Ordinary shares were allotted at par

14. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	£	£	£
At 1 April 2009	1,000	(1,029,232)	(1,028,232)
Loss for the year	–	(805)	(805)
Allotment of shares (note 13)	3,770,900	-	3,770,900
At 31 March 2010	3,771,900	(1,030,037)	2,741,863

Notes to the financial statements

at 31 March 2010

15. Ultimate parent undertaking and controlling party

On 26 March 2010, the company was acquired by Levitt Abito Limited, a joint venture company between Infinity Number One Limited and Levitt UK Real Estate Limited

16. Related party transactions

As at 31 March 2010, the company owed £3,097,133 to its parent company This comprises initial funding of £3,250,000 less invoices settled by the company on behalf of Levitt Abito Limited of £152,867

The balance of £1,407,805 due to the previous parent company as at 26 March 2010 was repaid in full on that date