Centros UK Limited

(formerly Centros Miller Limited)

Directors' report and financial statements
SC268024
For the 15 month period to 31 March 2008

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Company information

Registered office:	24 Great King Street Edinburgh EH3 6QN
Directors:	Mr JC Marsh Mr R Wise Mrs M O'Reilly-Neenan DV3 Administration UK1 Limited DV3 Administration UK2 Limited DV4 Administration Limited
Secretary:	DV3 Administration UK 1 Limited
Bankers:	The Royal Bank of Scotland 36 St Andrew Square EDINBURGH EH2 2YB
Solicitors:	Lawrence Graham 190 Strand LONDON WC2R 1JN
Auditors:	Ernst & Young LLP 1 More London Place London SE1 2AF

Directors' report

The directors present their report together with the financial statements for the period ended 31 March 2008.

Change of Shareholders

On the 11th January 2008 The Miller Group Limited, a shareholder in the company sold its entire shareholding in the company to DV4 Properties 23 Limited.

Change of Company Name

On the 8th February 2008 Centros Miller Limited changed its name to Centros UK Limited.

Principal activities

The principal activity of the group is that of property development management.

Results and Dividends

The results for the year are set out on page 7. The loss for the period was £1,595,963 (*2006: profit of £496,182*). The directors do not recommend payment of a dividend (*2006*: nil)

Directors

The directors of the company during the period were:

Mr PH Miller	Resigned 11/01/08
Mr DT Milloy	Resigned 11/01/08
Mr FM Hewett	Resigned 05/12/07
Mrs M Wood	Resigned 20/08/07
Mrs JM Jackson	Appointed 05/12/07 Resigned 11/01/08
Mr DW Borland	Appointed 20/08/07 Resigned 11/01/08
Mr JF Laker	Resigned 26/09/08
Mr J Hendriks	Appointed 11/01/08 Resigned 02/07/08
Mr K Davis	Appointed 11/01/08 Resigned 02/07/08
Mr JC Marsh	
DV3 Administration UK 1 Ltd	
DV3 Administration UK 2 Ltd	
Mr R Wise	Appointed 20/03/08
Mrs M O'Reilly-Neenan	Appointed 20/03/08
DV4 Administration Ltd	Appointed 02/07/08

None of the directors had an interest in the shares of this company.

Risks and Uncertainties and Key Performance Indicators

The performance of the business is assessed by monitoring the level of fees received for development management.

The directors are satisfied that the income received from the current projects managed by the company is sufficient to support its business for the foreseeable future. All projects are deemed to be ongoing.

In the opinion of the directors, the risks/project issues that may jeopardise the future income streams are as follows:

a) Cost of finance
b) Cost of raw materials
c) Construction contract costs.

The directors are aware of the need to manage this without compromising the quality of the design and value realised upon completion. These aspects are closely monitored by the staff.

Financial risk management objectives and policies

The company uses various financial instruments; these include cash, bank overdraft, other loans, shareholder loans and various items such as trade debtors and trade creditors that arise directly from its operations.
The main risks arising from the company's financial instruments are liquidity risk, interest rate risk, and credit risk.

Liquidity risk
The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Our policy has been to have sufficient facilities available to maintain short term flexibility.

Interest rate risk
The company finances its operations through a mixture of bank borrowings, shareholder loans and other loans. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Credit risk
The company's principal financial assets are cash and trade debtors. Risks associated with cash are limited as the bank has high credit ratings assigned by international credit rating agencies.
The principal credit risk lies with trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Future Developments

Centros UK will continue to seek opportunities to widen its income base in a challenging market environment by securing a variety of new development projects that are more suited to the current economic conditions. All of these prospective development projects will be financed by equity either from the Company's own shareholders or from a third party with a development management agreement in place.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

During the period KPMG LLP resigned and Ernst & Young LLP were appointed auditors to the company.

By order of the board

DV3 Administration UK 1 Limited
Secretary
19th February 2009

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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, UK 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 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; and
- 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 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 1985. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Centros UK Limited

We have audited the financial statements of Centros UK Limited for the period ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet and related notes 1 to 17. 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 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

The directors' responsibilities for preparing the Directors' Report and the financial statement in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 Directors' Report 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 directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments made by the directors 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 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 Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
20 February 2009

Profit and loss account

for the period ended 31 March 2008

	Note	Period Ended 31 March 2008 £	Year Ended 31 December 2006 £
Turnover		**4,534,838**	5,154,896
Cost of sales		**(1,210,757)**	(1,480,675)
Gross profit		**3,324,081**	3,674,221
Administrative expenses		**(4,705,154)**	(3,110,260)
Operating (loss)/profit	*2*	**(1,381,073)**	563,961
Other interest receivable and similar income	*3*	**19,219**	-
Interest payable and similar charges	*3*	**(201,365)**	(58,397)
(Loss)/profit on ordinary activities before taxation		**(1,563,219)**	505,564
Tax on (loss)/profit on ordinary activities	*6*	**(32,744)**	(9,382)
(Loss)/profit for the period	*13*	**(1,595,963)**	496,182

There were no recognised gains or losses during the current and previous financial periods, other than those presented above. All amounts derive from continuing operations.

Balance sheet

As at 31 March 2008

	Note	At 31 March 2008 £	31 December 2006 £
Fixed assets			
Tangible fixed assets	7	**93,222**	67,067
Investments	8	**1**	1
		93,223	67,068
Current assets			
Debtors	9	**1,309,748**	1,361,524
Cash in hand		**492**	1,337,364
		1,310,240	2,698,888
Creditors: amounts falling due within one year	10	**(1,275,141)**	(2,241,548)
Net current assets		**35,099**	457,340
Total assets less current liabilities		**128,322**	524,408
Creditors: amounts falling due after more than one year	11	**(2,245,039)**	(1,045,162)
Net liabilities		**(2,116,717)**	(520,754)
Capital and reserves			
Called up share capital	12	**100**	100
Profit and loss account	13	**(2,116,817)**	(520,854)
Shareholders' deficit	14	**(2,116,717)**	(520,754)

The financial statements were approved by the Board of Directors on 19th February 2009 and signed on their behalf by:

Richard Wise
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention. The financial statements have been prepared on the going concern basis as the shareholders have indicated that they will continue to support the company.

The company is exempt by virtue of S248 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking not about its group.

Going Concern

The financial statements have been prepared on a going concern basis. The parent undertaking has indicated its willingness to support the company as to enable it to meet its liabilities as they fall due. It has further indicated that it will not seek repayment of its loan until the company is in a position to make such a repayment without jeopardising the continued operational existence of the company. The loan is repayable by the company on the earlier of a disposal of its investment properties, a refinancing of its loans or such other date as agreed with the parent undertaking.

Cash flow statement

The company has taken advantage of the exemption in FRS 1: Cash flow statements (revised 1996) from the requirement to prepare a cash flow statement on the grounds that it qualifies as a small entity under sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold fittings	-	life of lease
Furniture	-	10% per annum
Computer equipment	-	33% per annum
Office equipment	-	20% per annum

The carrying value of tangible fixed assets are reviewed when events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax 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 a 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, and 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;

Notes *(continued)*

1 Accounting policies *(continued)*

- provision is made for deferred tax that would arise on remittance of the retained earnings of joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- deferred tax assets are recognised only to the extent that the Director considers that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

- deferred tax is measured on an undiscounted basis at the 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.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Turnover

Turnover represents management fees received from developments run by special purpose entities in UK.

Leased Assets

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Retirement Benefits

Defined Contribution Pension Schemes

The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Investments

Investments are included at cost, less amounts written off.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Notes *(continued)*

2 Operating (Loss)/Profit

	Period Ended 31 March 2008 £	Year Ended 31 December 2006 £
This is stated after charging:		
Auditors' remuneration	**15,000**	22,000
Depreciation	**21,007**	12,521

3 Interest

	Period Ended 31 March 2008 £	Year Ended 31 December 2006 £
Payable on bank loans	**(201,365)**	(58,397)
Interest receivable	**19,219**	-

4 Directors and employees

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Period Ended 31 March 2008	Year Ended 31 December 2006
	Number of employees	
Property development and administration	**20**	19

The aggregate payroll costs were as follows:

	Period Ended 31 March 2008 £	Year Ended 31 December 2006 £ restated
Wages and salaries	**2,945,331**	2,171,600
Social security costs	**352,088**	163,740
Other pension costs	**208,248**	134,657
	3,505,667	2,469,997

5 Remuneration in respect of directors

	Period Ended 31 March 2008 £	Year Ended 31 December 2006 £
Emoluments	**1,419,229**	687,780
Pension contributions to money purchase pension schemes	**77,413**	42,837
	1,496,642	730,617

Notes *(continued)*

5 Remuneration in respect of directors *(continued)*

The remuneration paid to the directors includes the emoluments of the highest paid director as follows:

	Period Ended 31 March 2008 £	Year Ended 31 December 2006 £
Emoluments	**678,668**	389,780
Pension contributions to money purchase pension schemes	**36,763**	28,387
	715,431	418,167

Retirement benefits are accruing to two (2006: two) directors under money purchase schemes.

6 Taxation

	Period Ended 31 March 2008 £	Year Ended 31 December 2006 £
Corporation tax		
Charge for the current year	**-**	-
Prior year tax adjustment	**-**	-
Consortium relief (receivable) / reversed	**(122,082)**	164,208
Current tax (credit) / charge	**(122,082)**	164,208
Deferred tax		
Expensing of asset previously recognised (note 9)	**154,826**	(154,826)
Tax charge for the period	**32,744**	9,382

The current tax charge for the period is higher *(2006: higher)* than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	Period Ended 31 March 2008 £	Year Ended 31 December 2006 £
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**(1,563,219)**	505,564
Current tax at 30% (2006: 30%)	**(468,966)**	151,669
Effect of:		
Expenses not deductible for tax purposes	**43,624**	15,760
Deferred tax asset not recognised	**433,736**	-
Depreciation on ineligible assets	**-**	1,726
Capital allowances in excess of depreciation	**(1,470)**	(1,946)
Other timing differences	**(6,924)**	2,795
Utilisation of losses brought forward		(170,004)
Reversal of prior year consortium relief	**(122,082)**	164,208
Losses carried forward		-
Tax (credit) / charge for the current year	**(122,082)**	164,208

Notes *(continued)*

7 Tangible fixed assets

	Furniture and office equipment £	Computer Equipment £	Total £
Cost			
Opening balance	187,382	94,306	281,688
Additions	44,845	2,317	47,162
At 31 March 2008	**232,227**	**96,623**	**328,850**
Depreciation			
Opening balance	(130,905)	(83,716)	(214,621)
Charged in the year	(14,433)	(6,575)	(21,007)
At 31 March 2008	**(145,338)**	**(90,291)**	**(235,628)**
Net book value at 31 March 2008	**86,889**	**6,333**	**93,222**
Net book value at 31 December 2006	56,476	10,591	67,067

8 Investments

	Investment in subsidiary company £
Cost	
Opening balance	1
Investment during the year	-
At 31 March 2008	**1**

The company holds 100% of the issued share capital of Centros Management Limited, a company incorporated in Scotland which is engaged in project management. Its aggregate capital and reserves at 31 March 2008 was £74,788 *(2006: £87,793)* and its profit for the period was £68,020 *(2006: £87,792)*.

9 Debtors

	31 March 2008 £	31 December 2006 £
Trade debtors	**1,087,159**	1,098,450
Other debtors	**115,178**	10,959
Prepayments	**107,411**	91,789
Amount receivable from group undertakings	**-**	5,500
Deferred tax asset	**-**	154,826
	1,309,748	1,361,524

Notes *(continued)*

9 Debtors *(continued)*

Deferred tax

	£
As at 31 December 2006	**154,826**
Credit to profit and loss account (note 6)	**(154,826)**
At 31 March 2008	**-**

The deferred tax asset comprises:

	31 March 2008 £	31 December 2006 £
Losses carried forward	-	149,225
Capital allowances in excess of depreciation	-	(5,618)
Other timing differences	-	11,219
Asset not recognised		-
	-	154,826

10 Creditors: amounts falling due within one year

	31 March 2008 £	31 December 2006 £
Trade creditors	**176,250**	940,000
Accruals and deferred income	**577,060**	1,112,577
Amount owed to group undertakings	**160,854**	-
Other taxes and social security	**71,294**	-
Other creditors	**214,611**	188,971
Bank overdraft	**75,072**	-
	1,275,141	2,241,548

Accruals include £1,619 (2006: Nil) of unpaid amounts relating to the defined contribution scheme.

Notes *(continued)*

11 Creditors: amounts falling due after more than one year

	31 March 2008 £	31 December 2006 £
Shareholders' loans	**2,245,037**	1,045,160
Shares classified as liabilities	**2**	2
	2,245,039	1,045,162

Shares classified as liabilities comprise A and B preference shares. The holders of these shares have no voting rights. On winding up of the company, the A and B preference shareholders have the right to receive in priority to the ordinary shareholders the sum of £1 per share.

The shareholders' loans are interest bearing with a rate of 15% being applied. They are repayable on demand.

12 Share capital

	31 March 2008 £	31 December 2006 £
Equity		
Authorised, allotted, called up and unpaid		
50 ordinary 'A' shares of £1 each	**50**	50
50 ordinary 'B' shares of £1 each	**50**	50
	100	100

The ordinary A and B shares rank *pari passu* in all respects.

13 Profit and loss account

	31 March 2008 £	31 December 2006 £
As at 31 December 2006	**(520,854)**	(1,017,036)
Loss for the period	**(1,595,963)**	496,182
At 31 March 2008	**(2,116,817)**	(520,854)

14 Reconciliation of movements in shareholders' deficit

	31 March 2008 £	31 December 2006 £
Opening shareholders' deficit	**(520,754)**	(1,016,936)
(Loss) / profit for the period	**(1,595,963)**	496,182
Closing shareholders' deficit	**(2,116,717)**	(520,754)

Notes *(continued)*

15 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Period Ended 31 March 2008		Year Ended 31 December 2006	
	Land and buildings £	**Office Equipment** £	Land and buildings £	Office Equipment £
Operating leases which expire:				
Within one year		**4,222**		4,222
In the second to fifth years inclusive	**186,500**	**1,600**	186,500	1,600
	186,500	**5,822**	**186,500**	**5,822**

16 Transactions with related parties

The company earned management fees of £652,102 *(2006: £491,925)* from Centros Bury St Edmunds Limited Partnership, the partners in which are DV4 Bury St Edmunds Limited Partnership and DV3 Properties Bury St Edmunds Limited, a limited partnership and a company respectively controlled by the company's shareholders. At 31 March 2008 £65,888 *(2006: £113,533)* was due from Centros Bury St Edmunds Limited Partnership.

The company earned management fees of £1,188,717 *(2006: £936,724)* from Centros Portsmouth Limited Partnership, the owners of which are DV4 Portsmouth Limited Partnership and DV3 Properties Portsmouth Limited, a limited partnership and a company respectively controlled by the company's shareholders. At 31 March 2008 £108,997 *(2006: £725)* was due from Centros Portsmouth Limited Partnership.

The company earned management fees of £530,250 *(2006: £750,000)* from Centros Lancaster Limited Partnership, the owner of which is DV3 Properties Lancaster Limited, a company controlled by the company's shareholders. At 31 March 2008 £56,095 *(2006: £2,216)* was due from Centros Lancaster Limited Partnership.

The company earned no administration fees *(2006: £239,000)* from Centros Miller 1999 Limited, a company in which the company's shareholders have a 50% interest. At 31 March 2008 no fees were due *(2006:£1,528)* from Centros Miller 1999 Limited.

The company earned administration fees of £120,644 *(2006: £117,063)* from Centros Management Limited, a 100% owned subsidiary of Centros UK Ltd. At 31 March 2008 £60,853 *(2006:-£5,500)* was due to Centros Management Limited.

The company also charged consultancy fees to Centros Portsmouth Limited Partnership £250,671 (2006: £130,518), Centros Bury St Edmunds Limited Partnership £137,513 (2006: £80,028) and Centros Lancaster Limited Partnership £111,816 (2006: £89,453).

At year end shareholder loans and other amounts totalling £1,210,886 *(2006: £538,014)* and £1,034,152 *(2006: nil)* were due to DV3 Centros UK Limited and DV4 Properties 23 Limited respectively.

17 Ultimate parent company

The company is jointly controlled by DV4 Properties 23 Limited and DV3 Centros UK Limited.