

Centros UK Limited

Directors' report and financial statements

SC268024

For the year ended 31 March 2011

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Company information

Registered office:	24 Great King Street Edinburgh EH3 6QN
Company Number:	SC268024
Directors:	Mr JC Marsh Mr D Lewis DV4 Administration Limited
Secretary:	DV4 Administration 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

Centros UK Ltd (Company Number SC268024)

Directors' report

The directors present their report together with the financial statements for the year ended 31 March 2011.

Principal activities

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

Results and Dividends

The results for the year are set out on page 6. The loss for the year was £22,244. (2010: loss of £1,709,527). The directors do not recommend payment of a dividend (2010: £nil)

Directors

The directors of the company during the period were:

Mr JC Marsh	
Mr D Lewis	Appointed 16 June 2010
DV3 Administration UK 1 Limited	Resigned 31 March 2011
DV3 Administration UK 2 Limited	Resigned 31 March 2011
Mr R Wise	Resigned 12 May 2011
DV4 Administration Limited	

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 services.

The directors are aware that the income received from the current projects managed by the company is insufficient to support its business in the short term. During the year an emphasis has been placed on securing new business. The current forecast shows positive returns for the shareholders in the coming year.

Financial risk management objectives and policies

The company uses various financial instruments including cash, 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 and credit risk.

Liquidity risk

The company seeks to manage financial risk by ensuring there is sufficient income to cover the overhead costs of the business. The shortfall is currently being managed by cash inflow from the shareholders, but going forward it is the intention of the directors to have sufficient income from both third party projects and shareholder projects to cover the overheads.

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 credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Statement of Going Concern

Centros UK Ltd is a wholly owned subsidiary of DV4 Holdings Centros Ltd. The shareholder has pledged its continued financial support to the company in meeting its liabilities as and when they fall due to the extent that money is not otherwise available to meet such liabilities.

The company is expected to generate positive cashflows in the year to 31 Mar 2012 and in the future. The Board is currently of the opinion that having reviewed the cashflows and revenue projections, the company should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

On the basis of their assessments the directors have concluded that there are no material uncertainties existing that may cast significant doubt about the ability of the company to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Future Developments

Centros UK Limited will continue to seek opportunities to widen its income base in a challenging market environment by identifying a variety of new investment and development projects that are more suited to the current economic conditions for its shareholders or 3rd Party investors. In such instances the company will act as development manager for the project. All of these prospective projects will be financed by equity either from the Company's own shareholders or from a third party investor.

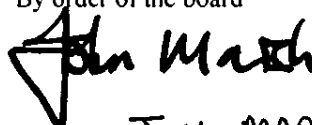
Disclosure of information to auditors

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/she/it ought to have taken as a director to make himself/herself/itself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Ernst & Young LLP were re-appointed auditors to the company.

By order of the board


Director JOHN MARSH

Date: 12/12/11

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 2006. 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 AUDITOR'S REPORT TO THE MEMBERS OF CENTROS UK LIMITED

We have audited the financial statements of Centros UK Limited for the year ended 31st March 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and related notes 1 to 17. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31st March 2011 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.

Opinion on other matters 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.

Ernst & Young LLP

Matthew Williams (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

12 December 2011

Profit and loss account
for the year ended 31 March 2011

	<i>Notes</i>	Year Ended 31 March 2011 £	Year Ended 31 March 2010 £
Turnover		150,000	520,000
Cost of sales		(9,763)	(16,832)
Gross profit		140,237	503,168
Administrative expenses		(1,279,610)	(1,931,476)
Administrative expenses recharged to subsidiary		1,117,119	-
Operating loss	2	(22,254)	(1,428,308)
Interest receivable		10	-
Interest payable and similar charges	3	-	(281,219)
Loss on ordinary activities before taxation		(22,244)	(1,709,527)
Tax on loss from ordinary activities	6	-	-
Loss for the period	13	(22,244)	(1,709,527)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

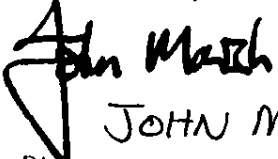
Statement of Total Recognised Gains and Losses
For the year ended 31 March 2011

There were no recognised gains or losses other than the loss presented above.

Balance sheet
As at 31 March 2011

	<i>Notes</i>	31 March 2011 £	31 March 2010 £
Fixed assets			
Tangible fixed assets	7	12,638	7,834
Investments	8	2	1
		12,640	7,835
Current assets			
Debtors	9	179,855	86,485
Cash in hand		339,220	108,918
		519,075	195,403
Creditors: amounts falling due within one year	10	(928,028)	(1,327,833)
Net current liabilities		(408,953)	(1,132,430)
Total assets less current liabilities		(396,313)	(1,124,595)
Creditors: amounts falling due after more than one year	11	(4,379,984)	(3,629,458)
Net liabilities		(4,776,297)	(4,754,053)
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account	13	(4,776,397)	(4,754,153)
Shareholders' deficit	14	(4,776,297)	(4,754,053)

The financial statements were approved by the Board of Directors on **12th December** 2011 and signed on their behalf by:


JOHN MARSH
Director

Notes to the Financial Statements

For the year ended 31 March 2011

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 United Kingdom accounting standards and under the historical cost convention.

Since the company qualifies as small under s383 of Companies Act 2006, it is exempt from the duty to prepare group financial statements under s399 of Companies Act 2006. 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. Both of the controlling parties have indicated their willingness to support the company as to enable it to meet its liabilities as they fall due. They have further indicated that they will not seek repayment of their loan until the company is in a position to make such a repayment without jeopardising the continued operational existence of the company.

Cash flow statement

The company has taken advantage of the exemption in FRS 1: Cash flow statements from the requirement to prepare a cash flow statement on the grounds that it qualifies as a small entity.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Such cost includes costs directly attributable to making the asset capable of operating as intended. 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:

Furniture	-	10% per annum
Computer equipment	-	33% per annum
Office equipment	-	20% per annum

The carrying value of tangible fixed assets is reviewed for impairment 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 Taxation

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:

Notes *(continued)*

1 **Accounting policies** *(continued)*

- 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;
- 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.

Turnover

Turnover represents management fees net of VAT, receivable from development and asset management projects in the UK. Turnover is recognised in the accounting period in which the services are rendered and a right to consideration exists.

Leased Assets

All leases are 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.

The investment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes (continued)

2 Operating Loss

	Year Ended 31 March 2011 £	Year Ended 31 March 2010 £
<i>This is stated after charging:</i>		
Auditors' remuneration	10,300	10,000
Depreciation	4,818	4,478
Operating lease liabilities – Buildings	59,070	153,255
- Office Equipment	5,107	7,737
	<u> </u>	<u> </u>

3 Interest Payable and similar charges

	Year Ended 31 March 2011 £	Year Ended 31 March 2010 £
Loan interest payable	-	281,219
	<u> </u>	<u> </u>

4 Directors and employees

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

	Year Ended 31 March 2011	Year Ended 31 March 2010
	Number of employees	
Property development and administration	9	10
	<u> </u>	<u> </u>

The aggregate payroll costs were as follows:

	Year Ended 31 March 2011 £	Year Ended 31 March 2010 £
Wages and salaries	899,817	987,375
Social security costs	108,656	105,275
Other pension costs	85,568	93,052
	<u> </u>	<u> </u>
	1,094,041	1,185,702
	<u> </u>	<u> </u>

5 Remuneration in respect of directors

	Year Ended 31 March 2011 £	Year Ended 31 March 2010 £
Aggregate emoluments	394,924	502,736
Pension contributions to money purchase pension schemes	47,264	69,987
	<u> </u>	<u> </u>
	442,188	572,723
	<u> </u>	<u> </u>

Notes (continued)

5 Remuneration in respect of directors (continued)

In respect of the highest paid director:

	Year Ended 31 March 2011 £	Year Ended 31 March 2010 £
Aggregate emoluments	161,750	211,750
Pension contributions to money purchase pension schemes	24,262	24,262
	<u>186,012</u>	<u>236,012</u>

Retirement benefits are accruing to three (2010: three) directors under money purchase schemes.

6 Taxation

	Year Ended 31 March 2011 £	Year Ended 31 March 2010 £
Corporation tax		
Charge for the current year	-	-
Tax charge for the period	<u>-</u>	<u>-</u>
 Current tax reconciliation	 Year Ended 31 March 2011 £	 Year Ended 31 March 2010 £
Loss on ordinary activities before tax	<u>(22,244)</u>	<u>(1,709,527)</u>
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 28% (2010: 28%)	(6,228)	(478,667)
<i>Effect of:</i>		
Tax adjustment following acquisition by DV4 Limited	613,197	-
Expenses not deductible for tax purposes	2,250	13,924
Capital allowances in (excess)/arrear of depreciation	(4,097)	(2,218)
Other timing differences	(462)	(1,997)
Utilisation of tax losses brought forward	(110,812)	-
Unutilised tax losses carried forward	-	432,018
Group Relief (claimed) / surrendered	(72,970)	36,940
Consortium relief (claimed) / surrendered	(420,878)	-
Tax charge/(credit) for the current year	<u>-</u>	<u>-</u>

Notes (continued)

6 Taxation (continued)

The company has unrecognised deferred tax assets of £702,000 (2010: £861,000) in respect of tax losses and £7,000 (2010: £12,000) in respect of decelerated capital allowances and other temporary timing differences. They have been calculated using the future rate of UK corporation tax of 26% (2010: 28%). No deferred tax asset has been recognised as there is uncertainty as to the availability of appropriate future profits to utilise these losses.

In the budget of 23 March 2011, the Chancellor of the Exchequer announced further tax changes which, if enacted in the proposed manner, could have a significant effect on the Company's future tax position. The budget proposed a decrease in the rate of UK corporation tax from 27% to 23% over a period of four years from April 2011 to April 2014, which will be enacted annually. The government has confirmed the new rate of UK corporation tax at 26% for the year ending 31 March 2012.

The effect of the further reduction in the tax rate would be to reduce the unrecognised deferred tax asset by £81,800. The effect on the company of these proposed changes to the UK tax system will be reflected in the Company's financial statements in future years, as appropriate, as proposals have been substantively enacted.

7 Tangible fixed assets

	Furniture and office equipment £	Computer Equipment £	Total £
Cost			
Opening balance	121,291	19,239	140,530
Additions	328	9294	9622
Disposals	-	-	-
At 31 March 2011	121,619	28,533	150,152
Depreciation			
Opening balance	(114,179)	(18,517)	(132,696)
Charged in the year	(1,831)	(2,987)	(4,818)
Disposals	-	-	-
At 31 March 2011	(116,010)	(21,504)	(137,514)
Net book value at 31 March 2011	5,609	7,029	12,638
Net book value at 31 March 2010	7,112	722	7,834

8 Investments

	Investment in subsidiary company £
Cost	
Opening balance	1
Investment in the year	1
At 31 March 2011	2

Notes (continued)

8 Investments (continued)

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 2011 was £718,723 (2010: £895,959) and its loss for the period was £177,236 (2010: profit £131,930).

On 7th January 2011 the company purchased 100% of the issued share capital of Newincco 1072 Limited, a company incorporated in England. Its aggregate capital and reserves at 31 March 2011 was £1 and its profit for the period to 31st March 2011 was £Nil.

9 Debtors

	31 March 2011	31 March 2010
	£	£
Trade debtors	152,489	20,562
Other debtors	4,435	36,103
Prepayments	22,829	29,718
Unpaid share capital	102	102
	179,855	86,485

10 Creditors: amounts falling due within one year

	31 March 2011	31 March 2010
	£	£
Trade creditors	-	60,291
Accruals and deferred income	188,288	340,158
Amount owed to group undertakings	650,888	895,959
Other taxes and social security	88,852	30,124
Other creditors	-	1,301
	928,028	1,327,833

Accruals include £2,867 (2010: £2,867) unpaid amounts relating to the defined contribution scheme.

11 Creditors: amounts falling due after more than one year

	31 March 2011	31 March 2010
	£	£
Shareholders' loans	4,379,982	3,629,456
Shares classified as liabilities	2	2
	4,379,984	3,629,458

Notes (continued)

11 Creditors: amounts falling due after more than one year (continued)

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 shareholder loans were interest bearing until November 2009 with a rate of 15% being applied. Thereafter, it was agreed with the shareholder that the loan would be interest free. They are repayable on demand. However, the shareholder has indicated that it will not seek repayment of the loan until the company is in a position to make such a repayment without jeopardising the continued operational existence of the company.

On 31 March 2011, DV3 Centros UK Ltd, then the joint parent, sold its shares in Centros UK Ltd to DV4 Holdings Centros Ltd, making DV4 Holdings Centros Ltd the sole shareholder.

12 Share capital

	31 March 2011 £	31 March 2010 £
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 2011 £	31 March 2010 £
As at 1 April	(4,754,153)	(3,044,626)
Loss for the year	(22,244)	(1,709,527)
At 31 March	(4,776,397)	(4,754,153)

14 Reconciliation of movements in shareholders' deficit

	31 March 2011 £	31 March 2010 £
Opening shareholders' deficit	(4,754,053)	(3,044,526)
Loss for the year	(22,244)	(1,709,527)
Closing shareholders' deficit	(4,776,297)	(4,754,053)

Notes (continued)

15 Commitments

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

	Year Ended 31 March 2011		Year Ended 31 March 2010	
	Land and buildings £	Office Equipment £	Land and buildings £	Office Equipment £
Operating leases which expire:				
Within one year	-	1,832	-	-
In the second to fifth years inclusive	87,600	5,060	87,600	6,892
	<u>87,600</u>	<u>6,892</u>	<u>87,600</u>	<u>6,892</u>

16 Transactions with related parties

The company earned no management fees (2010: £Nil) from Centros Bury St Edmunds Limited Partnership, the partners of 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 2011 £626 (2010: £Nil) was due from Centros Bury St Edmunds Limited Partnership relating to cost recharges.

The company earned management fees of £100,000 (2010: £170,000) 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 2011 £1,195 (2010: £9,792) was due from Centros Portsmouth Limited Partnership.

The company earned no management fees (2010: £Nil) 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 2011, £3,433 (2010: £Nil) was due from Centros Lancaster Limited Partnership relating to cost recharges.

The company earned administration fees of £1,117,119 (2010: Nil) from Centros Management Limited, a 100% owned subsidiary of Centros UK Ltd. At 31 March 2011 £634,223 (2010: £895,959) was due to Centros Management Limited.

At 31 March 2011, the company owed £16,665 (2010: Nil) to Newincco 1072 Limited, a 100% owned subsidiary of Centros UK Ltd.

At year end shareholder loans and other amounts totalling £Nil (2010: £1,789,380) and £4,379,984 (2010: £1,840,076) were due to DV3 Centros UK Limited and DV4 Holdings Centros Limited respectively.

17 Ultimate parent company

As at 31 March 2011, DV3 Centros UK Ltd, the joint parent, sold its shares in Centros UK Ltd to DV4 Holdings Centros Ltd. The ultimate parent company of Centros UK Ltd is now DV4 Ltd, a company registered in British Virgin Islands.