

REPORT AND ACCOUNTS

Birmingham Airport
Developments Limited

5 APRIL 1991

ERNST & YOUNG

Birmingham Airport Developments Limited

Registered No 2295119

DIRECTORS

Mr R R Taylor

Sir S Yapp

Mr D Bjornson

Mr J Bywater

SECRETARY

Mr B Summers

AUDITORS

Ernst & Young

Chartered Accountants

PO Box No 1

3 Colmore Row

Birmingham

B3 2DB

BANKERS

Morgan Grenfell & Co Limited

23 Great Winchester Street

London

EC2P 2AX

Barclays Bank plc

Ashton House

497 Silbury Boulevard

Milton Keynes

MK9 2LD

SOLICITORS

Clifford Chance

Blackfriars House

19 New Bridge Street

London

EC4V 6BY

REGISTERED OFFICE

Birmingham International Airport

Birmingham

B26 3QJ

ERNST & YOUNG

Birmingham Airport Developments Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 5 April 1991.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £8,307,841 (1990 loss £1,093,943). The directors do not recommend the payment of a dividend, and the loss has been transferred to reserves.

REVIEW OF THE BUSINESS

The company's principal activity is the commercial office development of Trinity Park, a site on the edge of the Birmingham Airport and National Exhibition Centre complex.

The company itself was jointly owned throughout the year by the following:

	Ordinary Shareholding
Erostin Group plc	40%
Burton Property Trust Limited	30%
Birmingham International Airport plc	30%

These shareholdings have changed since the year end as detailed below.

The company has experienced difficulties during the year as a result of the fall in property values arising from the recession in the United Kingdom.

A valuation of the development by the lenders to the company resulted in an event of default on the bank loan and the subsequent need for refinancing. Before the loan could be renegotiated the major shareholder in the development and the main contractor to the development both went into liquidation; these companies were part of the Erostin Group.

Despite the problems work continued on three office blocks; two of these reached practical completion during the year, the third of which was approaching completion at the year end.

VALUATION OF DEVELOPMENT WORK IN PROGRESS

In order to assess the company's position at the year end an independent valuation of the development was undertaken. This valued the development at £12,375,000 against costs incurred to date of £17,822,837. The accounts reflect the latest valuation and the resulting fall in value of £5,447,837 has been taken to the profit and loss account for the year.

FUTURE DEVELOPMENTS AND EVENTS SINCE THE BALANCE SHEET DATE

The company has concentrated efforts on three areas; the completion of the blocks under construction and their sale or lease, the renegotiation of loan finance, and the decision on what shareholder structure to adopt.

The company leased one of the office blocks to Birmingham International Airport plc with effect from 29 September 1991 and sold a second one to it for £4,850,000 on 1 November 1991.

On 11 September 1991 the shareholders signed supplemental loan agreements and guarantees with the agent for the company's bankers (Morgan Grenfell & Co Limited). These agreements state that funds will continue to be provided to the company until the earlier of: the date of sale of the properties, an event of default, or 31 December 1992.

Birmingham Airport Developments Limited

DIRECTORS' REPORT

FUTURE DEVELOPMENTS AND EVENTS SINCE THE BALANCE SHEET DATE *(continued)*

On 11 September 1991 Erosin Group plc (in liquidation) sold its shares to the other two shareholders leaving them both with 50% shareholdings; in addition the other shareholders acquired the interests of Erosin Group plc in all the loans and accrued interest that were owing to it by the company as at 11 September 1991.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

J R Upson	(Resigned 6 September 1991)
G M Dunn	(Resigned 6 September 1991)
C Minihan	(Resigned 30 January 1991)
P Clayton-Smith	(Resigned 30 November 1990)
R R Taylor	
Sir S Yapp	
D Bjornson	(Appointed 22 February 1991)
J Bywater	(Appointed 30 November 1990)

No director had any interest in the share capital of the company.

AUDITORS

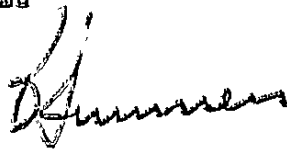
KPMG Peat Marwick resigned as auditors on 21 May 1991 and Ernst & Young were subsequently appointed in their place. Ernst & Young have confirmed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.

By order of the board

B Summers

Secretary

24 January 1992



ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of Birmingham Airport Developments Limited

We have audited the accounts on pages 6 to 11 in accordance with Auditing Standards.

The accounts have been prepared on a going concern basis, the validity of which depends on the continued support of the Company's creditors and shareholders. In the absence of such support, the going concern basis may be invalid and provision would have to be made for any loss on realisation of the Company's assets and further costs which might arise.

Subject to the continued financial support of the parties referred to above, in our opinion the accounts give a true and fair view of the state of affairs of the Company at 5 April 1991 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

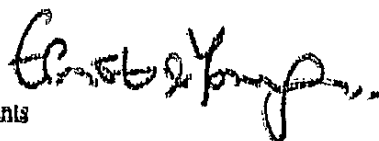
Ernst & Young

Chartered Accountants

Registered Auditor

Birmingham

24 January 1992



Birmingham Airport Developments Limited

PROFIT AND LOSS ACCOUNT

for the year ending 5 April 1991

	Note	1991 £	1990 Restated £
TURNOVER		-	-
Administrative Expenses		(13,720)	-
Bank Interest Receivable		21,236	15,699
Interest Payable	3	(2,539,099)	(1,109,642)
LOSS ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS		(2,531,583)	(1,093,943)
Exceptional items	4	(5,776,258)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(8,307,841)	(1,093,943)
TAXATION ON ORDINARY ACTIVITIES	5	-	-
RETAINED LOSS FOR THE YEAR		<u>£(8,307,841)</u>	<u>£(1,093,943)</u>

Movements on reserves and details of the restatement made are set out in note 10.

Birmingham Airport Developments Limited

BALANCE SHEET

at 5 April 1991

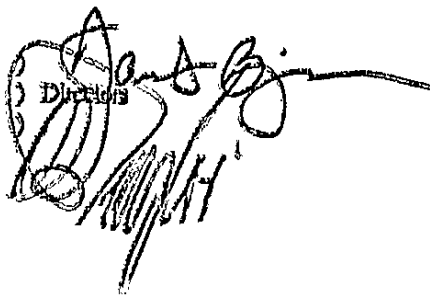
	Note	1991 £	1990 Restated £
CURRENT ASSETS			
Stocks	4	22,775,000	9,420,926
Debtors	5	214,106	113,026
Cash at bank and in hand		834	-
		<u>12,589,940</u>	<u>9,533,952</u>
CREDITORS: amounts falling due within one year			
	3	22,356,292	10,992,463
		<u>6,076,352</u>	<u>£(1,458,511)</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	9	100	100
Profit and loss account	10	(9,566,452)	(1,458,611)
		<u>£(9,766,352)</u>	<u>£(1,458,511)</u>

D G Jamson
J Bywater

R R Taylor

24 January 1992

Directors



ERNST & YOUNG

Birmingham Airport Developments Limited

NOTES TO THE ACCOUNTS

April 1991

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of work in progress. The accounts are prepared in accordance with applicable accounting standards.

Capitalisation of interest.

The company has made a fundamental change in its accounting policy with regards the capitalisation of interest. Interest incurred upon the bank loans and loans from related companies is no longer capitalised within work in progress, instead it is written off to the profit and loss account in the year to which it relates. This has resulted in a prior year adjustment.

2. OPERATING LOSS

This is stated after charging:

	1991	1990
	£	£
Auditors' remuneration	£6,000	-

Directors' emoluments were nil during the year (1990: nil). The company employed no staff during the year (1990: nil).

3. INTEREST PAYABLE

	1991	1990
	£	£
Shareholders' loans	822,935	803,496
On bank loans repayable wholly within 5 years	1,716,164	306,146
	<u>£2,539,099</u>	<u>£1,109,642</u>

4. EXCEPTIONAL ITEMS

	1991	1990
	£	£
Diminution in value of work in progress as shown in note 5	5,342,887	-
Development costs on buildings not to be built as shown in note 6	104,950	-
Bad debts written off	328,421	-
Exceptional loss	<u>£5,776,258</u>	<u>-</u>

Birmingham Airport Developments Limited

NOTES TO THE ACCOUNTS

at 5 April 1991

5. TAXATION

Subject to consortium relief which may be agreed, there is approximately £7,000,000 in trading losses to be carried forward for utilisation in subsequent periods.

6. STOCKS

	Work in progress £
Cost:	
At 6 April 1990	9,420,926
Additions	8,401,911
At 5 April 1991	17,822,837
Write off of development costs on buildings not to be built, all charged in year	(104,950)
Provision for permanent diminution in value, all charged in year	(5,342,887)
Net book value at 5 April 1991	£12,375,000

The net book value at 5 April 1991 reflects the open market valuation of the work in progress as valued at that date by Chesterton International Property Consultants.

7. DEBTORS

	1991 £	1990 £
Other taxes and social security	£214,106	£113,026

8. CREDITORS: amounts falling due within one year

	1991 £	1990 £
Bank loans	13,002,443	6,730,047
Trade creditors	606,157	174,362
Accruals	621,286	-
Amounts due to related companies	8,126,406	4,088,054
	£22,356,292	£10,992,463

The bank loans are secured by a legal charge on the freehold property included in work in progress and a floating charge on the assets of the company.

A valuation of the development resulted in an event of default on the bank loans and as a result the bank loans became repayable on demand. On 11 September 1991 the shareholders signed supplemental loan agreements and guarantees with the agent for the company's bankers (Morgan Grenfell and Co Limited). These agreements state that funds will continue to be provided to the company until the earlier of: the date of sale of one of the properties, a further event of default, or 31 December 1992.

Birmingham Airport Developments Limited

NOTES TO THE ACCOUNTS

at 5 April 1991

9. SHARE CAPITAL

	Authorised		Allotted called up and fully paid	
	1991 £	1990 £	1991 £	1990 £
Ordinary shares of £1 each	£100	£100	£100	£100

10. RESERVES

Profit and loss account

	1991 £	1990 £
Retained loss at beginning of year		
- as previously reported		
- prior year adjustment	(1,458,611)	(364,668)
- as restated	(1,458,611)	(364,668)
Retained loss for the year	(8,307,841)	(1,093,943)
Retained loss at end of year	£(9,766,452)	£(1,458,611)

The prior year adjustment relates to a fundamental change in accounting policy with regards to the capitalisation of interest (see note 1) and the recalculation of the interest.

11. POST BALANCE SHEET EVENTS

On 11 September 1991 the other shareholders reached an agreement with the Liquidators of Erosin Group plc to purchase its shares in the company and loans made to the company and the rights attached to them.

The company leased one of the office blocks to Birmingham International Airport plc with effect from 29 September 1991 and sold a second one to it for £4,850,000 on 1 November 1991. Changes in bank financing have been discussed in note 8 above.

12. CAPITAL COMMITMENTS

	1991 £	1990 £
Contracted	£910,319	£6,194,856
Authorised by the directors but not contracted	£320,000	£31,163,238

Birmingham Airport Developments Limited

NOTES TO THE ACCOUNTS

at 5 April 1991

13. CONTINGENT LIABILITIES

On 7 May 1991 a writ was issued against the company by Bowmer and Kirkland Ltd sub contractors to Centralspire Ltd (an Erosin group subsidiary) for part of the development in respect of business undertaken by the subcontractors. The directors do not consider that any material liability will result in respect of this writ.

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