

ANNUAL REPORT AND ACCOUNTS

First Castle Developments Limited

31 MARCH 2007

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COMPANIES HOUSE

First Castle Developments Limited

DIRECTORS AND ADVISORS

For the year ended 31 March 2007

REGISTERED NUMBER 2783202

DIRECTORS

O Cussen
L R Gregory
J L Hudson
M S Jaspal
M J Kelly
G E Richards
J J Stent
M Upton

SECRETARY

M J Kelly

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered accountants and registered auditors
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

BANKERS

National Westminster Bank Plc
2 St Philips Place
Birmingham
B3 2RB

SOLICITORS

Eversheds LLP
115 Colmore Row
Birmingham
B3 3AL

REGISTERED OFFICE

115 Colmore Row
Birmingham
B3 3AL

First Castle Developments Limited

DIRECTORS' REPORT

For the year ended 31 March 2007

The directors present their report and audited accounts for the year to 31 March 2007

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £12,992 (2006 £29,306) No dividends have been paid in the year (2006 nil) resulting in a retained profit for the year of £12,992 (2006 £29,306)

PRINCIPAL ACTIVITY

The Company is a Property Investment and Development Company

REVIEW OF THE BUSINESS

As the Company is a wholly owned subsidiary of Birmingham Airport Holdings Limited, a review of the business can be found within those accounts including a performance review, key performance indicators and information upon financial risk management

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows

O Cussen
L R Gregory
R J Heard (Deceased 18/1/07)
J L Hudson
M S Jaspal

M J Kelly
G E Richards
J J Stent
M Upton

The directors do not have any beneficial interest in the shares of the Company Directors who are also directors of the parent or ultimate parent undertaking have any interest in shares in that Company disclosed in those accounts

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 year In preparing those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors confirm that the accounts comply with the above requirements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985 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

SMALL COMPANY EXEMPTIONS

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and the directors have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

First Castle Developments Limited

DIRECTORS' REPORT

For the year ended 31 March 2007 (continued)

AUDITORS

The Company passed an elective resolution on 20 August 1997 under Section 386 Companies Act 1985 dispensing with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP have confirmed their willingness to continue in office and accordingly, shall be deemed re-appointed as auditors.

By order of the board



M J Kelly
Director

18 July 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST CASTLE DEVELOPMENTS LIMITED

We have audited the financial statements of First Castle Developments Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and 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 Directors' 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 the Directors' Report. 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

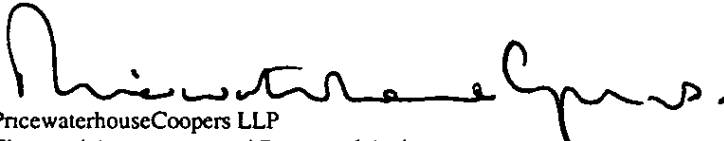
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

18 July 2007

First Castle Developments Limited

PROFIT & LOSS ACCOUNT for the year ended 31 March 2007

	<u>Note</u>	<u>2007</u> <u>£</u>	<u>2006</u> <u>£</u>
TURNOVER	2	336,817	360,476
Cost of sales		(18,170)	(21,711)
GROSS PROFIT		318,647	338,765
Administration expenses		(1,766)	(21,930)
OPERATING PROFIT	3	316,881	316,835
Interest payable and similar charges	4	(300,842)	(299,669)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16,039	17,166
Tax on profit on ordinary activities	5	(3,047)	12,140
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	11	12,992	29,306

There are no recognised gains and losses other than the profit for the years ended 31 March 2007 and 31 March 2006 and therefore no separate statement of recognised gains and losses has been presented

All results derive from continuing activities. There is no material difference between the profit on ordinary activities before taxation for the year stated above and their historical cost equivalents


First Castle Developments Limited

BALANCE SHEET At 31 March 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Tangible Assets	6	5,194,000	5,194,000
CURRENT ASSETS			
Development work in progress	7	700,000	700,000
Debtors	8	72,159	64,111
Cash at bank and in hand		37,992	32,673
		810,151	796,784
CREDITORS			
Amounts falling due within one year	9	(4,513,763)	(4,513,388)
NET CURRENT LIABILITIES		(3,703,612)	(3,716,604)
NET ASSETS		1,490,388	1,477,396
SHARE CAPITAL AND RESERVES			
Called Up Share Capital	10	1,151,000	1,151,000
Revaluation Reserve	11	699,335	699,335
Profit and Loss Account	11	(359,947)	(372,939)
TOTAL EQUITY SHAREHOLDERS' FUNDS	11	1,490,388	1,477,396

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities

The financial statements on pages 5 to 10 were approved by the board of directors on 18 July 2007 and were signed on its behalf by


J L Hudson
Chairman


M J Kelly
Director

First Castle Developments Limited

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007

1. ACCOUNTING POLICIES

Basis of Preparation

These accounts have been prepared under the going concern concept as the directors believe that continuing finance will be made available from the parent undertaking for the Company to meet its liabilities as they fall due and to continue without immediate realisation of its assets. The accounts are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with the Companies Act 1985 and applicable accounting standards.

Fixed Assets

Freehold Land and Buildings are held as investment properties and are accounted for in accordance with SSAP 19. Consequently their open market value is reviewed internally on an annual basis, with an external valuation every five years performed by an appropriately qualified valuer.

Work in progress

Work in progress is stated at the lower of cost or net realisable value.

Depreciation

Depreciation has not been provided on Land or Buildings in accordance with SSAP 19.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and other group companies for the Company's sole continuing activity, the development, management and renting of property. The turnover is derived entirely in the United Kingdom.

3. OPERATING PROFIT

This is stated after charging

	2007 £	2006 £
Auditors Remuneration -audit services	1,617	1,604
-other services	-	1,896

Directors' emoluments from the Company were nil during the year (2006 £ nil). The Company employed no staff during the year (2006 nil).

4. INTEREST PAYABLE & SIMILAR CHARGES

	2007 £	2006 £
Intercompany loans	300,842	299,669

First Castle Developments Limited

NOTES TO THE ACCOUNTS For the year ended 31 March 2007

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £	2006 £
Corporation Tax – current year	3,047	3,900
Corporation Tax – adjustment in respect of prior years	-	(16,040)
	<u>3,047</u>	<u>(12,140)</u>

Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the year is lower (2006 lower) than the standard rate of corporation tax. The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	16,039	17,166
Profit on ordinary activities at the standard rate of tax of 30% (2006 30%)	4,811	5,150
Effect of -		
Disallowed expenses and non-taxable income	-	1,009
Small companies rate relief	(1,764)	(2,259)
Adjustments in respect of prior year	-	(16,040)
	<u>3,047</u>	<u>(12,140)</u>

6. FIXED ASSETS

	Land & Buildings Freehold £	Plant & Machinery £	Total £
Valuation			
At 1 April 2006	5,190,000	4,000	5,194,000
At 31 March 2007	<u>5,190,000</u>	<u>4,000</u>	<u>5,194,000</u>

Freehold land and buildings have not been depreciated. The freehold land and buildings were valued at their open market value in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors on 31 March 2004 by Chesterton Ltd. The valuation of £5,574,800 identified impairments of £54,260 and gains of £1,014,816 giving a net gain of £960,556. The impairment was charged to the profit and loss account and £120,621 of the gain was credited to the profit and loss account reinstating previous impairments charged there. The balance of £894,195 was credited to the revaluation reserve. The open market value was considered inappropriate for one property due to the specific circumstances of the parent undertaking. The valuation was therefore performed on a calculation of worth basis.

All properties have been reviewed internally during the year and the Directors feel the carrying values brought forward are still appropriate.

On a historical cost basis freehold land and buildings would have been included as follows

	£
Cost	
At 1 April 2006	4,539,369
At 31 March 2007	<u>4,539,369</u>

First Castle Developments Limited

NOTES TO THE ACCOUNTS For the year ended 31 March 2007

7	DEVELOPMENT WORK IN PROGRESS	£
	Valuation	
	At 1 April 2006	700,000
	At 31 March 2007	700,000

The replacement cost of development work in progress was £700,000 which is based upon the open market valuation carried out by Chesterton Ltd as at 31 March 2004. The Directors have internally reviewed the valuation at the end of the year and feel the valuation is still appropriate.

8.	DEBTORS	2007	2006
		£	£
	Trade debtors	45,153	34,804
	Other debtors	27,006	29,307
		72,159	64,111

9	CREDITORS amounts falling due within one year	2007	2006
		£	£
	Other creditors	38,785	33,191
	Amounts owing to parent undertaking	4,458,200	4,464,504
	Deferred income	16,778	15,693
		4,513,763	4,513,388

The Inter-Company loans are unsecured and do not have any set repayment terms. The interest payable is based on a composite rate calculated from variable interest rates relating to the parent undertaking's loan facility.

10.	CALLED UP SHARE CAPITAL	Authorised				Allotted, called up & Fully paid			
		2007	2006			2007	2006		
		£	£			£	£		
	Ordinary shares	1,151,000	1,151,000			1,151,000	1,151,000		

11.	RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES	Share Capital	Revaluation Reserve	Profit and Loss Account	Total
		£	£	£	£
	At 1 April 2005	1,151,000	699,335	(402,245)	1,448,090
	Profit for the year	-	-	29,306	29,306
	At 31 March 2006	1,151,000	699,335	(372,939)	1,477,396
	Profit for the year	-	-	12,992	12,992
	At 31 March 2007	1,151,000	699,335	(359,947)	1,490,388

First Castle Developments Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 2007

12. CASH FLOW STATEMENT

The Company is exempt from producing a cashflow statement because it falls under the definition of a small company as determined by the Companies Act 1985

13. COMMITMENTS & CONTINGENCIES

On 15 March 2000 Birmingham International Airport Limited entered into arms-length lease arrangements with Birmingham International Airport Limited Pension Scheme to develop an office block. As part of the arrangements First Castle Developments Limited have a call option over the office block property and there is a put option granting Birmingham International Airport Limited Pension Scheme the right to put the lease to First Castle Developments Limited. The potential liability if the option had been exercised at 31 March 2007 would have been £149,616 (2006 £196,728). This declines to £1,000 over the 3 years remaining on the lease agreement such that the compound return to the pension scheme at any point in time is 10% (2006 10%).

14. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Birmingham Airport Holdings Limited, a company registered in England & Wales. It has included the Company in its group accounts, copies of which are available from its registered office Diamond House, Birmingham International Airport, Birmingham, West Midlands B26 3QJ.

15. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 8, Related Party Transactions, from disclosing the transactions with related parties between members of the Birmingham Airports Holdings Limited group of companies.