

ANNUAL REPORT AND FINANCIAL STATEMENTS

**First Castle Developments Limited**

FOR THE YEAR ENDED 31 MARCH 2008

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# **First Castle Developments Limited**

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## **DIRECTORS AND ADVISORS**

For the year ended 31 March 2008

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**REGISTERED NUMBER: 2783202**

## **DIRECTORS**

L R Gregory  
J L Hudson  
M J Kelly  
G E Richards

## **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**

Eversheds House  
70 Great Bridgewater Street  
Manchester  
M1 5ES

# First Castle Developments Limited

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## DIRECTORS' REPORT

For the year ended 31 March 2008

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The directors present their report and audited financial statements for the year to 31 March 2008

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £18,238 (2007 £12,992) No dividends have been paid in the year (2007 nil) resulting in a retained profit for the year of £18,238 (2007 £12,992)

### 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	(Resigned 19/9/07)	M J Kelly	
L R Gregory		G E Richards	
J L Hudson		J J Stent	(Resigned 19/9/07)
M S Jaspal	(Resigned 04/06/08)	M Upton	(Resigned 19/9/07)

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 FINANCIAL STATEMENTS

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) 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 those 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, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

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 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

# First Castle Developments Limited

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DIRECTORS' REPORT (continued)  
For the year ended 31 March 2008

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## STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

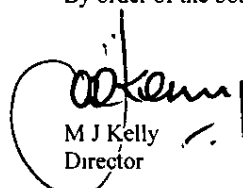
In the case of each of the persons who are directors at the time when the report is approved, the following applies

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

## 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 June 2008

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

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We have audited the financial statements of First Castle Developments Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, historic cost note 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 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

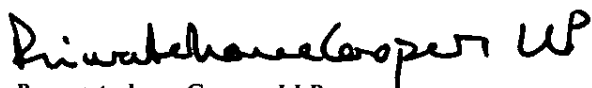
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2008 and of its loss 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

23 June 2008

# First Castle Developments Limited

## PROFIT & LOSS ACCOUNT for the year ended 31 March 2008

	Note	2008 £	2007 £
<b>TURNOVER</b>	<b>2</b>	<b>486,850</b>	<b>336,817</b>
Cost of sales		(152,230)	(18,170)
<b>GROSS PROFIT</b>		<b>334,620</b>	<b>318,647</b>
Administration expenses		(3,696)	(1,766)
<b>OPERATING PROFIT</b>	<b>3</b>	<b>330,924</b>	<b>316,881</b>
Interest payable and similar charges	<b>4</b>	(292,741)	(300,842)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>38,183</b>	<b>16,039</b>
Tax charge on profit on ordinary activities	<b>5</b>	(19,945)	(3,047)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	<b>12</b>	<b>18,238</b>	<b>12,992</b>

There are no recognised gains and losses other than the profit for the years ended 31 March 2008 and 31 March 2007 and therefore no separate statement of recognised gains and losses has been presented

All results derive from continuing activities

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2008 £000	2007 £000
Reported profit on ordinary activities before taxation	38,183	16,039
Realised revaluation gain on sale of assets	61,312	-
<b>Historical Cost Profit On Ordinary Activities Before Taxation</b>	<b>99,495</b>	<b>16,039</b>
<b>Historical Cost Profit After Taxation</b>	<b>79,550</b>	<b>12,992</b>

# First Castle Developments Limited

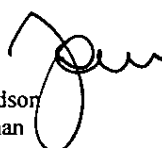
## BALANCE SHEET As at 31 March 2008

	Note	2008 £	2007 £
<b>FIXED ASSETS</b>			
Tangible Assets	6	4,974,000	5,194,000
<b>CURRENT ASSETS</b>			
Development work in progress	7	700,000	700,000
Debtors	8	4,102	72,159
Cash at bank and in hand		26,499	37,992
		<b>730,601</b>	<b>810,151</b>
<b>CREDITORS</b>			
Amounts falling due within one year	9	(4,229,197)	(4,513,763)
<b>NET CURRENT LIABILITIES</b>		<b>(3,498,596)</b>	<b>(3,703,612)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,475,404</b>	<b>1,490,388</b>
Deferred Taxation	10	33,222	-
<b>NET ASSETS</b>		<b>1,508,626</b>	<b>1,490,388</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Called Up Share Capital	11	1,151,000	1,151,000
Revaluation Reserve	12	638,023	699,335
Profit and Loss Account	12	(280,397)	(359,947)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>12</b>	<b>1,508,626</b>	<b>1,490,388</b>

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 June 2008 and were signed on its behalf by

J L Hudson  
Chairman



# First Castle Developments Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 1. ACCOUNTING POLICIES

#### Accounting Convention

The accounts are prepared under the historical cost convention, as modified to include the revaluation of freehold land and buildings in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom

#### Basis of Preparation

These accounts have been prepared on the going concern concept as the directors believe that continuing finance will be available from the parent undertaking for the Company to meet its liabilities as they fall due and to continue without the immediate realisation of its assets

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

#### Fixed Assets and Depreciation

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. Depreciation has not been provided on fixed assets.

#### Work in Progress

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

#### Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated at the balance sheet date but not reversed except for the following:

- Deferred tax assets are only recognised where, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which they can be recovered
- In respect of fixed asset revaluations, deferred tax is not provided unless there is a binding agreement to sell the asset at the balance sheet date. However, no provision is made if any gain is to be rolled over into replacement assets

The Company has elected not to discount the deferred tax assets and liabilities. Deferred tax is measured 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.

### 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

	2008 £	2007 £
Auditors remuneration - audit services	1,699	1,617

Directors' emoluments from the Company were nil during the year (2007: £ nil). The Company employed no staff during the year (2007: nil).

### 4. INTEREST PAYABLE & SIMILAR CHARGES

	2008 £	2007 £
Intercompany loans	292,741	300,842



# First Castle Developments Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 March 2008

## 5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

### (a) Analysis of tax charge

	2008 £	2007 £
Corporation Tax – current year	55,192	3,047
Corporation Tax – adjustment in respect of prior years	(2,025)	-
Total current tax (note 5b)	53,167	3,047
Deferred tax – current year (Note 10)	(33,900)	-
Deferred tax – rate adjustment (Note 10)	678	-
	19,945	3,047

### (b) Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the year is higher (2007 lower) than the standard rate of corporation tax in the UK of 30% (2007 30%). The differences are explained below

	2008 £	2007 £
Profit on ordinary activities before tax	38,183	16,039
Profit on ordinary activities at the standard rate of tax of 30% (2007 30%)	11,455	4,811
Effect of -		
Disallowed expenses and non-taxable income	573	-
Chargable gain on disposal	9,264	-
Short term timing differences	33,900	-
Small companies rate relief		(1,764)
Adjustments in respect of prior years	(2,025)	-
	53,167	3,047

### (c) Factors affecting the tax charge for the year

Further to a proposed corporation tax rate change announced in the 2007 budget, deferred tax reversing after 1 April 2008 will be recognised at a rate of 28% as opposed to the existing rate of 30%

## 6. FIXED ASSETS

	Land & Buildings Freehold £	Plant & Machinery £	Total £
Valuation			
At 1 April 2007	5,190,000	4,000	5,194,000
Disposals	(220,000)	-	(220,000)
At 31 March 2008	4,970,000	4,000	4,974,000

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.

# First Castle Developments Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 March 2008

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

	£
<b>Cost</b>	
At 1 April 2007	4,539,369
At 31 March 2008	4,380,681

<b>7. DEVELOPMENT WORK IN PROGRESS</b>	£
<b>Valuation</b>	
At 1 April 2007	700,000
At 31 March 2008	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.

<b>8. DEBTORS</b>	<b>2008</b>	<b>2007</b>
	£	£
Trade debtors	3,852	45,153
Other debtors	250	27,006
	<b>4,102</b>	<b>72,159</b>

<b>9. CREDITORS amounts falling due within one year</b>	<b>2008</b>	<b>2007</b>
	£	£
Corporation Tax	55,192	
Other creditors	139,698	38,785
Amounts owing to parent undertaking	4,028,148	4,458,200
Deferred income	6,159	16,778
	<b>4,229,197</b>	<b>4,513,763</b>

The Inter-company loans are unsecured and do not have any set repayment terms. Interest is payable at a rate of 6.75% (2007: 6.75%).

<b>10. DEFERRED TAXATION</b>	<b>2008</b>	<b>2007</b>
The amounts provided in the accounts are as follows -	£000	£000
Other timing differences	(33,900)	-
Taxation rate difference	678	
	<b>(33,222)</b>	<b>-</b>

<b>11. CALLED UP SHARE CAPITAL</b>	<b>Authorised</b>		<b>Allotted, called up &amp; Fully paid</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	£	£	£	£
1,151,000 Ordinary shares of £1 each	<b>1,151,000</b>	<b>1,151,000</b>	<b>1,151,000</b>	<b>1,151,000</b>

# First Castle Developments Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 March 2008

## 12. RECONCILIATION OF TOTAL SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £	Revaluation Reserve £	Profit and Loss Account £	Total £
At 1 April 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
Profit for the year	-	-	18,238	18,238
Transfer of revaluation reserve on assets disposed of	-	(61,312)	61,312	-
At 31 March 2008	1,151,000	638,023	(280,397)	1,508,626

## 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 2008 would have been £97,729 (2007 £149,616). This declines to £1,000 over the 2 years remaining on the lease agreement such that the compound return to the pension scheme at any point in time is 10% (2007 10%).

## 14. ULTIMATE PARENT COMPANY AND CONTROLLING INTEREST

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.