

COMPANY NUMBER
2783202

ANNUAL REPORT AND FINANCIAL STATEMENTS

First Castle Developments Limited

FOR THE YEAR ENDED 31 MARCH 2010



First Castle Developments Limited

DIRECTORS AND ADVISORS
For the year ended 31 March 2010

REGISTERED NUMBER 2783202

DIRECTORS

D C Cooper
J L Hudson
P Kehoe
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

Diamond House
Birmingham International Airport
Birmingham
B26 3QJ

First Castle Developments Limited

DIRECTORS' REPORT

For the year ended 31 March 2010

The directors present their report and audited financial statements for the year to 31 March 2010

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £25,011 (2009 £74,652) No dividends have been paid in the year (2009 nil) resulting in a retained profit for the year of £25,011 (2009 £74,652)

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 This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

FUTURE DEVELOPMENTS

The Company will continue to invest in and develop land and property including the provision of property management services

DIRECTORS AND THEIR INTERESTS

The directors during the year and up to the date of signing the financial statements were as follows

| | | | |
|-------------|----------------------|--------------|---------------------|
| D C Cooper | (Appointed 16/12/09) | M J Kelly | |
| L R Gregory | (Resigned 02/06/10) | G E Richards | |
| J L Hudson | | W H Thomas | (Resigned 11/12/09) |
| P Kehoe | | | |

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities

First Castle Developments Limited

DIRECTORS' REPORT (continued)
For the year ended 31 March 2010

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

By order of the board



M J Kelly
Director

30 June 2010

Registered number 2783202

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 2010 which comprise the Profit and Loss Account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the Balance Sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2 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 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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.

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 31 March 2010 and of its profit 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.

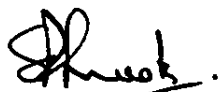
Opinion on other matter prescribed by the Companies Act 2006

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.



Stephen Snook (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

2/7/10

First Castle Developments Limited

PROFIT & LOSS ACCOUNT for the year ended 31 March 2010

| | Note | 2010 £ | 2009 £ |
|---|-------------|-------------------|-------------------|
| TURNOVER | 2 | 320,575 | 380,092 |
| Cost of sales | | (40,767) | (99,581) |
| GROSS PROFIT | | 279,808 | 280,511 |
| Administration expenses | | (3,943) | (3,856) |
| OPERATING PROFIT | 3 | 275,865 | 276,655 |
| Profit on disposal of fixed assets | | - | 75,000 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION | | 275,865 | 351,655 |
| Interest payable and similar charges | 4 | (260,599) | (264,579) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 15,266 | 87,076 |
| Tax charge on profit on ordinary activities | 5 | 9,745 | (12,424) |
| PROFIT FOR THE FINANCIAL YEAR | 12 | 25,011 | 74,652 |

All results derive from continuing activities

| | | | |
|---|-----------|----------------------|----------------------|
| STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES | | 2010 £000 | 2009 £000 |
| Profit on ordinary activities after tax | | 25,011 | 74,652 |
| Unrealised surplus on asset revaluation | 6 | - | 481,576 |
| Total Recognised Gains and Losses Relating to the Year | 12 | 25,011 | 556,228 |

NOTE OF HISTORICAL COST PROFITS AND LOSSES

| | | | |
|--|--|----------------------|----------------------|
| | | 2010 £000 | 2009 £000 |
| Reported profit on ordinary activities before taxation | | 15,266 | 87,076 |
| Realised revaluation gain on sale of assets | | - | 44,684 |
| Historical Cost Profit On Ordinary Activities Before Taxation | | 15,266 | 131,760 |
| Historical Cost Profit After Taxation | | 25,011 | 119,336 |

First Castle Developments Limited

BALANCE SHEET As at 31 March 2010

| | Note | 2010 £ | 2009 £ |
|--|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible Assets | 6 | 5,357,186 | 5,199,500 |
| CURRENT ASSETS | | | |
| Development work in progress | 7 | 700,000 | 700,000 |
| Debtors | 8 | 1,893 | 991 |
| Cash at bank and in hand | | 40,716 | 33,586 |
| | | <u>742,609</u> | <u>734,577</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 9 | (4,041,569) | (3,900,863) |
| NET CURRENT LIABILITIES | | <u>(3,298,960)</u> | <u>(3,166,286)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>2,058,226</u> | <u>2,033,214</u> |
| Deferred Taxation | 10 | 31,639 | 31,640 |
| NET ASSETS | | <u>2,089,865</u> | <u>2,064,854</u> |
| SHARE CAPITAL AND RESERVES | | | |
| Called Up Share Capital | 11 | 1,151,000 | 1,151,000 |
| Revaluation Reserve | 12 | 1,074,915 | 1,074,915 |
| Profit and Loss Account | 12 | (136,050) | (161,061) |
| TOTAL SHAREHOLDERS' FUNDS | 12 | <u>2,089,865</u> | <u>2,064,854</u> |

The financial statements on pages 5 to 10 were approved by the board of directors on 30 June 2010 and were signed on its behalf by

J L Hudson
Chairman

P Kehoe
Chief Executive Officer

First Castle Developments Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2010

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 2006 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 has taken advantage of the exemption in FRS 1 "Cash flow statements (revised 1996)" from the requirement to present a cash flow statement on the grounds that it is a small company

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. Property rentals are recognised on a straight line basis over the life of the lease. The turnover is derived entirely in the United Kingdom

3. OPERATING PROFIT

This is stated after charging

| | 2010 £ | 2009 £ |
|--|-----------|-----------|
| Auditors remuneration - audit services | 1,786 | 1,786 |

The Directors did not receive any emoluments in respect of their services to the company (2009 £ nil). The Company employed no staff during the year (2009 nil)

4 INTEREST PAYABLE & SIMILAR CHARGES

| | 2010 £ | 2009 £ |
|--------------------|-----------|-----------|
| Intercompany loans | 260,599 | 264,579 |

First Castle Developments Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2010

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge

| | 2010 £ | 2009 £ |
|---|-----------|-----------|
| UK Current Tax – on profit for the year | 5,909 | 11,577 |
| Adjustment in respect of prior years | (15,655) | (735) |
| Total current tax (note 5b) | (9,746) | 10,842 |
| Deferred tax – current year (Note 10) | 1 | 1,582 |
| | (9,745) | 12,424 |

(b) Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the year is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

| | 2010 £ | 2009 £ |
|---|-----------|-----------|
| Profit on ordinary activities before tax | 15,266 | 87,076 |
| Profit on ordinary activities at the standard rate of tax of 28% (2009 28%) | 4,274 | 24,381 |
| Effect of - | | |
| Disallowed expenses and non-taxable income | - | (9,151) |
| Depreciation in excess of capital allowances | 1,635 | (156) |
| Chargable gain on disposal | - | 1,522 |
| Short term timing differences | - | (1,582) |
| Small companies rate relief | - | (3,437) |
| Adjustments in respect of prior years | (15,655) | (735) |
| | (9,746) | 10,842 |

6. FIXED ASSETS

| | Land & Buildings Freehold £ | Plant & Machinery £ | Total £ |
|-------------------------|--------------------------------------|---------------------------|------------------|
| Valuation | | | |
| At 31 March 2009 | 5,195,500 | 4,000 | 5,199,500 |
| Additions | 157,686 | - | 157,686 |
| At 31 March 2010 | 5,353,186 | 4,000 | 5,357,686 |

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 2009 by Phoenix Beard Ltd The valuation of £5,195,500 identified impairments of £6,076 and gains of £481,576 giving a net gain of £475,500 The impairment was charged to the profit and loss and the gains 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

First Castle Developments Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2010

6. FIXED ASSETS (continued)

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

| | £ |
|------------------|-----------|
| Cost | |
| At 31 March 2009 | 4,175,365 |
| At 31 March 2010 | 4,313,048 |

7. DEVELOPMENT WORK IN PROGRESS

| | £ |
|------------------|---------|
| Valuation | |
| At 1 April 2009 | 700,000 |
| At 31 March 2010 | 700,000 |

The replacement cost of development work in progress was £700,000 which is based upon the open market valuation carried out by Phoenix Beard Ltd as at 31 March 2009

8. DEBTORS

| | 2010 £ | 2009 £ |
|---------------|-----------|-----------|
| Trade debtors | 1,643 | 741 |
| Other debtors | 250 | 250 |
| | 1,893 | 991 |

9. CREDITORS: amounts falling due within one year

| | 2010 £ | 2009 £ |
|-------------------------------------|-----------|-----------|
| Corporation Tax | 5,909 | 10,842 |
| Other creditors | 140,153 | 136,013 |
| Amounts owing to parent undertaking | 3,887,838 | 3,747,188 |
| Deferred income | 7,669 | 6,820 |
| | 4,041,569 | 3,900,863 |

The Inter-company loans are unsecured and do not have any set repayment terms Interest is payable at a rate of 6.75% (2009 6.75%)

10. DEFERRED TAXATION

| | £ |
|--------------------------|----------|
| At 31 March 2009 | (31,640) |
| Utilised during the year | 1 |
| At 31 March 2010 | (31,639) |

The amounts provided in the accounts are as follows -

| | 2010 £ | 2009 £ |
|--------------------------|-----------|-----------|
| Other timing differences | (31,639) | (31,640) |
| Taxation rate difference | - | - |
| | (31,639) | (31,640) |

11. CALLED UP SHARE CAPITAL

| | Authorised 2010 £ | 2009 £ | Allotted, called up & Fully paid 2010 £ | 2009 £ |
|--------------------------------------|-------------------------|-----------|--|-----------|
| 1,151,000 Ordinary shares of £1 each | 1,151,000 | 1,151,000 | 1,151,000 | 1,151,000 |

First Castle Developments Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2010

12 RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' FUNDS AND RESERVES

| | Share Capital £ | Revaluation Reserve £ | Profit and Loss Account £ | Total £ |
|--|-----------------------|-----------------------------|---------------------------------|------------|
| At 31 March 2008 | 1,151,000 | 638,023 | (280,397) | 1,508,626 |
| Profit for the financial year | - | - | 74,652 | 74,652 |
| Revaluation | - | 481,576 | - | 481,576 |
| Transfer of revaluation reserve on assets disposed of | - | (44,684) | 44,684 | - |
| At 31 March 2009 | 1,151,000 | 1,074,915 | (161,061) | 2,064,854 |
| Profit for the financial year | - | - | 25,011 | 25,011 |
| At 31 March 2010 | 1,151,000 | 1,074,915 | (136,050) | 2,089,865 |

13 CONTINGENT LIABILITIES

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 2009 would have been £nil (2009 £40,585).

On 25 June 2010 the Company, along with other group members of Birmingham Airport Holdings Limited provided guarantees to Santander UK plc and The Royal Bank of Scotland plc in support of a £45 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of 5 years, with an expiry date of 25 June 2015. At the date of signing these accounts, the total amount outstanding under the facility was £nil.

14. ULTIMATE PARENT COMPANY AND CONTROLLING INTEREST

The immediate parent undertaking is Birmingham International Airport Limited. The ultimate parent undertaking and controlling party is Birmingham Airport Holdings Limited, a company incorporated in England. Birmingham Airport Holdings Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2010. The consolidated financial statements of Birmingham Airport Holdings Limited 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 under paragraph 3(c) from the provisions of FRS 8 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Birmingham Airport Holdings Limited, whose accounts are publicly available.