

REPORT AND ACCOUNTS

First Castle Developments Limited

31 MARCH 2004



First Castle Developments Limited

REGISTERED NUMBER 2783202

DIRECTORS

O Cussen
L R Gregory
N Hanlon
R J Heard
J L Hudson
M S Jaspal
M J Kelly
G E Richards
J J Stent

SECRETARIES

D A P Timmins
C J C Westwood

AUDITORS

PricewaterhouseCoopers LLP
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

The directors present their report and accounts for the year to 31 March 2004.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £3,888 (2003: £7,518). No dividends have been paid or accrued in the year (2003: nil) resulting in a retained profit for the year of £3,888 (2003: £7,518).

PRINCIPAL ACTIVITY

The Company is a Property Investment and Development Company.

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

M Afzal	(Resigned 14 July 2004)	M S Jaspal	
M C Balmforth	(Resigned 1 April 2004)	M J Kelly	
O Cussen	(Appointed 9 July 2004)	G E Richards	
L R Gregory	(Appointed 14 July 2004)	B Summers	(Resigned 30 June 2003)
N Hanlon		J J Stent	(Appointed 1 April 2004)
R J Heard	(Appointed 1 July 2003)	M Sweeney	(Resigned 9 July 2004)
J L Hudson			

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.

AUDITORS

On the 16 January 2004, Ernst & Young LLP resigned as auditors of the Company and PricewaterhouseCoopers LLP were appointed as auditors by a written resolution. Furthermore, under an elective resolution passed by the Company on 20 August 1997 under Section 386 Companies Act 1985, the Company has dispensed 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.

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.

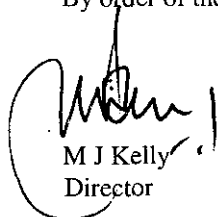
First Castle Developments Limited

DIRECTORS' REPORT

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.

By order of the board



M J Kelly
Director

20 July 2004

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

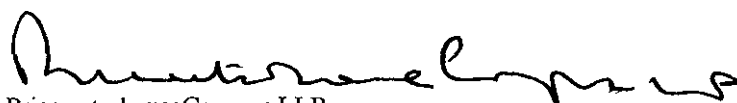
Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 of the state of the company's affairs at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

20 July 2004

First Castle Developments Limited

PROFIT & LOSS ACCOUNT for the year ended 31 March 2004

	Note	2004 £	2003 £
TURNOVER	2	239,635	267,909
Cost of sales		(23,888)	(98,648)
GROSS PROFIT		215,747	169,261
Administration expenses		(43,208)	(6,159)
OPERATING PROFIT	3	172,539	163,102
Interest received		-	181
Interest payable and similar charges	4	(161,128)	(152,950)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,411	10,333
Tax on profit on ordinary activities	5	(564)	(2,815)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	11	10,847	7,518
Loss brought forward		(612,082)	(619,600)
LOSS CARRIED FORWARD	11	(601,235)	(612,082)

STATEMENT OF RECOGNISED GAINS AND LOSSES		2004 £	2003 £
Profit on ordinary activities after tax		10,847	7,518
Unrealised surplus on asset revaluation	6	894,195	-
Total Recognised Gains and Losses Relating to the Year	11	905,042	7,518

First Castle Developments Limited

BALANCE SHEET
at 31 March 2004

	Note	2003 £	2003 £
FIXED ASSETS			
Land & Buildings	6	5,574,800	4,441,720
CURRENT ASSETS			
Development work in progress	7	700,000	-
Debtors	8	5,819	8,069
Cash at bank and in hand		21,736	10,544
		<u>727,555</u>	<u>18,613</u>
CREDITORS			
Amounts falling due within one year	9	4,858,395	3,921,415
NET CURRENT LIABILITIES		<u>(4,130,840)</u>	<u>(3,902,802)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,443,960</u>	<u>538,918</u>
SHARE CAPITAL AND RESERVES			
Called Up Share Capital	10	1,151,000	1,151,000
Revaluation Reserve	11	894,195	-
Profit and Loss Account	11	(601,235)	(612,082)
EQUITY SHAREHOLDERS' FUNDS	11	<u>1,443,960</u>	<u>538,918</u>

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.

J L Hudson
Chairman

M J Kelly
Director

20 July 2004

First Castle Developments Limited

NOTES TO THE ACCOUNTS
at 31 March 2004

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.

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/(crediting):

	2004 £	2003 £
Impairment loss on revalued fixed assets	54,260	-
Reinstatement of impairment loss on revalued fixed assets previously written off	(120,621)	-
Auditors Remuneration -audit services	1,515	1,645
-other services	1,381	1,175

Directors' emoluments from the Company were nil during the year (2003: nil). The Company employed no staff during the year (2003: nil).

4. INTEREST PAYABLE & SIMILAR CHARGES

	2004 £	2003 £
Intercompany loans	161,128	152,950

First Castle Developments Limited

NOTES TO THE ACCOUNTS
at 31 March 2004

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £	2003 £
Corporation Tax – current year	5,324	2,185
Corporation Tax – adjustment in respect of prior years	(4,760)	-
	<u>564</u>	<u>2,185</u>

Factors affecting the tax charge for the year

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

	2003 £	2003 £
Profit on ordinary activities before tax	11,411	10,333
Profit on ordinary activities at the standard rate of tax of 30% (2003: 30%)	3,423	3,100
Effect of:-		
Disallowed expenses and non-taxable income	4,983	6,286
Small companies rate relief	(3,082)	(3,441)
Adjustments in respect of prior year periods	(4,760)	(3,130)
	<u>564</u>	<u>2,815</u>

6. FIXED ASSETS

	Land & Buildings Freehold £
Valuation	
At 1 April 2003	4,441,720
Additions	172,524
Revaluation	960,556
At 31 March 2004	<u>5,574,800</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 has been charged to the profit and loss account and £120,621 of the gain has been credited to the profit and loss account reinstating previous impairments charged there. The balance of £894,195 has been 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.

On a historical cost basis Freehold Land and Buildings would have been included as follows:

	£
Cost	
At 1 April 2003	4,552,785
Additions	172,524
At 31 March 2004	<u>4,725,309</u>

First Castle Developments Limited

NOTES TO THE ACCOUNTS at 31 March 2004

7. DEVELOPMENT WORK IN PROGRESS

Valuation

At 1 April 2003

At 31 March 2004

£

-

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.

8. DEBTORS

Trade debtors
Other debtors

2004

2003

£

£

5,569

7,694

250

375

5,819

8,069

9. CREDITORS: amounts falling due within one year

Trade creditors
Amounts owing to parent undertaking
Corporation Tax
Deferred income

2004

2003

£

£

25,588

50,503

4,812,668

3,853,869

5,324

5,944

14,815

11,099

4,858,395

3,921,415

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. SHARE CAPITAL

Ordinary shares

Authorised

2004

2003

£

£

1,151,000

1,151,000

Allotted, called up & Fully paid

2004

2003

£

£

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 2002	1,151,000	-	(619,600)	531,400
Profit for the year	-	-	7,518	7,518
At 31 March 2003	1,151,000	-	(612,082)	538,918
Profit for the year	-	-	10,847	10,847
Asset revaluation	-	894,195	-	894,195
At 31 March 2004	1,151,000	894,195	(601,235)	1,443,960

First Castle Developments Limited

NOTES TO THE ACCOUNTS

at 31 March 2004

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 2004 would have been £278,348 (2003: £307,932). This declines to £1,000 over the 6 years remaining on the lease agreement such that the compound return to the pension scheme at any point in time is 10% (2003: 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.