

Midland & City Developments Limited

**Directors' report and financial
statements**

Registered number 3247521

For the year ended 28 February 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2002.

Principal activities and business review

The principal activity of the company is that of a large scale, mixed use, property development. The company has the requisite skills to include development, architectural activities, project management and project finance, allowing the company to take advantage of suitable opportunities when arising.

Current schemes in progress include the final sales of King Edwards Wharf Phase 1 and the completion of King Edwards Wharf Phase 2 scheduled for September 2003. These two projects have an aggregate sales value of £54 million. These projects have been financed with institutional funding and are leading high profile development schemes.

The directors are satisfied with the results of the company and of its fellow group undertakings in the year. The company continues to pursue new development opportunities nationally and is currently shortlisted on schemes with an aggregate value of £200 million.

Proposed dividends and result for the year

The directors do not recommend the payment of a dividend (2001: £Nil).

The result for the year is shown on page 5 of the financial statements.

Directors and directors' interests

The directors who held office during the year and their beneficial interest in the shares of the company as disclosed in the shareholders' register were as follows:

	Number of ordinary £1 shares At beginning and end of year
JD Corstorphine	510
SG Byrne	510
TK Quigley	510

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



DP Fair
Secretary

Third Floor
Newater House
Newhall Street
Birmingham
B3 3NY

20 December 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 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;
- 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 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



2 Cornwall Street
Birmingham
B3 2DL

Report of the independent auditors to the members of Midland & City Developments Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company is not disclosed.

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 judgements 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 as at 28 February 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

20 December 2002

Profit and loss account
for the year ended 28 February 2002

	<i>Note</i>	2002 £	2001 £
Turnover	2	1,076,306	8,028
Cost of sales		(268,033)	(2,905)
Gross profit		808,273	5,123
Administrative expenses		(713,389)	(154,774)
Operating profit/(loss)	3	94,884	(149,651)
Interest receivable and similar income	4	1,645	3,343
Interest payable and similar charges	5	(28,494)	(37,436)
Profit/(loss) on ordinary activities before taxation		68,035	(183,744)
Tax credit on profit/(loss) on ordinary activities	8	1,173	11,734
Profit/(loss) on ordinary activities after taxation and profit for the financial year	17	69,208	(172,010)

All turnover and operating results relate to continuing operations.

The company has no recognised gains or losses other than the profit for the current financial year and the loss for the prior year and therefore, no separate statement of total recognised gains and losses has been presented.

There is no material difference between the reported result for the year and the results on an unmodified historical cost basis.

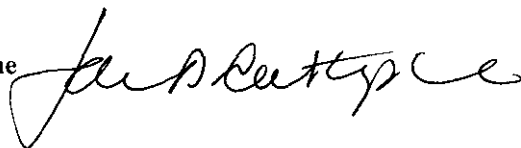
Movements in reserves are set out in note 17.

Balance sheet
at 28 February 2002

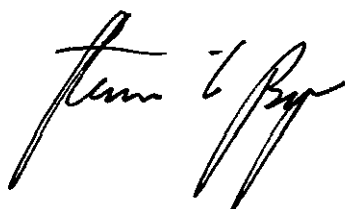
	Note	2002	2001
		£	£
Fixed assets			
Tangible assets	9	25,770	30,426
Investments	10	32	32
		<u>25,802</u>	<u>30,458</u>
Current assets			
Stocks	11	267,690	255,523
Debtors	12	452,321	53,805
Cash at bank and in hand		5,052	67,340
		<u>725,063</u>	<u>376,668</u>
Creditors: Amounts falling due within one year	13	(783,960)	(415,964)
Net current liabilities		<u>(58,897)</u>	<u>(39,296)</u>
Total assets less current liabilities		<u>(33,095)</u>	<u>(8,838)</u>
Creditors: Amounts falling due after more than one year	14	-	(92,292)
Provisions for liabilities and charges	15	-	(1,173)
Net liabilities		<u>(33,095)</u>	<u>(102,303)</u>
Capital and reserves			
Called up share capital	16	1,530	1,530
Profit and loss account	17	(34,625)	(103,833)
Equity shareholders' funds	18	<u>(33,095)</u>	<u>(102,303)</u>

These financial statements were approved by the board of directors on 20 December 2002 and were signed on its behalf by:

JD Corstorphine
Director



SG Byrne
Director



Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

In preparing these financial statements, the company has adopted Financial Reporting Standard 19 "Deferred tax" for the first time.

Going concern

The financial statements have been prepared under the going concern concept which assumes the company has sufficient funds to continue to pay its debts as and when they fall due and thus continue to trade. This is based on the support of the directors, who have confirmed they will support the company for the foreseeable future.

Cash flow statement

The company qualifies as a small company under Section 247 of the Companies Act 1985. As a consequence, it is exempt from the requirements to publish a cash flow statement.

Group financial statements

Under the requirements of the Companies Act, the group of which the company is a part is classed as being small for reporting purposes and so is exempt from the requirement to produce group consolidated financial statements.

These financial statements reflect the results of Midland & City Developments Limited as a company and not the group as a whole.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Tangible fixed assets

The cost of tangible fixed assets is their purchase costs together with any incidental costs of acquisition.

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Fixtures and fittings	-	25% straight line
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Stocks

Stocks comprise of development work in progress and properties held for resale. Stocks are stated at the lower of cost and net realisable value. Cost is determined on an actual basis and comprises land, property, materials and attributable overheads. Net realisable value is based on estimated selling prices less further costs anticipated to disposal.

Investments

In the company's balance sheet, investments in subsidiary undertakings are stated at cost less permanent diminution in value.

Where the consideration for the acquisition of a subsidiary undertaking includes shares in the company to which the provisions of Section 131 of the Companies Act 1985 apply, cost represents the nominal value of the shares issued, together with the fair value of any additional consideration given and costs.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Capital instruments

Under Financial Reporting Standard 4, issue costs arising on loans are being charged to include the profit and loss account as a finance charge over the period of the loan.

Pensions

The pension costs charged in the financial statements, represents contributions payable by the company during the year to a directors personal pension plan.

2 Turnover

Turnover excludes value added tax. Long term contracts are included in turnover on the basis of the sales value of work performed during the period by reference to the total sales value and state of completion of the contracts.

Turnover is attributable to the company's principal activity and arose wholly in the United Kingdom.

3 Operating profit/(loss)

	2002 £	2001 £
<i>Operating profit/(loss) is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	3,000	2,750
Non-audit	1,500	1,400
Depreciation on owned assets	18,388	14,955
Operating lease rentals:		
Land and buildings	29,711	28,899
Motor vehicles	9,406	6,409
	<hr/>	<hr/>

4 Interest receivable and similar income

	2002 £	2001 £
Bank interest	1,645	3,343
	<hr/>	<hr/>

Notes (continued)

5 Interest payable and similar charges

	2002 £	2001 £
On bank overdraft	12,047	3,325
On other loans	16,447	30,817
Amortisation of bank arrangement fees	-	3,294
	<u>28,494</u>	<u>37,436</u>

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2002	2001
Administration	6	6

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	393,399	182,390
Social security costs	37,996	19,420
Pension costs	14,000	-
	<u>445,395</u>	<u>201,810</u>

7 Remuneration of directors

	2002 £	2001 £
Directors' emoluments:		
In respect of qualifying services	272,176	111,237
Pension costs	14,000	-
	<u>286,176</u>	<u>111,237</u>

Emoluments of highest paid director:

	£	£
Emoluments	<u>114,884</u>	<u>46,000</u>

Notes (continued)

8 Taxation

(i) Analysis of charge for the year

	2002	2001
	£	£
Current tax:		
UK corporation tax at 30% (2001: 30%)	-	(11,013)
Adjustment in respect of prior year	-	109
Total current taxation	-	(10,904)
Deferred tax:		
Origination and reversal of timing differences (see note 15)	(1,173)	(830)
Tax credit on profit/(loss) on ordinary activities	(1,173)	(11,734)

(ii) Factors affecting the tax charge for the year

The tax assessed in the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	2001
	£	£
Profit on ordinary activities before tax	68,035	(183,744)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in UK of 30% (2001: 30%)	20,411	(55,123)
Expenses not deductible for tax purposes	6,140	4,778
Group relief received from MCD (Sheepcote) Limited	(494)	-
Capital allowances for the year in excess of depreciation	2,019	1,227
Unrelieved losses carried forward	-	21,760
Adjustment in respect of prior year	(28,076)	16,454
	-	(10,904)

The company has tax losses of £44,000 approximately available to be carried forward.

Notes (continued)

9 Tangible fixed assets

	Fixtures and fittings £
Cost	
At beginning of year	59,819
Additions	13,731
	<hr/>
At end of year	73,550
	<hr/>
Depreciation	
At beginning of year	29,392
Charge for the year	18,388
	<hr/>
At end of year	47,780
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Net book value	
At 28 February 2002	25,770
	<hr/>
At 28 February 2001	30,426
	<hr/>

10 Investments - shares in group undertakings

	£
Cost	
At beginning and end of year	32
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Both subsidiary companies are incorporated in Great Britain and are engaged in trade as property developers.

Investments represent 100% holdings of the ordinary share capital of the following companies:

	Net liabilities at 28 February 2002 £	Loss for the financial year ended 28 February 2002 £
MCD (Sheepcote) Limited	(1,035,958)	(861,398)
MCD (Browning) Limited	(243,160)	(236,173)
	<hr/>	<hr/>

11 Stocks

	2002 £	2001 £
Work in progress	267,690	255,523
	<hr/>	<hr/>

Notes (continued)

12 Debtors

	2002 £	2001 £
Trade debtors	43,884	12,210
Amounts owed by group companies	323,958	25,068
Other debtors	78,820	11,820
Prepayments and accrued income	5,659	4,707
	<u>452,321</u>	<u>53,805</u>

Other debtors include £11,013 in respect of corporation tax repayable (2001: £11,013).

All debtor amounts are due within one year.

13 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft and loan	118,673	-
Other loans	161,000	161,000
Trade creditors	91,337	54,082
Amounts owed to group undertakings	317,194	26,089
Other taxation and social security	49,974	53,325
Other creditors	32,700	116,493
Accruals and deferred income	13,082	4,975
	<u>783,960</u>	<u>415,964</u>

The bank overdraft is secured on various assets of the company.

Bank loans are secured by a charge over a specific asset included in work in progress. Bank loans are repayable in full by March 2002, and interest charged is at a fixed rate of 10%.

14 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Bank loans	-	92,292
	<u>-</u>	<u>92,292</u>

Notes (continued)

15 Provisions for liabilities and charges

The amounts relating to deferred tax (assets)/liabilities at the current taxation rate, none of which have been recognised, are set out below:

	2002 £	2001 £
Difference between accumulated depreciation and capital allowances	2,019	1,173
Trading losses carried forward	(28,076)	(32,400)
	<u>(26,057)</u>	<u>(31,227)</u>

Deferred tax

	£
At beginning of year	1,173
Released in year (see note 8)	(1,173)
At end of year	<u>-</u>

16 Share capital

	2002 £	2001 £
<i>Authorised:</i>		
2,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
<i>Allotted, issued and fully paid:</i>		
1,530 ordinary shares of £1 each	<u>1,530</u>	<u>1,530</u>

17 Reserves

	Profit and loss account £
At beginning of year	(103,833)
Profit for year	<u>69,208</u>
At end of year	<u>(34,625)</u>

Notes (continued)

18 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit/(loss) for the financial year and net increase/(decrease) in shareholders' funds	69,208	(172,010)
Shareholders' funds at beginning of year	(102,303)	69,707
Shareholders' funds at end of year	<u>(33,095)</u>	<u>(102,303)</u>

19 Related party transactions

During the year, the following are considered to be related parties of the company:

MCD (Sheepcote) Limited	-	a wholly owned subsidiary
MCD (Browning) Limited	-	a wholly owned subsidiary
MCD (Fleet Street) Limited	-	a connected company

The following transactions and debtor/(creditor) balances arose during the year and existed at year end respectively:

	Transactions to/(from)		Debtor/(creditor)	
	2002 £	2001 £	2002 £	2001 £
MCD (Sheepcote) Limited	(126,000)	(378,000)	(317,194)	(26,089)
MCD (Browning) Limited	449,000	(21,000)	22,541	25,068
MCD (Fleet Street) Limited	<u>301,407</u>	<u>-</u>	<u>301,407</u>	<u>-</u>

During the year, LMP Consultants Limited provided consultancy services to the company amounting to £2,250 (2001: £1,000) in respect of projects. At the year end, an amount of £Nil (2001: £2,937) was owed and is included in trade creditors.

During the year, London & Midlands Property Limited, a company controlled by SG Byrne and TK Quigley, charged the company an amount of £Nil (2001: £105,000) in respect of consultancy costs and expenses incurred.

During the year, Corstorphine Associates, a company controlled by J Corstorphine and his wife, charged the company an amount of £10,000 (2001: £68,416) in respect of consultancy costs and expenses incurred. At the year end, £1,995 (2001: £1,995) was owed by Midland & City Developments Limited.

20 Operating lease commitments

	Land and buildings		Plant and machinery	
	2002 £	2001 £	2002 £	2001 £
Expiring within:				
One to two years	24,368	24,368	4,248	-
Two to five years	-	-	10,584	9,489
	<u>24,368</u>	<u>24,368</u>	<u>14,832</u>	<u>9,489</u>

Notes *(continued)*

21 Contingent liabilities

The company acts as guarantor for a bank loan held by a subsidiary undertaking, MCD (Sheepcote) Limited. At 28 February 2002, the loan was £8,561,124 (2001: £12,931,128).