Midland & City Developments Limited

Directors' report and financial statements

Registered number 3247521

For the year ended 28 February 2006

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2006.

Principal activity and business review

The principal activity of the company continues to be project co-ordinators and administrators of the associated project companies. These projects are virtually complete and the current year reflects an improved position due to completion fees and management fees together with reduced administration costs.

No new activities are being sought by the company as it is intended to wind down the company on completion of existing projects. Once all projects are complete it is anticipated that there will be surplus funds to distribute to the shareholders when or before the company is wound up.

Results and dividends

The result for the year is shown on page 4 of the financial statements.

The directors do not recommend the payment of a dividend *(2005: £Nil)*.

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

According to the register of directors' interests, no right to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate family, or exercised by them, during the financial year.

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

35 St Paul's Square
Birmingham
B3 1QX

21 November 2006

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Midland & City Developments Limited

We have audited the financial statements of Midland & City Developments Limited for the year ended 28 February 2006 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.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 February 2006 and of its loss 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

~~[date]~~ 21 November 2006

Profit and loss account
for the year ended 28 February 2006

	Note	2006 £	2005 £
Turnover	2	**88,330**	355,681
Cost of sales		**-**	(36,625)
Gross profit		**88,330**	319,056
Administrative expenses		**(152,304)**	(241,121)
Operating (loss)/profit		**(63,974)**	77,935
Other interest receivable and similar income	4	**-**	27
Interest payable and similar charges	5	**(22,860)**	(36,502)
(Loss)/profit on ordinary activities before taxation	3	**(86,834)**	41,460
Tax on (loss)/profit on ordinary activities	8	**27,515**	(9,500)
(Loss)/profit on ordinary activities after taxation and (loss)/profit retained for the financial year	14	**(59,319)**	31,960

In both the current and preceding year, all turnover and operating results arose from continuing operations.

There were no recognised gains or losses in the current or preceding year other than those disclosed in the profit and loss account.

Movements in reserves are set out in note 13.

Balance sheet
at 28 February 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Investments	9		33		33
Current assets					
Debtors	10	377,440		328,323	
Creditors: Amounts falling due within one year	11	(607,802)		(499,366)	
Net current liabilities			(230,362)		(171,043)
Net liabilities			(230,329)		(171,010)
Capital and reserves					
Called up share capital	12		1,530		1,530
Profit and loss account	13		(231,859)		(172,540)
Shareholders' funds	14		(230,329)		(171,010)

These financial statements were approved by the board of directors on 21 November 2006 and were signed on its behalf by:

JD Corstorphine
Director

TK Quigley
Director

TKQuigley

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, except as noted below:

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 "Events after the balance sheet date";
- the presentation requirements of FRS 25 "Financial instruments presentation and disclosure"; and
- FRS 28 "Corresponding amounts".

FRS 21 and FRS 25 have had no material effect on the financial statements.

In addition, FRS 28 "Corresponding amounts" has had no material effect as it imposes the same requirements for comparatives hitherto required by the Companies Act 1985.

Basis of preparation

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

Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reason.

The company has received an undertaking from the directors that they will continue to provide financial and other support to enable the company to settle all current and future debts as they fall due for at least twelve months from the date of approval of these financial statements. As with any company placing reliance on other individuals for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The financial statements do not include any adjustments that would result from a discontinuance of this support.

Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Group financial statements

The company is exempt by virtue of S248 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Leases

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

Fixed assets and depreciation

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

Notes *(continued)*

1 Accounting policies *(continued)*

Investments

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

Taxation

The charge for taxation is based on the result 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.

2 Turnover

Turnover represents project co-ordination fees recorded net of value added tax and is recognised on a receivable basis. All turnover arises on sales to customers within the United Kingdom and in the opinion of the directors, constitutes one class of business.

3 (Loss)/profit on ordinary activities before taxation

	2006	2005
	£	£
(Loss)/profit on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration:		
Audit	**6,000**	3,400
Non-audit	**2,500**	1,650
Depreciation on owned assets	-	5,683
Profit on disposal of fixed assets	-	(6,151)

4 Other interest receivable and similar income

	2006	2005
	£	£
Bank interest	-	27

5 Interest payable and similar charges

	2006	2005
	£	£
Bank overdraft interest	**22,860**	36,502

Notes *(continued)*

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	
	2006	2005
Administration	**7**	11

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**171,300**	375,403
Social security costs	**19,739**	34,791
Pension costs	**-**	-
	191,039	410,194

Included above are payroll costs amounting to £51,712 *(2005: £184,172)* in relation to 2 employees *(2005: 5 employees)* whose services are recharged to subsidiary and connected companies and companies in which the directors have an interest.

7 Remuneration of directors

	2006	2005
	£	£
Directors' emoluments:		
In respect of qualifying services	**-**	86,164

Emoluments of highest paid director:

	£	£
Total remuneration excluding pension contributions	-	49,501

Notes *(continued)*

8 Tax on (loss)/profit on ordinary activities before taxation

(i) Analysis of (credit)/charge for the year

	2006 £	2005 £
UK corporation tax		
Current tax on income for the year	**(26,614)**	9,500
Adjustments in respect of prior years	**(901)**	-
Total current tax and tax (credit)/charge on profit on ordinary activities	**(27,515)**	9,500

(ii) Factors affecting the tax (credit)/charge for the year

The tax assessed in the year is higher *(2005: lower)* than the standard rate of corporation tax in the UK (30%) *(2005: 30%)*. The differences are explained below:

	2006 £	2005 £
(Loss)/profit on ordinary activities before tax	**(86,834)**	41,460
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 30% *(2005: 30%)*	**(26,050)**	12,438
Expenses not deductible for tax purposes	**45**	2,794
Capital allowances for the year in excess of depreciation	**(609)**	(968)
Increase in other timing differences	-	750
Tax rate lower than 30% on tax profits	-	(5,514)
Adjustment in respect of prior year	**(901)**	-
Total current taxation (see above)	**(27,515)**	9,500

Notes *(continued)*

9 Investments

	Shares in group undertakings	Shares in undertaking in which company has a participating interest	Total
	£	£	£
Cost and net book value			
At beginning and end of year	32	1	33

Both subsidiary and associated companies are incorporated in Great Britain.

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

	Percentage of ordinary share capital held %	Activity
MCD (Sheepcote) Limited	100	Property development
The KEW Management Company Limited*	100	Property service and management
Management Company Two Limited*	100	Dormant
Management Company Three Limited*	100	Dormant
MCD (Browning) Limited	100	Property development
Browning Management Company Limited*	100	Property service and management
The Clarendon (Leamington Spa) Management Company Limited	50	Dormant

*held indirectly

	Capital and reserves at 28 February 2006	Profit for the financial year ended 28 February 2006
	£	£
MCD (Sheepcote) Limited	455,300	197,051
The KEW Management Company Limited	97,173	-
MCD (Browning) Limited	(457,661)	31,642
Browning Management Company Limited	73,607	-

Notes *(continued)*

10 Debtors

	2006 £	2005 £
Trade debtors	**5,316**	9,973
Amounts owed by group undertakings (see note 15)	**342,780**	275,679
Amounts owed by connected companies (see note 15)	**1,821**	42,596
Corporation tax recoverable	**27,523**	-
Other debtors	**-**	75
	377,440	328,323

11 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank overdraft (secured)	**229,791**	390,996
Trade creditors	**39,947**	28,202
Amounts owed to group undertakings (see note 15)	**251,827**	-
Corporation tax	**-**	9,500
Other taxation and social security	**63,429**	45,576
Other creditors	**3,500**	3,500
Accruals and deferred income	**19,308**	21,592
	607,802	499,366

The bank overdraft is secured by a fixed and floating charge over the assets of the company and personal guarantees from JD Corstophine and SG Byrne.

12 Share capital

	2006 £	2005 £
Authorised:		
2,000 ordinary shares of £1 each	**2,000**	2,000
Allotted, called up and fully paid:		
1,530 ordinary shares of £1 each	**1,530**	1,530

Notes *(continued)*

13 Reserves

	Profit and loss account £
At beginning of year	(172,540)
Loss retained for year	(59,319)
At end of year	**(231,859)**

14 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Loss for the financial year and net addition to shareholders' funds	**(59,319)**	31,960
Shareholders' funds at beginning of year	**(171,010)**	(202,970)
Shareholders' funds at end of year	**(230,329)**	(171,010)

15 Related party transactions

(a) Transactions and balances

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
MCD (Fleet) LLP	-	a connected partnership
Urban Impact 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)**	
	2006 £	2005 £	**2006 £**	2005 £
MCD (Sheepcote) Limited	**32,272**	79,256	**(251,827)**	3,859
MCD (Browning) Limited	**199,413**	187,391	**342,780**	271,820
MCD (Fleet Street) Limited	-	-	-	-
MCD (Fleet) LLP	**233,532**	360,178	**587**	41,362
Urban Impact Limited	**1,050**	176,050	**1,234**	1,234

Notes *(continued)*

15 Related party transactions *(continued)*

(b) Transactions with directors

During the year, Corstorphine Associates, a company controlled by JD Corstorphine and his wife, charged the company an amount of £Nil *(2005: £Nil)* in respect of consultancy costs and expenses incurred. At the year end, £1,005 *(2005: £1,995)* was owed to Midland & City Developments Limited.

During the year, London & Midlands Property Limited, a company controlled by SG Byrne and TK Quigley, was charged an amount of £Nil *(2005: £58,333)* in respect of management fees incurred. At the year end, £Nil *(2005: £Nil)* was owed by London & Midlands Property Limited.

During the year, City Spirit Limited, a company controlled by JD Corstorphine, had charged £393 *(2005: £58,333)* to the company in respect of administrative costs. At the year end, £Nil *(2005: £Nil)* was owed to Midlands & City Developments Limited.

During the year, Midlands & City Developments Limited, a company controlled by SG Byrne, was charged £6,426 *(2005: £104,992)* to the company in respect of costs recharged and management fees incurred. At the year end, £5,316 *(2005: £9,416)* was owed to Midlands & City Developments Limited.

During the year, MCD (Attwood) Limited, a company controlled by SG Byrne, charged the company an amount of £Nil *(2005: £3,027)* in respect of costs recharged. At the year end, £Nil *(2005: £4,742)* was owed to MCD (Attwood) Limited.

During the year, LMP Consultants Limited, a company in which SG Bryne has a 50% interest, had charged £685 *(2005: £Nil)* to the company in respect of consultancy costs. At the year end, £Nil *(2005: £Nil)* was owed to LMP Consultants Limited.

16 Commitments

The company had no capital commitments contracted for which no provision had been made at the year end *(2005: £Nil)*.

17 Contingent liabilities

The company acts as a guarantor for a bank overdraft held by a subsidiary undertaking, MCD (Browning) Limited. At 28 February 2006, the overdraft was £3,046,021 *(2005: £3,476,185)*.

18 Controlling parties

JD Corstorphine, SG Byrne and TK Quigley are all sole directors and joint controlling shareholders of the company.