MCD (Browning) Limited

Directors' report and financial statements

Registered number 4011608

For the year ended 28 February 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2007

Principal activity

The principal activity of the company is trading as property developers, undertaking large scale, mixed use property development

Business review

The work in progress continued to be that of a single project undertaking of constructing luxury apartments in Central Birmingham with an estimated sales value of £27 5 million Unit sales have continued to take place with the expectation that all sales will be completed next year

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 *(2006 £Nil)*

Directors

The directors who held office during the year were as follows

SG Byrne
JD Corstorphine
TK Quigley

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director 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

DP Fair
Secretary

35 St Paul's Square
Birmingham
B3 1QX

7 January 2008

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 they 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 MCD (Browning) Limited

We have audited the financial statements of MCD (Browning) Limited for the year ended 28 February 2007 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 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 February 2007 and of its profit 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

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

28 January 2008

Profit and loss account
for the year ended 28 February 2007

	Note	2007 £	2006 £
Turnover	*1*	**3,730,745**	1,152,491
Cost of sales		**(3,117,788)**	(614,721)
Gross profit		**612,957**	537,770
Administrative expenses		**(8,925)**	(9,549)
Operating profit		**604,032**	528,221
Interest receivable and similar income		**155**	-
Interest payable and similar charges	*4*	**90,730**	(483,018)
Profit on ordinary activities before taxation	*2*	**694,917**	45,203
Tax on profit on ordinary activities	*5*	**(201,832)**	(13,561)
Profit on ordinary activities after taxation and retained profit for the year	*13*	**493,085**	31,642

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 12

Balance sheet
at 28 February 2007

	Note	2007		2006	
		£	£	£	£
Fixed assets					
Investments	*6*		1		1
Current assets					
Stocks	*7*	**1,608,502**		4,411,051	
Debtors	*8*	**165,085**		374,353	
Cash at bank and in hand		**138,244**		-	
		1,911,831		4,785,404	
Creditors Amounts falling due within one year	*9*	**(1,876,408)**		(5,243,066)	
Net current liabilities			**35,423**		(457,662)
Net liabilities			**35,424**		(457,661)
Capital and reserves					
Called up share capital	*11*		**2**		2
Profit and loss account	*12*		**35,422**		(457,663)
Shareholders' funds	*13*		**35,424**		(457,661)

These financial statements were approved by the board of directors on 7 January 2008 and were signed on its behalf by

JD Corstorphine
Director

TK Quigley
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

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons

The development work in progress has been completed and sold since the year end, generating a trading profit for the company and the bank has been repaid in full

Cash flow statement

Under FRS1, the company is exempt from the requirements 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

Turnover

Turnover represents the proceeds from the sale of units during the year net of sale incentives Turnover is recognised on unconditional exchange of contracts on units that are substantially complete All turnover arises on sales to customers within the United Kingdom and in the opinion of the directors, constitutes one class of business

Investments

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

Stocks

Stocks comprise 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 the stage of completion of the development and comprises land, property, materials and attributable overheads Net realisable value is based on estimated selling prices less further costs anticipated to disposal

Notes *(continued)*

1 Accounting policies *(continued)*

Capital instruments

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

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 Notes to the profit and loss account

	2007	2006
	£	£
Profit on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration		
Audit of these financial statements	**6,000**	6,000

3 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	
	2007	2006
Administration	**4**	5

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	**11,777**	25,841
Social security costs	**1,128**	1,972
	12,905	27,813

These employees do not have contracts of service with the company as they have contracts of service with the parent undertaking These costs are recharged by the parent undertaking as the actual service has been provided by the subsidiary undertaking

The directors received no remuneration in respect of qualifying services from the company in the current or prior years The directors are paid by the ultimate parent undertaking

Notes *(continued)*

4 Interest payable and similar charges

	2007 £	2006 £
Bank overdraft interest	**142,867**	310,383
On bank overdraft financing fees (see note 9)	**(233,597)**	172,635
	(90,730)	483,018

5 Tax on profit on ordinary activities

(i) Analysis of charge for the year

	2007 £	2007 £	2006 £	2006 £
UK corporation tax				
Current tax on income for period	**11,475**		-	
Total current tax		**11,475**		-
Deferred tax (see note 10)				
Origination and reversal of timing differences	**190,357**		13,561	
		190,357		13,561
Tax on profit on ordinary activities		**201,832**		13,561

(ii) Factors affecting the tax charge for the year

The tax charge/(credit) for the year is higher/lower *(2006 lower)* than the standard rate of corporation tax in the UK of 30% *(2006 30%)* The differences are explained below

	2007 £	2006 £
Current tax reconciliation		
Profit on ordinary activities before tax	**694,917**	45,203
Current tax at 30% *(2006 30%)*	**208,475**	13,561
Effects of		
Utilisation of tax losses	**(190,357)**	(13,561)
Tax rate lower than 30% on tax profits	**(6,643)**	-
Total current tax charge (see above)	**11,475**	-

(iii) Factors that may affect future current and total tax charges

Subject to the agreement of HM Inspector of Taxes, the company has corporation tax losses of approximately £Nil *(2006 £635,000)* available for offset against future trading profits

It has been announced that the corporation tax rate applicable to the company is to change from 30% to 28% from 1 April 2008

Notes *(continued)*

6 Investments

	Shares in subsidiary undertakings £
Cost and net book value	
At beginning and end of year	1

Investments represent a 100% holding of the ordinary share capital of Browning Management Company Limited, a company incorporated in Great Britain Browning Management Company Limited is a non-profit making company which services and manages the development on behalf of its owners Browning Management Company Limited had capital and reserves of £100,793 at 28 February 2007 and a profit for the year of £Nil

7 Stocks

	2007 £	2006 £
Work in progress	**1,608,502**	4,201,051
Finished goods	**-**	210,000
	1,608,502	4,411,051

8 Debtors

,	2007 £	2006 £
Amounts due from group undertakings (see note 14)	**108,698**	108,698
Deferred tax asset (see note 10)	**-**	190,357
Other debtors	**56,387**	75,298
	165,085	374,353

9 Creditors: Amounts falling due within one year

	2007 £	2006 £
Bank overdraft (secured)	**-**	3,046,021
Trade creditors	**-**	150
Amounts owed to group undertakings (see note 14)	**321,932**	342,780
Other creditors	**1,544,774**	1,780,370
Accruals and deferred income	**9,702**	73,745
	1,876,408	5,243,066

Notes *(continued)*

9 Creditors: Amounts falling due within one year *(continued)*

The bank overdraft was secured by a fixed and floating charge over the assets of the company and interest is charged at a fixed rate of 10%

Other creditors includes a £1,527,273 *(2006 £1,760,870)* funding fee which is payable by the company to the bank providing certain profit targets on the development project are exceeded for which finance was provided As the contract is now far enough advanced for the directors to make an assessment that the targets will be exceeded, then the liability for this payment has been recognised in the financial statements In accordance with Financial Reporting Standard 4, the funding fee is being treated as a finance expense included in interest payable, see note 4 The fee is being recognised in the profit and loss account at a constant rate on the carrying amount of the loan over the period from the date that the fee payment conditions were satisfied to the date of ultimate repayment

10 Deferred taxation

	£
At beginning of year	190,357
Charge to profit and loss for the year (see note 5)	(190,357)
At end of year (see note 8)	-

The elements of deferred taxation are as follows

	2007	2006
	£	£
Tax losses	-	190,357

11 Share capital

	2007	2006
	£	£
Authorised		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	**2**	2

12 Reserves

	Profit and loss account
	£
At beginning of year	(457,663)
Retained profit for year	493,085
At end of year	**35,422**

Notes *(continued)*

13 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year and net addition to shareholders' funds	**493,085**	31,642
Shareholders' funds at beginning of year	**(457,661)**	(489,303)
Shareholders' funds at end of year	**35,424**	(457,661)

14 Related party transactions

(a) Transactions and balances

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

Midland & City Developments Limited	-	the company's parent company
MCD (Sheepcote) Limited	-	a fellow subsidiary
MCD (Fleet) LLP	-	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)	
	2007 £	2006 £	**2007 £**	2006 £
Midland & City Developments Limited	**(295,805)**	(199,413)	**(321,932)**	(342,780)
MCD (Sheepcote) Limited	-	-	**108,698**	108,698
MCD (Fleet) LLP	-	(15,589)	-	-

15 Commitments

The company has no capital commitments contracted for which no provision had been made at the year end *(2006 £Nil)*

16 Ultimate parent company and controlling party

The ultimate parent company and controlling party is Midland & City Developments Limited

The financial statements of Midland & City Developments Limited are available to the public and can be obtained from 35 St Paul's Square, Birmingham, B3 1QX