MCD (Browning) Limited

Directors' report and financial statements

Registered number 4011608

For the year ended 29 February 2008

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 29 February 2008.

Principal activity

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

Business review

The company completed a development of luxury apartments in Central Birmingham at a sales value of £26 million.

The last remaining units have been sold during the financial year and the development will be finalised and concluded on completion of the winding-up aspects.

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 *(2007: £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

25 November 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 29 February 2008 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 29 February 2008 and of its loss 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

~~Date~~
26 November 2008.

Profit and loss account
for the year ended 29 February 2008

	Note	2008 £	2007 £
Turnover	*1*	**1,888,919**	3,730,745
Cost of sales		**(1,752,183)**	(3,117,788)
Gross profit		**136,736**	612,957
Administrative expenses		**(8,961)**	(8,925)
Operating profit		**127,775**	604,032
Interest receivable and similar income		**11,528**	155
Interest payable and similar charges	*4*	**(223,794)**	90,730
(Loss)/profit on ordinary activities before taxation	*2*	**(84,491)**	694,917
Tax on (loss)/profit on ordinary activities	*5*	**-**	(201,832)
(Loss)/profit on ordinary activities after taxation and retained (loss)/profit for the year	*12*	**(84,491)**	493,085

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 11.

Balance sheet
at 29 February 2008

	Note	2008		2007	
		£	£	£	£
Fixed assets					
Investments	6		1		1
Current assets					
Stocks	7	-		1,608,502	
Debtors	8	110,114		165,085	
Cash at bank and in hand		86,391		138,244	
		196,505		1,911,831	
Creditors: Amounts falling due within one year	9	(245,573)		(1,876,408)	
Net current (liabilities)/assets			(49,068)		35,423
Net (liabilities)/assets			(49,067)		35,424
Capital and reserves					
Called up share capital	10		2		2
Profit and loss account	11		(49,069)		35,422
Shareholders' funds	12		(49,067)		35,424

These financial statements were approved by the board of directors on 25 November 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 have been prepared on the going concern basis, notwithstanding net liabilities of £49,067, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Midland & City Developments Limited, the company's ultimate parent. Midland & City Developments Limited has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities 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.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the uncertainty may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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

	2008	2007
	£	£
(Loss)/profit on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration:		
Audit of these financial statements	**5,000**	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	
	2008	2007
Administration	**3**	4

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**456**	11,777
Social security costs	**-**	1,128
	456	12,905

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

	2008	2007
	£	£
Bank overdraft interest	**1,066**	142,867
On bank overdraft financing fees (see note 9)	**222,728**	(233,597)
	223,794	(90,730)

5 Tax on (loss)/profit on ordinary activities

(i) Analysis of charge for the year

	2008		2007	
	£	£	£	£
UK corporation tax				
Current tax on income for period	-		11,475	
Total current tax		-		11,475
Deferred tax				
Origination and reversal of timing differences	-		190,357	
		-		190,357
Tax on profit on ordinary activities		-		201,832

(ii) Factors affecting the tax charge for the year

The tax charge for the year is higher *(2007: lower)* than the standard rate of corporation tax in the UK of 30% *(2007: 30%)*. The differences are explained below:

	2008	2007
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**(84,491)**	694,917
Current tax at 30% *(2007: 30%)*	**(25,347)**	208,475
Effects of:		
Increase in losses carried forward/(utilisation of tax losses)	**25,347**	(190,357)
Tax rate lower than 30% on tax profits	-	(6,643)
Total current tax charge (see above)	-	11,475

Notes *(continued)*

5 Tax on profit on ordinary activities *(continued)*

(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 £84,000 *(2007: £Nil)* available for offset against future trading profits.

The corporation tax rate applicable to the company has changed from 30% to 28% from 1 April 2008. The deferred tax asset has been calculated at 30% in accordance with FRS 19. Any timing differences which reverse before 1 April 2008 will be charged at 30%, any timing differences which exist at 1 April 2008 will reverse at 28% and, because of the uncertainty of when the deferred tax will reverse, it is not possible to calculate the full impact of this change.

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 £120,132 at 29 February 2008 and a profit for the year of £Nil.

7 Stocks

	2008	2007
	£	£
Work in progress	**-**	1,608,502

8 Debtors

	2008	2007
	£	£
Amounts due from group undertakings (see note 13)	**108,698**	108,698
Other debtors	**1,416**	56,387
	110,114	165,085

9 Creditors: Amounts falling due within one year

	2008	2007
	£	£
Amounts owed to group undertakings (see note 13)	**223,074**	321,932
Other creditors	**101**	1,544,774
Accruals and deferred income	**22,398**	9,702
	245,573	1,876,408

Notes *(continued)*

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

Other creditors includes a £Nil *(2007: £1,527,273)* 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 Share capital

	2008	2007
	£	£
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

11 Reserves

	Profit and loss account
	£
At beginning of year	35,422
Retained loss for year	(84,491)
At end of year	**(49,069)**

12 Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
(Loss)/profit for the financial year and net (reduction in)/addition to shareholders' funds	**(84,491)**	493,085
Shareholders' funds at beginning of year	**35,424**	(457,661)
Shareholders' funds at end of year	**(49,067)**	35,424

Notes *(continued)*

13 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)**	
	2008	2007	**2008**	2007
	£	£	**£**	£
Midland & City Developments Limited	**(117,119)**	(295,805)	**(223,074)**	(321,932)
MCD (Sheepcote) Limited	**-**	-	**108,698**	108,698
MCD (Fleet) LLP	**-**	-	**-**	-

(b) Transactions with directors

Until 7 November 2007 SG Byrne held a 50% interest in LMP Consultants Limited. During the year LMP Consultants Limited charged the company £5,000 *(2007: £Nil)* in respect of project management services. At 29 February 2008, £5,000 *(2007: £Nil)* was owed to LMP Consultants Limited.

14 Commitments

The company has no capital commitments contracted for which no provision had been made at the year end *(2007: £Nil).*

15 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.