

Financial Statements Birmingham Technology (Property) Limited

For the year ended 31 March 2012



Registered number: 02188998

Birmingham Technology (Property) Limited

Company Information

Company number	02188998
Registered office	Faraday Wharf Holt Street Birmingham Science Park Aston Birmingham B7 4BB
Directors	Councillor M Whitby (chairman) Councillor T Ali Councillor Sir Albert Bore Dr P Extance Professor J King CBE Councillor J R McKay
Company secretary	R Kumar
Bankers	Lloyds TSB plc Ariel House 2138 Coventry Road Birmingham West Midlands B26 3JW
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Colmore Plaza 20 Colmore Circus Birmingham West Midlands B4 6AT

Birmingham Technology (Property) Limited

Contents

	Page
Directors' report	1 - 3
Independent auditor's report	4 - 5
Profit and loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the financial statements	9 - 17

Directors' Report

For the year ended 31 March 2012

The directors present their report and the financial statements for the year ended 31 March 2012

Principal activities and review of business

The company is an investment property company, with properties located at Birmingham Science Park Aston ("the Science Park")

Results and dividends

The profit for the year, after taxation, amounted to £66,250 (2011 - loss £1,077,300)

The directors do not propose to pay a dividend in respect of the financial year (2011 £nil)

Post balance sheet event

On 30 November 2012, the group reorganised its financial arrangements with Birmingham City Council. As a result of this reorganisation the group transferred its interest in certain of its leasehold properties, namely Holt Court, Ashted Lock and Priestly Wharf, to Birmingham City Council in exchange for the settlement of £16.8 million of the debt owed to the Council. Following this transaction the group has retained a 125 year long leasehold interest in Faraday Wharf.

Financial risk management objectives and policies

The company uses various financial instruments including cash and other items, such as trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are market risk, liquidity risk, cash flow interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Directors' Report

For the year ended 31 March 2012

Principal risks and uncertainties

Impact of the economic recession on occupancy levels

A business plan has been prepared by the directors to address the future strategy of the company to improve occupancy at the Science Park, to attract businesses which are appropriate to the Science Park and to ensure it can compete favourably both with other Science and Technology Parks and other offerings within Birmingham

The company's ability to raise finance for high value future developments

The directors have prepared a high level strategic plan which addresses future development. Funding for this will be dealt with on a development by development basis

Liquidity

In view of the recent losses incurred the company needs to be able to generate cash to meet its working requirements - the directors are working with Birmingham city council to secure a complete restructuring of the company's finances and assets to create a sustainable future

Interest rate risk

The company has a facility agreement with Birmingham City Council with a fixed interest rate for the year to 2033

Going concern

The group has prepared cash flow forecasts to 31 December 2013, making certain assumptions, to assess the working capital requirement for that period. Birmingham City Council has agreed to provide a working capital facility to meet that requirement. Accordingly, in the directors' opinion it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that might be necessary should the company be unable to continue as a going concern.

Directors

The directors who served during the year were

Councillor T Ali (appointed 17 August 2011)

Councillor Sir Albert Bore

Dr P Extance

Professor J King CBE

Hon Alderman D Roy (resigned 6 December 2012)

Councillor M Whitby (chairman)

Councillor T Huxtable (resigned 11 June 2012)

Councillor S Shah (resigned 17 August 2011)

Councillor J R McKay

Councillor J R McKay was appointed as company director 11 June 2012

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity insurance policy which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors.

Directors' Report

For the year ended 31 March 2012

Directors' responsibilities statement

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

BY ORDER OF THE BOARD



R Kumar
Secretary

Independent Auditor's Report to the Members of Birmingham Technology (Property) Limited

We have audited the financial statements of Birmingham Technology (Property) Limited for the year ended 31 March 2012, which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members of Birmingham Technology (Property) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read "Gut Th in up", which is likely a stylized or misread signature of David White.

David White (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Birmingham

20 December 2012

Birmingham Technology (Property) Limited

Profit and Loss Account

For the year ended 31 March 2012

	Note	2012 £	2011 £
Turnover - rental income	1,2	2,702,019	2,613,387
Administrative expenses		(1,505,799)	(1,648,923)
Exceptional administrative expenses		(185,970)	(1,086,764)
Total administrative expenses		(1,691,769)	(2,735,687)
Operating profit/(loss)	3	1,010,250	(122,300)
Interest receivable and similar income	4	23,000	11,000
Interest payable and similar charges	5	(967,000)	(966,000)
Profit/(loss) on ordinary activities before taxation		66,250	(1,077,300)
Tax on profit/(loss) on ordinary activities	7	-	-
Profit/(loss) for the financial year	15	66,250	(1,077,300)

All amounts relate to continuing operations

The notes on pages 9 to 17 form part of these financial statements

Birmingham Technology (Property) Limited

Statement of Total Recognised Gains and Losses

For the year ended 31 March 2012

	2012 £	2011 £
Profit/(loss) for the financial year	66,250	(1,077,300)
Revaluation of investment properties	<u>(1,109,021)</u>	<u>(93,454)</u>
Total recognised gains and losses relating to the year	<u>(1,042,771)</u>	<u>(1,170,754)</u>

The notes on pages 9 to 17 form part of these financial statements

Balance Sheet

As at 31 March 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	8		15,470		16,108
Investment property	9		16,665,008		17,929,999
Investments	10		5,001		5,001
			<u>16,685,479</u>		<u>17,951,108</u>
Current assets					
Debtors	11	921,565		1,052,039	
Cash at bank		145,898		123,027	
		<u>1,067,463</u>		<u>1,175,066</u>	
Creditors' amounts falling due within one year	12	(18,397,024)		(18,725,922)	
Net current liabilities			<u>(17,329,561)</u>		<u>(17,550,856)</u>
Total assets less current liabilities			<u>(644,082)</u>		<u>400,252</u>
Provisions for liabilities					
Other provisions	13		(185,471)		(187,034)
Net (liabilities)/assets			<u>(829,553)</u>		<u>213,218</u>
Capital and reserves					
Called up share capital	14		10,000		10,000
Revaluation reserve	15		447,750		1,556,771
Profit and loss account	15		(1,287,303)		(1,353,553)
Shareholders' (deficit)/funds	16		<u>(829,553)</u>		<u>213,218</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 December 2012



Councillor Sir Albert Bore
Director

The notes on pages 9 to 17 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 March 2012

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of Investment properties and in accordance with applicable accounting standards

The accounting policies adopted remain unchanged from the previous year

1.2 Post balance sheet event

On 30 November 2012, the group reorganised its financial arrangements with Birmingham City Council. As a result of this reorganisation the group transferred its interest in certain of its leasehold properties, namely Holt Court, Ashted Lock and Priestly Wharf, to Birmingham City Council in exchange for the settlement of £16.8 million of the debt owed to the Council. Following this transaction the group has retained a 125 year long leasehold interest in Faraday Wharf.

1.3 Going concern

The group has prepared cash flow forecasts to 31 December 2013, making certain assumptions, to assess the working capital requirement for that period. Birmingham City Council has agreed to provide a working capital facility to meet that requirement. Accordingly, in the directors' opinion it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that might be necessary should the company be unable to continue as a going concern.

1.4 Cash flow

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

1.5 Consolidation

Under section 400 of the Companies Act 2006 the company does not prepare consolidated financial statements as it is a subsidiary of Birmingham Technology Limited, a company which prepares consolidated financial statements drawn up to the same date. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.6 Turnover - rental income

Rental income includes rent received and receivable in the year. Rental income is recognised when rent becomes due under the company's occupational leases and licences, as and when the economic benefit transfers to the company. All turnover is in the United Kingdom.

Notes to the Financial Statements

For the year ended 31 March 2012

1. Accounting Policies (continued)

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on a straight-line basis to write off the cost of the assets, less their residual values, over their estimated useful lives. Rates of depreciation are

Fixtures, fittings and equipment - 20% per annum

1.8 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

Investments are stated at cost except where the directors become aware of any impairments that they consider to be permanent, in which case provision is made for such diminution.

1.9 Investment properties

Investment properties are stated at cost during the course of construction and market value when complete and available for letting. Cost includes interest capitalised during development and other professional fees.

In accordance with an amendment to SSAP 19, movements in the valuation of investment properties are shown in the statement of total recognised gains and losses, with the sole exception that deficits, on individual investment properties that are expected to be permanent are charged to the profit and loss account.

A directors' valuation of the company's properties is prepared annually using RICS guidelines based on market values. At three yearly intervals a full external valuation is undertaken.

No provision is made for amortisation of leasehold properties held on leases having more than 20 years unexpired. This departure from the requirements of the Companies Act 2006, which required all properties to be depreciated, is, in the opinion of the directors, necessary for the financial statements to show a true and fair view in accordance with applicable accounting standards. The amortisation (which would, had the provision of the Act been followed, have resulted in an additional charge to the profit and loss account) is only one of the factors reflected in the annual valuation and the amount attributable to this factor cannot reasonably be separately identified or quantified.

1.10 Operating leases

Rent payable under operating leases is charged to the profit and loss account as it becomes due.

Notes to the Financial Statements

For the year ended 31 March 2012

1. Accounting Policies (continued)

1.11 Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted at the balance sheet date.

1.12 Grants

Capital grants received for tangible fixed assets (other than investment properties) are recorded as deferred grants, included within provisions. These deferred grants are amortised over the estimated useful lives of the assets for which they were received. Capital grants and contributions received for the development of investment properties are deducted from the gross cost of the property in determining the revaluation surplus or deficit. Grants for investment properties are deducted from the cost of the asset unless conditions for receipt are deemed not to have been met.

1.13 Provisions

The group recognises provisions for liabilities and onerous contracts where there is an obligation to transfer economic benefits arising from a past transaction or event and where the liability can be reasonably estimated. Contracts are considered onerous where there is a continuing obligation.

1.14 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. Turnover

The whole of the turnover is attributable to rental income.

All turnover arose within the United Kingdom.

Notes to the Financial Statements

For the year ended 31 March 2012

3. Operating profit/(loss)

The operating profit/(loss) is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the company	10,948	9,301
Auditor's remuneration - audit fees	21,000	21,000
Auditor's remuneration - tax compliance fees	6,750	6,750
Management fee payable to undertakings	459,116	486,897
Operating Lease charge - other than plant and machinery	261,356	290,560

None of the directors received any emoluments during the year in respect of their services to the company (2011 £nil)

Non audit fees relate to taxation services

Apart from the directors, the company had no other employees (2011 none)

Each of the company's investment properties is subject to a headlease between the company and Birmingham City Council, as landowner. These headleases expire in June 2110. Rentals payable under these leases during the year ended 31 March 2012 were £261,356 (2011 £290,560) and are payable based on rents receivable.

4. Interest receivable

	2012 £	2011 £
Interest receivable from group undertakings	23,000	11,000

5. Interest payable

	2012 £	2011 £
On loans from other group undertakings	967,000	966,000

6. Exceptional items

	2012 £	2011 £
Permanent diminution of investment properties	155,970	1,156,598
Impairment of fixed assets	30,000	24,074
Provision for onerous contract for head lease	-	(93,908)
	185,970	1,086,764

Notes to the Financial Statements

For the year ended 31 March 2012

7. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2011 - the same as) the standard rate of corporation tax in the UK of 26% (2011 - 28%) as set out below:

	2012 £	2011 £
Profit/(loss) on ordinary activities before tax	66,250	(1,077,300)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 - 28%)	24,334	(301,644)
Effects of		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,950	333,861
Capital allowances for year in excess of depreciation	(6,116)	(9,463)
Utilisation of tax losses	(20,168)	(45,539)
Group relief	-	22,785
Current tax charge for the year (see note above)	-	-

8. Tangible fixed assets

	Fixtures & fittings £
Cost	
At 1 April 2011	146,174
Additions	10,310
At 31 March 2012	156,484
Depreciation	
At 1 April 2011	130,066
Charge for the year	10,948
At 31 March 2012	141,014
Net book value	
At 31 March 2012	15,470
At 31 March 2011	16,108

Notes to the Financial Statements

For the year ended 31 March 2012

9. Investment property

	Freehold investment property £
Valuation	
At 1 April 2011	17,929,999
Impairment charge (profit and loss account)	(155,970)
Impairment charge (revaluation reserve)	(1,109,021)
	<hr/>
At 31 March 2012	16,665,008

The company's properties were valued by Drivers Jonas Deloitte as at 31 March 2012, using RICS guidelines based on market values. Due to current market conditions and lower occupancy levels this resulted in a reduction in value compared to the value at 31 March 2011.

10. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2011 and 31 March 2012	5,001
	<hr/>
Net book value	
At 31 March 2012	5,001
	<hr/>
At 31 March 2011	5,001
	<hr/>

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Birmingham Technology (Venture Capital) Limited	5,000 A Ordinary Shares of £1	90.9%
Birmingham Technology (Property One) Limited	23,000 A Ordinary and 27,000 B Ordinary Shares of £1	100%
Name	Business	Registered office
Birmingham Technology (Venture Capital) Limited	Venture Capital Investments	England & Wales
Birmingham Technology (Property One) Limited	Dormant	England & Wales

Notes to the Financial Statements

For the year ended 31 March 2012

11. Debtors

	2012	2011
	£	£
Trade debtors	320,385	615,083
Amounts owed by group undertakings	540,595	355,716
Prepayments and accrued income	60,034	81,240
Tax recoverable	551	-
	<u>921,565</u>	<u>1,052,039</u>

Amounts owed by other group companies are repayable on demand. Interest on these balances was receivable at 5.5% per annum (2011: 6.0%). Intercompany balances are unsecured.

12. Creditors:

Amounts falling due within one year

	2012	2011
	£	£
Trade creditors	138,418	134,625
Amounts owed to group undertakings	17,604,728	17,801,217
Accruals and deferred income	653,878	790,080
	<u>18,397,024</u>	<u>18,725,922</u>

The amounts owed to group undertakings are repayable on demand. Interest on these balances was payable and receivable at 5.5% per annum (2011: 6.0%). Intercompany balances are unsecured.

Birmingham City Council holds a debenture, with a fixed charge over the company's fixed assets and a floating charge over the company's current assets.

13. Provisions for liabilities and charges

	Deferred capital grant
	£
At 1 April 2011	187,034
Amounts utilised	(1,563)
At 31 March 2012	<u>185,471</u>

Deferred taxation

No deferred tax assets have been recognised in 2012 (2011: £nil). The unprovided tax asset at 31 March 2012 is £296,641 (2011: £335,501). The asset would be recovered by reducing future tax liabilities generated by future taxable profits. As this relies on the generation of future profits which is uncertain, the related asset has not been recognised.

Notes to the Financial Statements

For the year ended 31 March 2012

14. Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
8,750 Ordinary 'A' shares shares of £1 each	8,750	8,750
1,250 Ordinary 'B' shares shares of £1 each	1,250	1,250
	<u>10,000</u>	<u>10,000</u>

The 'A' Ordinary and 'B' Ordinary shares are separate classes of shares but carry the same rights and privileges and rank pari passu in all respects. This includes equality in voting rights and the rights to any remaining assets in the event of the company being wound up.

15. Reserves

	Revaluation reserve £	Profit and loss account £
At 1 April 2011	1,556,771	(1,353,553)
Profit for the year	-	66,250
Revaluation of properties	(1,109,021)	-
	<u>447,750</u>	<u>(1,287,303)</u>
At 31 March 2012		

16. Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	213,218	1,383,972
Profit/(loss) for the year	66,250	(1,077,300)
Revaluation of properties	(1,109,021)	(93,454)
	<u>(829,553)</u>	<u>213,218</u>
Closing shareholders' (deficit)/funds		

Notes to the Financial Statements

For the year ended 31 March 2012

17. Related party transactions

The company received management, marketing, accounting and administrative services from its parent undertaking and other group undertakings, and was charged £472,611 (2011 £486,897) during the year for these services

The company has a number of long-term leases with Birmingham City Council on its property portfolio. In the year to 31 March 2012 the company paid £265,315 (2011 £290,560) as rentals in respect of these leased properties. These amounts were calculated and paid on an arm's-length basis and at market rates. The company paid business rates to Birmingham City Council, on an arm's length basis, amounting to £268,195 (2011 £424,714)

The company receives rent and service charges in respect of an underlease occupied by Birmingham City Council. The amount received for the year ended 31 March 2012 was £71,454 (2011 £68,236) in respect of rents, and £35,388 (2011 £35,388) in respect of service charges

The company receives rent and service charges in respect of an underlease occupied by Tech N1 Plant Limited. The amount received for the year ended 31 March 2012 was £20,220 (2011 £20,220) in respect of rents, and £11,055 (2011 £11,055) in respect of service charges. Tech N1 Plant Limited owed the company £3,128 (2011 £18,503) at 31 March 2012

The amounts owed to / by group undertakings, including subsidiary undertakings, are repayable on demand. Interest on these balances was payable and receivable at 5.5% per annum (2011 6.0%)

18. Ultimate parent undertaking and controlling party

The company is part of the Birmingham Technology Limited group, which is the smallest group to consolidate these financial statements. The ultimate parent undertaking and controlling party is Birmingham City Council, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of Birmingham Technology Limited's, and Birmingham City Council's consolidated financial statements can be obtained from the Company Secretary at Faraday Wharf, Holt Street, Aston Science Park, Birmingham B7 4BB