

RIVERMEAD COURT LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2009



HEXTALL MEAKIN
Chartered Accountants & Statutory Auditor
Argon House
Argon Mews
Fulham Broadway
London
SW6 1BJ

RIVERMEAD COURT LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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RIVERMEAD COURT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Susan Jane Fox
Peter Gilby Green
Timothy Peter Julian Halford
Suzanne Jean Henderson
Richard Frank Coleman Pollitzer
Jennifer Anne Redhead
David Heathcote Tatham
Anthony John Walker

Company secretary

Susan Jane Fox

Registered office

The House Manager's Office
Rivermead Court
Ranelagh Gardens
London
SW6 3SB

Auditor

Hextall Meakin
Chartered Accountants
& Statutory Auditor
Argon House
Argon Mews
Fulham Broadway
London
SW6 1BJ

RIVERMEAD COURT LIMITED

CHAIRMAN'S STATEMENT

YEAR ENDED 31 DECEMBER 2009

Results

The Company made a gross profit on its own activities of £68,582 and a deficit on service charge income and expenditure of £208,863. This deficit arose as a result of the planned major works expenditure to which I referred in my statement last year. Following interest receivable and profit on investments of £93,841 and the allocation of the service charge deficit to the Service Charge Reserve, the Company made a profit on its ordinary activities before taxation of £155,304 and an after tax profit of £146,281.

Net assets at 31 December were £1,829,695 in comparison with £1,885,158 at the end of 2008. The book value of investments was £1,385,735, as compared with £1,421,123 and their market value was £1,569,774. In consequence of the service charge deficit, the Service Charge Reserve declined from £441,543 to £239,799 but the Profit and Loss Account stood at £1,589,689 in comparison with £1,443,408 last year.

A recent survey showed that the amount of the Rivermead Court service charge compares very favourably with other period mansion blocks in London.

Treasurer's Report

The directors have decided that the Treasurer should publish his own report giving further information on some of the more important items included in the Company's Financial Statements and Service Charge Accounts. This report is sent to you together with the AGM package sent to all shareholders, but I must stress that it does not form part of the Annual Financial Statements or the Service Charge Accounts. You will see that in it, the Treasurer also outlines the various changes made in the presentation of the Financial Statements, principally to the Profit and Loss Account. I hope that you will find this a useful addition to the whole package.

Major Works

Last year I forecast that it would be necessary to remove some asbestos while preparatory work was being done prior to the first phase of the valve replacement. This was completed during the year, as was Phase A of the valve replacement.

This year we also embarked on the second phase of the extensive decoration of the exterior of our buildings which was commenced in 2008, namely the re-decoration of the Lightwells in the East Block. The original plan had been to decorate the Lightwells in both blocks but, as I said last year, because of the identification of asbestos, it was decided to split the work over 2 years. Although Triton – who had decorated the Centre Block – tendered for the work, the contract was awarded to MBS who gave us an advantageous price for both blocks. Unfortunately the project was not without its problems and the lessees in the East Block had to put up with some inconvenience. However lessons were learned for the decoration of the Lightwells in the West Block in 2010.

The installation of water pressure pumps – a requirement by Thames Water following their decision to reduce the water pressure throughout London – has still not commenced. This delay is not of our making.

Staff

As usual, all members of staff have looked after us admirably this year and we are grateful to them all. I think the lessees' generous contributions to the Staff Christmas Fund demonstrate the high regard in which we hold them.

RIVERMEAD COURT LIMITED

CHAIRMAN'S STATEMENT

YEAR ENDED 31 DECEMBER 2009

The only change in the staff this year has been the re-employment of Gil Palapay who had been on extensive sick leave for 2 years. He now fills in when other members of the staff are away or off sick, thus obviating the need to employ temporary staff.

Newsletter

The Newsletter is the responsibility of the Interior Sub-Committee. It is steadily improving in layout, content and scope and I use it as a means of informing lessees twice a year of the latest developments at Rivermead Court.

Garden

During the year we lost the services of our gardener Ricardo and now employ Aurea Gardens Ltd whose directors are Boguś Machnik and Andrew Puxley. The changes which they have wrought already have resulted in a number of complimentary remarks to me.

Parking

Parking is a perennial problem. The number of cars requiring parking spaces here at Rivermead Court exceeds the number of spaces by some way and we cannot deny access to builders or the drivers of delivery vans and taxis. I am only too conscious that at times lessees are frustrated by the lack of parking space, but I urge you all to be as tolerant as possible – especially of large or inconveniently parked vehicles.

Security

I am acutely aware that some of the lessees are concerned about our security. However, hundreds of people live here in Rivermead Court and there are many daily visitors. Although the porters are as vigilant as they can be and the CCTV cameras which are manned 24/7 are excellent at their job, it would be impossible to shut out any miscreant who is determined to gain access to the premises. The same goes for door-to-door deliverers of printed matter such as advertisements for mini cabs or pizza restaurants, whose offers irritate some of you. However, it might come as some comfort to you all to learn that the last forced break-in was in 1999. Nevertheless, during the year, and in conjunction with Faraday, the Board conducted a review of security at Rivermead Court.

The conclusion was that the overall aim should be to provide perimeter security with generally free access within and it seems that we do have a reasonably secure environment with the most vulnerable points being the car exit gate and the pedestrian gate nearest to the Porters' Lodge. As a result, the car exit gate is now closed at midnight. Consideration was given to locking the Lodge gate, but it was felt that this would be too much of an inconvenience to lessees and to visitors, as well as putting an undue extra burden on the porters. Another overdue decision was to change the post-midnight entry code to the front door of every block and this has been implemented in 2010.

The Board

Membership of the Board remained constant throughout the year. Each member has a particular role to play and brings to it his or her especial talents. I am truly grateful to all of them but especially our Treasurer, Anthony Walker, who works so very hard on all our behalf.

Sub-lettings

A few years ago it was calculated that there were 33 flats in Rivermead Court that were sub-let. After a recent survey we think that the total is now approaching 50, some of whom may be without official consent, as is required by the Lease. All those lessees who sub-let are reminded that strict compliance with the terms of their leases will be enforced.


RIVERMEAD COURT LIMITED

CHAIRMAN'S STATEMENT

YEAR ENDED 31 DECEMBER 2009

Health & Safety

The company has responsibilities under various provisions of the Health & Safety legislation. We commission regular reports on how Rivermead Court measures up and, I am happy to report, such recommendations as were made in this year's report were relatively minor and related mostly to insufficient signage. They are being addressed.



DAVID HEATHCOTE TATHAM
Chairman

Dated 13 April 2010

RIVERMEAD COURT LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2009

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2009

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Rivermead Court Limited acts as Landlord on behalf of the leaseholders of Rivermead Court. The company purchased the freehold of Rivermead Court from Prudential Assurance Company Limited with a view to granting long leases of the flats therein to those sitting tenants who wished to acquire them. Long leases of certain flats which were vacant at that time or subsequently became vacant have been sold in the open market. Two flats continued to be let during the year at statutory rents, to sitting tenants who did not elect to acquire long leases.

DIRECTORS

The directors who served the company during the year were as follows

Susan Jane Fox
Peter Gilby Green
Timothy Peter Julian Halford
Suzanne Jean Henderson
Richard Frank Coleman Pollitzer
Jennifer Anne Redhead
David Heathcote Tatham
Anthony John Walker

DIRECTORS' RESPONSIBILITIES

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 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 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.

RIVERMEAD COURT LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2009

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

AUDITOR

Hextall Meakin are deemed to be re-appointed under section 487(2) of the Companies Act 2006

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

Registered office
The House Manager's Office
Rivermead Court
Ranelagh Gardens
London
SW6 3SB

Signed by order of the directors



SUSAN JANE FOX
Company Secretary

Approved by the directors on 13 April 2010

RIVERMEAD COURT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RIVERMEAD COURT LIMITED

YEAR ENDED 31 DECEMBER 2009

We have audited the financial statements of Rivermead Court Limited for the year ended 31 December 2009 on pages 9 to 16. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders 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 set out on pages 5 to 6, the directors are responsible for the preparation of the Annual Report, financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

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 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

RIVERMEAD COURT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RIVERMEAD COURT LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2009

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, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime



George Meakin
Senior Statutory Auditor

Dated: 13 April 2010

For and on behalf of
HEXTALL MEAKIN
Chartered Accountants & Statutory Auditors
Argon House
Argon Mews
Fulham Broadway
London
SW6 1BJ

RIVERMEAD COURT LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2009

| | Note | 2009 £ | 2008 £ |
|---|-----------|----------------------------------|-----------------------------------|
| COMPANY INCOME | 1 | 106,566 | 111,029 |
| Company expenditure | | 37,984 | 48,801 |
| COMPANY GROSS PROFIT | | 68,582 | 62,228 |
| Service Charge Income | 1 | 1,310,547 | 1,263,777 |
| Service Charge and Reserve Expenditure | | (1,519,410) | (1,109,572) |
| SERVICE CHARGE (DEFICIT)/SURPLUS | | (208,863) | 154,205 |
| OPERATING (DEFICIT)/SURPLUS | 2 | (140,281) | 216,433 |
| Investment income and profits receivable – Company Service Charge | 4 | 86,722 7,119 <u>93,841</u> | 19,852 26,158 <u>46,010</u> |
| (DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (46,440) | 262,443 |
| Service Charge deficit/(surplus) allocated to Service Charge Reserve | 13 | 201,744 | (180,363) |
| COMPANY PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 155,304 | 82,080 |
| Tax on company profit on ordinary activities | 5 | 9,023 | 6,237 |
| PROFIT FOR THE FINANCIAL YEAR | 13 | <u>146,281</u> | <u>75,843</u> |

The notes on pages 11 to 16 form part of these financial statements

RIVERMEAD COURT LIMITED

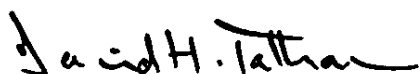
BALANCE SHEET

31 DECEMBER 2009

| | Note | 2009 £ | 2008 £ |
|---|------|-----------|-----------|
| FIXED ASSETS | | | |
| Tangible assets | 6 | 163,200 | 163,200 |
| CURRENT ASSETS | | | |
| Property Stocks | 7 | 29,159 | 29,159 |
| Debtors | 8 | 549,170 | 581,079 |
| Investments | 9 | 1,385,735 | 1,421,123 |
| Cash at bank | | 662,415 | 595,863 |
| | | 2,626,479 | 2,627,224 |
| CREDITORS: Amounts falling due within one year | 10 | 959,984 | 905,266 |
| NET CURRENT ASSETS | | 1,666,495 | 1,721,958 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,829,695 | 1,885,158 |
| CAPITAL AND RESERVES | | | |
| Called-up equity share capital | 12 | 207 | 207 |
| Service Charge Reserves | 13 | 239,799 | 441,543 |
| Profit and loss account | 13 | 1,589,689 | 1,443,408 |
| SHAREHOLDERS' FUNDS | | 1,829,695 | 1,885,158 |

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the directors and authorised for issue on 13 April 2010 and are signed on their behalf by



DAVID HEATHCOTE TATHAM

Company Registration Number 1432634

The notes on pages 11 to 16 form part of these financial statements

RIVERMEAD COURT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Company income

Company income represents income from its two rental properties, ground rent receivable and income from garages, car spaces and storage units

Service Charge income

Service charge income represents income due from leaseholders for the year to cover the running costs of the building and to enable the build up of a surplus towards major works

Investments

Investments are shown in the financial statements at the lower of cost and net realisable value

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

Presentation of profit and loss account

The presentation of the Company profit and loss account has been modified from the prescribed format for Company Accounts. The Directors believe that the financial statements and the notes thereon, as presented, are necessary for the accounts to give a true and fair view of the Company's financial activities for the year

Property

Property is shown in the financial statements at the lower of cost and net realisable value

Depreciation of land and buildings

Land and Buildings - NIL

The land and buildings, which include the garages and staff flats, are maintained regularly to a high standard and the directors consider that the lives of the premises are so long and their residual values so high that any element of depreciation would be immaterial

RIVERMEAD COURT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2009

2. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging

| | 2009 | 2008 |
|-------------------------|--------------|--------------|
| | £ | £ |
| Directors' remuneration | — | — |
| Auditor's fees | <u>6,000</u> | <u>6,000</u> |

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

| | 2009 | 2008 |
|------------------------------------|-------------|-------------|
| | No | No |
| Average weekly full time employees | <u>14</u> | <u>14</u> |

The aggregate payroll costs of the above were

| | 2009 | 2008 |
|---------------------------------------|----------------|----------------|
| | £ | £ |
| Wages, salaries and other staff costs | 270,907 | 261,095 |
| Social security costs | 23,967 | 23,609 |
| Other pension costs | 8,886 | 10,962 |
| | <u>303,760</u> | <u>295,666</u> |

No director received any remuneration during the year

4. INVESTMENT INCOME AND PROFITS RECEIVABLE

| | 2009 | 2008 |
|--|---------------|---------------|
| | £ | £ |
| Bank interest receivable | 6,060 | 32,512 |
| Profit / (loss) on sale of investments | 50,974 | (13,951) |
| Investment income receivable | 36,807 | 27,449 |
| | <u>93,841</u> | <u>46,010</u> |

5. TAXATION ON ORDINARY ACTIVITIES

Analysis of charge in the year

| | 2009 | 2008 |
|--|--------------|--------------|
| | £ | £ |
| Current tax | | |
| UK Corporation tax based on the results for the year | 9,023 | 10,411 |
| Over/under provision in prior year | - | (4,174) |
| Total current tax | <u>9,023</u> | <u>6,237</u> |

RIVERMEAD COURT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

5. TAXATION ON ORDINARY ACTIVITIES *(continued)*

The company is a mutual trading company for taxation purposes which means that no taxation arises on service charge surpluses

6. TANGIBLE FIXED ASSETS

| | Land and Buildings £ |
|--|----------------------------|
| COST | |
| At 1 January 2009 and 31 December 2009 | <u>163,200</u> |
| DEPRECIATION | |
| At 1 January 2009 and 31 December 2009 | <u>—</u> |
| NET BOOK VALUE | |
| At 31 December 2009 | <u>163,200</u> |
| At 31 December 2008 | <u>163,200</u> |

The Land and Buildings include the garages and the staff flats

7. STOCKS

| | 2009 £ | 2008 £ |
|----------|---------------|---------------|
| Property | <u>29,159</u> | <u>29,159</u> |

The property stock comprises two remaining flats whose tenants did not elect to acquire long leases

8. DEBTORS

| | 2009 £ | 2008 £ |
|--------------------------------|----------------|----------------|
| Service charges receivable | 455,443 | 475,370 |
| Prepayments and accrued income | <u>93,727</u> | <u>105,709</u> |
| | <u>549,170</u> | <u>581,079</u> |

RIVERMEAD COURT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2009

9. INVESTMENTS

| | 2009 £ | 2008 £ |
|--|-------------------|-------------------|
| Bonds | | |
| £50,000 4 875% BNG 2010 | 49,709 | 49,709 |
| £195,000 UK Govt 2 5% Index-Linked 2011 | - | 537,560 |
| £184,400 UK Govt 2 5% Index-Linked 2009 | - | 509,666 |
| £590,000 UK Govt 2 25% Gilt 2014 | 584,276 | - |
| £151,000 UK Govt 2 5% Index-Linked 2013 | 375,457 | - |
| £30,000 5 75% B A T Int Finance 2013 | 30,075 | 30,075 |
| £29,000 6 5% Linde Finance 2016 | 28,063 | 28,063 |
| £50,000 Centrica 5 5% Nts 2016 | 46,800 | 46,800 |
| | <u>1,114,380</u> | <u>1,201,873</u> |
| Investment Companies | | |
| 15,000 Electric & General Investment Trust | - | 52,109 |
| 8,000 Electric & General Investment Trust | 27,791 | - |
| 14,000 Schroder UK Mid Cap Fund | 25,639 | 25,639 |
| 3,200 Murray International Trust | 25,420 | - |
| 6,750 Bankers' Investment Trust | 25,120 | - |
| 6,500 Scottish Oriental Smaller Co Trust | 25,884 | - |
| | <u>129,854</u> | <u>77,748</u> |
| Unit trusts | | |
| 35,000 Cazenove UK Growth & Income | 51,375 | 51,375 |
| 20,000 St James' Place International | 40,860 | 40,860 |
| 70,680 JP Morgan UK Dynamic | 49,267 | 49,267 |
| | <u>141,502</u> | <u>141,502</u> |
| | <u>£1,385,735</u> | <u>£1,421,123</u> |

All the investments are stated at the lower of cost and net realisable value. The market value at 31 December 2009 was £1,569,774 (2008 £1,554,128) and the market value at 8 April 2010 was £1,624,470

RIVERMEAD COURT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

10. CREDITORS: Amounts falling due within one year

| | 2009 | 2008 |
|--|----------------|----------------|
| | £ | £ |
| Trade creditors | 92,046 | 44,631 |
| Other creditors including taxation | | |
| Corporation tax | 8,556 | 9,944 |
| Deferred income and service charges receivable | 695,297 | 693,566 |
| Other creditors | 133,720 | 124,921 |
| Accruals and deferred income | 30,365 | 32,204 |
| | <u>959,984</u> | <u>905,266</u> |

11. RELATED PARTY TRANSACTIONS

In their capacity as lessees, the directors are levied and pay service charges and, where applicable, car-parking, garage and storage unit rents, on the same arms length basis as all other lessees of Rivermead Court

Richard Pollitzer, a director of the Company, is also an employee of Hargreave Hale Limited, a firm which provides investment advice to Rivermead Court Limited. All transactions between the company and Hargreave Hale Limited are on an arm's length basis

12. SHARE CAPITAL

Authorised share capital:

| | 2009 | 2008 |
|--------------------------------|------------|------------|
| | £ | £ |
| 250 Ordinary shares of £1 each | <u>250</u> | <u>250</u> |

Allotted, called up and fully paid:

| | 2009 | | 2008 | |
|--------------------------------|------------|------------|------------|------------|
| | No | £ | No | £ |
| 207 Ordinary shares of £1 each | <u>207</u> | <u>207</u> | <u>207</u> | <u>207</u> |

RIVERMEAD COURT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

13. RESERVES

| | Service Charge Reserve | Profit and loss account |
|-------------------------|-----------------------------------|------------------------------------|
| | £ | £ |
| Balance brought forward | 441,543 | 1,443,408 |
| Profit for the year | - | 146,281 |
| Deficit for the year | (201,744) | - |
| Balance carried forward | <u>239,799</u> | <u>1,589,689</u> |

Under the terms of the leases granted by the company it is entitled each year to include in the service charge receivable not only those expenses incurred during the year in question but also a contribution to those expenses of a periodically recurring nature, mainly, in practice, major works. The accumulated amount of these contributions is intended to produce a reserve fund called in these accounts "the Service Charge Reserve"