

MARSHAM COURT MANAGEMENT COMPANY LIMITED

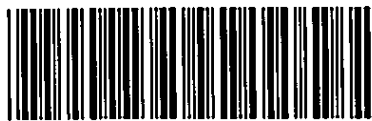
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE

YEAR ENDED 31ST DECEMBER 2006

[Company Number: 1602191]

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MARSHAM COURT MANAGEMENT COMPANY LIMITED

INDEX TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006

Page

1 – 2	Directors' Report
3	Independent Auditors' Report
4	Balance Sheet
5	Income and Expenditure Account
6 – 8	Notes to the Financial Statements

Registered Office	18 Pall Mall, London, SW1Y 5LU
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Company Number	1602191
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DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2006

The Directors present herewith their Annual Report, together with the audited financial statements of the Company for the year ended 31st December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Practice

Company law requires the Directors to prepare financial statements for each financial year which 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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

The Directors confirm that, as far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware and that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

PRINCIPAL ACTIVITY

The Company was formed for the purpose of acquiring and managing the freehold interest in Marsham Court, Marsham Street, London SW1. In 1985 the Company acquired the freehold interest in Marsham Court from the City of Westminster Assurance Company Limited

The financial statements disclose on page 5 the expenditure incurred in managing the freehold property, which constituted its main activity for the year

The Company is a non-profit making body, accordingly it does not make transfers to reserves, nor vote dividends

DIRECTORS AND THEIR INTERESTS

The Directors and their interests in the share capital of the Company were as follows

	<u>Number of Shares</u>	
	On appointment or	
	<u>1st January</u>	<u>31st December</u>
	<u>2006</u>	<u>2006</u>
Thomas S Corrigan OBE CA (Chairman)	1	1
Miss Helen Donoghue (Secretary)	1	1
Bernard J Adams	2	2
Lord Rodger of Earlsferry (appointed 15 th November 2006)	1	1
Miss Rosemary E Moodie	1	1
Ms Moya P O'Shea	1	1
Andrew C Parmley	1	1
Julian H Prideaux OBE FRICS	1	1
Rear Admiral David M Pulvertaft CB	-	-
	==	==

John H Robinson and Mrs Joanne M Stretton Clayton resigned as Directors on 9th August 2006 and 15th November 2006 respectively

DIRECTORS' REPORT (continued)

DIRECTORS' INDEMNITY INSURANCE

During the year the company maintained a policy of indemnity insurance for the benefit of all of the Company's Directors

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of F W Smith, Riches & Co as auditors to the Company is to be proposed at the forthcoming Annual General Meeting

SMALL COMPANY RULES

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

This report was approved by the Board of Directors on 21st February 2007 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Helen R Donoghue', is written above the printed name and title.

Miss H Donoghue
Secretary

A C JACKSON
M J ROONEY
D D E CRAWFORD

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E J FURNISS - Consultant

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MARSHAM COURT MANAGEMENT COMPANY LIMITED

We have audited the financial statements of Marsham Court Management Company Limited for the year ended 31st December 2006 on pages 4 to 8. These financial statements have been prepared in accordance with the accounting policies set out on page 6, and the requirements of the Financial Reporting Standard for Smaller Entities.

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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 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 of 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 an 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 judgements 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 United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the Company's affairs as at 31st December 2006 and of its result 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.

F. W. Smith, Riches & Co.

Chartered Accountants and Registered Auditors

21st February 2007

BALANCE SHEET AT 31ST DECEMBER 2006

		<u>2006</u>		<u>2005</u>	
	<u>Notes</u>	£	£	£	£
FIXED ASSETS					
Tangible	4a		51,082		51,082
Investments	4b		245,672		245,672
			<u>296,754</u>		<u>296,754</u>
CURRENT ASSETS					
Debtors	5	77,834		68,350	
Cash in bank		234,130		261,402	
		<u>311,964</u>		<u>329,752</u>	
CREDITORS: amount falling due within one year	6	132,585		163,209	
NET CURRENT ASSETS			179,379		166,543
MEDIUM TERM DEBTORS	5		2,566		2,566
NET ASSETS			<u>478,699</u>		<u>465,863</u>
Representing					
PROVISION FOR LIABILITIES AND CHARGES	7		411,605		398,769
CAPITAL AND RESERVES					
Called up share capital	8	147		147	
Extraordinary fund	9	66,947		66,947	
SHAREHOLDERS' FUNDS			<u>67,094</u>		<u>67,094</u>
			<u>478,699</u>		<u>465,863</u>

The financial statements on pages 4 to 8, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005) were approved by the Board of Directors on 21st February 2007 and signed on its behalf by



T. S. Corrigan
Chairman

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2006

		<u>2006</u>		<u>2005</u>	
	<u>Notes</u>	£	£	£	£
TURNOVER					
Service charges to leaseholders	2		532,296		508,068
PROPERTY MAINTENANCE COSTS					
Porters' salaries		195,343		184,741	
Pension contributions to defined contribution Schemes		5,384		3,998	
Other portorage costs		2,440		4,385	
Cleaning		37,299		38,125	
Provision of hot water and hygiene		85,337		71,417	
Lift		16,498		9,190	
Building		25,763		23,877	
Electricity		16,755		12,243	
Sundries		17,345		33,434	
Insurance policies		56,018		55,439	
Amount recoverable from commercial parts		(4,318)		(4,318)	
			(453,864)		(432,531)
			78,432		75,537
RERFURBISHMENT COST					
Water tanks		29,583		-	
External works		-		8,936	
Lift refurbishment		-		15,000	
			(29,583)		(23,936)
ADMINISTRATIVE EXPENSES					
Management fee		33,781		26,731	
Solicitors' fees		4,829		6,757	
Consultants fees		96		3,616	
Accountancy & professional fees		2,125		1,662	
Audit fee		5,050		5,050	
Bank charges		10		-	
			(45,891)		(43,816)
INTEREST RECEIVABLE	1(b)		2,003		2,459
TAX ON INTEREST RECEIVED	3		(536)		(1,071)
TRANSFER TO SINKING FUND	7		(32,000)		(32,000)
TRANSFER FROM SINKING FUND	7		29,583		23,936
AMOUNT REPAYABLE TO LEASEHOLDERS	6		2,008		1,109

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006**1 ACCOUNTING POLICIES****(a) Accounting Conventions**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

(b) Interest Received

Interest arising on monies deposited with banks is accounted for on a receipts basis. Interest on Sinking Fund monies (net of income tax) is accumulated within the Sinking Fund and not dealt with through the Income and Expenditure Account (see note 7 below)

(c) Corporation Tax and Income Tax

A surplus arising in relation to leaseholders' service charges is exempt from taxation. No such exemption applies to investment income, tax is provided on gross income received, including interest on Sinking Fund monies. Investment income arising on monies held in the Sinking Fund and on monies received from leaseholders is subject to income tax at the Trust Rate (40%). Investment income arising from monies held by the Company in its own right is subject to corporation tax.

(d) Depreciation

No depreciation is provided on freehold property as in the opinion of the Directors any element of depreciation would be immaterial.

(e) Investments

Fixed asset investments are stated at cost less provision for any diminution in value.

2 TURNOVER

Income represents service charges receivable for the year in respect of the management of Marsham Court.

3 TAXATION

	<u>2006</u> £	<u>2005</u> £
Tax on service charge interest at 27 % (2005 34 %)	536	984
Under provision in prior year	-	87
	<u>536</u>	<u>1,071</u>
Tax on sinking fund interest at 40 % (2005 21 %) (see note 7)	5,552	6,174
Under provision in prior year	629	250
	<u>6,181</u>	<u>6,424</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006
(continued)

4 FIXED ASSETS

(a) Tangible

The freehold interest in Marsham Court, London, SW1 vested in the Management Company on 7th October 1985. The consideration payable for the interest on transfer to the Company was £1. The reinstatement cost of the building for fire insurance purposes at 31st December 2006 was £33,800,000 (2005 £37,383,522).

The tangible fixed assets comprise the following

	<u>Property enhancement</u> £	<u>Freehold property</u> £	<u>Total Costs</u> £
Balance at beginning and end of year	51,081	1	51,082
	=====	=	=====

The property enhancement represents expenditure incurred in creating the Head Porter's flat in 1996.

(b) Investments

	<u>2006</u> £	<u>2005</u> £
Cost		
Listed	245,671	245,671
Unlisted	1	1
	=====	=====
	245,672	245,672
	=====	=====

The listed investment is a holding of £250,000 4 % Treasury Stock 2009. The market value of the investment at the balance sheet date was £244,050 (2005 £248,600).

The unlisted investment is the cost of one share issued by Marsham Court Services Limited, a wholly owned subsidiary. The subsidiary has not traded in the year to 31st December 2006 and at 31st December 2006 the aggregate of the company's share capital and reserves was £1.

5 DEBTORS

Amounts falling due within one year

Amounts due from leaseholders (service charge arrears)	7,903	3,604
Prepayments	68,897	64,746
Other debtors	1,034	-
	=====	=====
	77,834	68,350
	=====	=====
Medium term loans (repayable in more than 1 year)	2,566	2,566
	=====	=====

NOTED TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006
(continued)

6	CREDITORS	<u>2006</u> £	<u>2005</u> £
	Amounts falling due within one year		
	Amounts due to leaseholders (excess of income over expenditure for year)	2,008	1,109
	Taxation and social security	10	6,567
	Corporation tax	173	7,158
	Income tax	5,093	-
	Other creditors	21,533	75,458
	Accruals	103,768	72,917
		<u>132,585</u>	<u>163,209</u>

7 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for certain future expenditure are dealt with in Sinking Fund account, which is interest bearing

The movement on the Sinking Fund account is as follows

	<u>2006</u> £	<u>2005</u> £
Balance at beginning of year	398,769	381,694
Transfer from Income and Expenditure Account	32,000	32,000
Transfer to Income and Expenditure Account	(29,583)	(23,936)
Interest received for the year	16,600	15,435
Tax on interest received (see note 3)	(6,181)	(6,424)
Balance at end of year	<u>411,605</u>	<u>398,769</u>

The Sinking Fund account represents the amount retained as reasonably necessary for the purpose of providing for any non-annually recurring future major expenditure

8 CALLED UP SHARE CAPITAL

Authorised		
147 ordinary shares of £1 each	<u>147</u>	<u>147</u>
Allotted, called up and fully paid		
147 ordinary shares of £1 each	<u>147</u>	<u>147</u>

9 EXTRAORDINARY FUND

The Extraordinary Fund account represents the profit after tax on the sale of an additional flat

The movement on the Extraordinary Fund account is as follows

Balance at the beginning and end of year	<u>66,947</u>	<u>66,947</u>
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