

Company Registration No. 2219663 (England and Wales)

AVONSWORD LIMITED
DIRECTOR'S REPORT AND
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

SATURDAY



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AVONSWORD LIMITED

COMPANY INFORMATION

Director	L I Isaacson
Secretary	Enterprise Administration Ltd
Company number	2219663
Registered office	5 Chalcot Crescent London NW1 8YE
Accountants	Greenback Alan LLP 11 Raven Wharf Lafone Street London SE1 2LR
Bankers	Barclays Bank Plc

AVONSWORD LIMITED

CONTENTS

	Page
Director's report	1
Accountants' report	2
Profit and loss account	3
Balance sheet	4
Notes to the financial statements	5 - 8

AVONSWORD LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 JULY 2006

The director presents his report and financial statements for the year ended 31 July 2006

Principal activities

The principal activity of the company is the acquisition, improvement and operation of freehold property at Monte da Palmeira, Algrave, Portugal

Director

The following director has held office since 1 August 2005

L I Isaacson

Director's interests

The director's interest in the shares of the company was as stated below

	Ordinary shares of £1 each	
	31 July 2006	1 August 2005
L I Isaacson	365,100	365,100

Director's responsibilities

The director is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the director 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 director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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

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

On behalf of the board



L I Isaacson

Director

15 March 2007

AVONSWORD LIMITED

CHARTERED ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS ON THE UNAUDITED FINANCIAL STATEMENTS OF AVONSWORD LIMITED

In accordance with our engagement letter, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of Avonsword Limited for the year ended 31 July 2006, set out on pages 3 to 8 from the accounting records and information and explanations you have given to us

This report is made to the Company's Board of Directors, as a body, in accordance with the terms of engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the Company's Board of Directors that we have done so, and state those matters we have agreed to state to them in this 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 Board of Directors as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet as at 31 July 2006 your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.



Greenback Alan LLP

Chartered Accountants

15 March 2007

11 Raven Wharf
Lafone Street
London
SE1 2LR

AVONSWORD LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2006

	Notes	2006 £	2005 £
Turnover		10,922	6,654
Administrative expenses		(19,734)	(49,423)
Operating loss	2	(8,812)	(42,769)
Interest payable and similar charges		(4,906)	(5,459)
Loss on ordinary activities before taxation		(13,718)	(48,228)
Tax on loss on ordinary activities	3	-	-
Loss for the year	8	(13,718)	(48,228)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

AVONSWORD LIMITED

BALANCE SHEET

AS AT 31 JULY 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	4	400,261	403,837
Current assets			
Debtors	5	3,204	-
Creditors' amounts falling due within one year	6	(248,826)	(235,480)
Net current liabilities		(245,622)	(235,480)
Total assets less current liabilities		154,639	168,357
Capital and reserves			
Called up share capital	7	365,100	365,100
Profit and loss account	8	(210,461)	(196,743)
Shareholders' funds	9	154,639	168,357

In preparing these financial statements

- (a) The director is of the opinion that the company is entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985,
- (b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and
- (c) The director acknowledges his responsibilities for
 - (i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

Approved by the Board and authorised for issue on 15 March 2007



L I Isaacson
Director

AVONSWORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small company

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover comprises the invoiced value of lettings supplied by the company

1.4 Tangible fixed assets and depreciation

Freehold property and improvement expenditure are stated at cost in Euros and converted into Sterling at the rate of exchange in operation at the date on which the payment was made

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Land and buildings Freehold	1% reducing balance
Fixtures, fittings & equipment	10% reducing balance

1.5 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

2 Operating loss	2006 £	2005 £
Operating loss is stated after charging		
Depreciation of tangible assets	5,595	5,840
and after crediting		
Profit on foreign exchange transactions	(183)	(634)

AVONSWORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2006

3	Taxation	2006	2005
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(13,718)	(48,228)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2005 - 0.00%)	-	-
	Current tax charge	-	-

The company has estimated losses of £ 155,874 (2005 - £ 149,594) available for carry forward against future trading profits

4 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 August 2005	430,851	43,592	474,443
Additions	2,020	-	2,020
At 31 July 2006	432,871	43,592	476,463
Depreciation			
At 1 August 2005	44,444	26,163	70,607
Charge for the year	3,855	1,740	5,595
At 31 July 2006	48,299	27,903	76,202
Net book value			
At 31 July 2006	384,572	15,689	400,261
At 31 July 2005	386,408	17,429	403,837

AVONSWORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

5 Debtors	2006	2005
	£	£
Other debtors	3,204	-
	<u> </u>	<u> </u>
6 Creditors: amounts falling due within one year	2006	2005
	£	£
Bank loans and overdrafts	67,754	70,918
Other creditors	181,072	164,562
	<u> </u>	<u> </u>
	248,826	235,480
	<u> </u>	<u> </u>
7 Share capital	2006	2005
	£	£
Authorised		
450,100 Ordinary shares of £1 each	450,100	450,100
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
365,100 Ordinary shares of £1 each	365,100	365,100
	<u> </u>	<u> </u>
8 Statement of movements on profit and loss account		Profit and loss account £
Balance at 1 August 2005		(196,743)
Loss for the year		(13,718)
		<u> </u>
Balance at 31 July 2006		(210,461)
		<u> </u>

AVONSWORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2006

9	Reconciliation of movements in shareholders' funds	2006 £	2005 £
	Loss for the financial year	(13,718)	(48,228)
	Opening shareholders' funds	168,357	216,585
		<hr/>	<hr/>
	Closing shareholders' funds	154,639	168,357
		<hr/>	<hr/>

10 Control

The company is controlled by L Isaacsoon, the director of the company, by virtue of his holding 100% of the company's issued share capital

11 Related party transactions

Other creditors includes an interest free loan of £175,726 (2005 £152,038) from L Isaacson who is the director of the company No date for repayment has been set