

MCD (Fleet) LLP

**Members' report and financial
statements**

Registered number 0C301189

For the year ended 29 February 2004



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Members' report

The members present their annual report and the audited financial statements for the year ended 29 February 2004.

The LLP was incorporated on 19 December 2001 and the prior period comparative information is, therefore, for the period of incorporation to 28 February 2003.

Principal activity

The principal activity of the LLP, is and will continue to be, that of undertaking large scale, mixed use property developments.

Business review

The LLP continues to construct a development of residential canal-side apartments in the centre of Birmingham, with a number of commercial and retail units at an estimated sales value of £25 million.

A high proportion of the residential units have been sold in the remainder of 2004 and it is expected that the last few remaining units will be sold in 2005. This has been a successful scheme and having been constructed along one of the City's waterways, contributes much to the regeneration of the area.

The result for the year is shown on page 5 of the financial statements.

Designated members

The designated members of the LLP throughout the financial year are set out below:

SG Byrne
JD Corstorphine
TK Quigley

Policy on members' drawings, subscription and repayment of members' capital

Each member is entitled to a share in the net profits of the LLP in proportion to their shares held. Each members' share of net profits shall be paid to him within one month after the signing of the annual audited financial statements for the financial year. Following the date on which the debt owing to the bank has been repaid in full and all development costs have been settled or provided for, in full, the LLP may pay to each member directly his relevant percentage at the end of each quarter of any surplus cash of the LLP on account of his share of net profits.

The capital of LLP is £3 and is paid for in the following proportions:

	At beginning and end of year £
JD Corstorphine	1
JG Byrne	1
TK Quigley	1

Any distribution of capital shall be distributed to the members in proportion of their shares to the total share capital.

Unless the members agree otherwise, the LLP shall be wound up on completion of the sale of all the land or all the building assets comprised in the business.

In the event of the LLP being wound up or dissolved, other than in the circumstance of insolvency, the net assets, or proceeds of sale of such assets, shall be shared between the members in proportion to their shares on the day before the commencement of the winding up.

Members' report *(continued)*

Auditors

A resolution for the re-appointment of KPMG LLP as auditor of the LLP is to be proposed at the forthcoming annual general meeting.

By order of the members and signed on their behalf


DP Fair
Secretary

21 George Street
Birmingham
B3 1QA

22 December 2004

Statement of members' responsibilities

The law relating to limited liability partnerships (LLPs) requires the members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the partnership at the end of the financial year and of the profit or loss for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under the Limited Liability Partnerships Act 2000, the members are also responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the LLP and which enable them to ensure that the financial statements will comply with those regulations. The members have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.



KPMG LLP
2 Cornwall Street
Birmingham B3 2DL

Report of the independent auditors to the members of MCD (Fleet) LLP

We have audited the financial statements on pages 5 to 10.

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Section 235 of the Companies Act 1985, as required by Paragraph 3 of the Limited Liability Partnership Regulations 2001. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

The members are responsible for preparing the members' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the limited liability partnership has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the limited liability partnership'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 of the state of affairs of the limited liability partnership as at 29 February 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

V. M. G. LLP

KPMG LLP
Chartered Accountants
Registered Auditor

22 December 2004

Profit and loss account
for the year ended 29 February 2004

	<i>Note</i>	Year ended 29 February 2004 £	Period ended 28 February 2003 £
Turnover	<i>1</i>	4,878,217	-
Cost of sales		(3,895,109)	-
		<hr/>	<hr/>
Gross profit		983,108	-
Administrative expenses		(26,534)	(5,164)
		<hr/>	<hr/>
Operating profit	<i>2</i>	956,574	(5,164)
Interest receivable		2,766	-
Interest payable and similar charges	<i>3</i>	(1,200,868)	(241,055)
		<hr/>	<hr/>
Loss for the financial year before members' remuneration and profit shares and loss for the year available for division among members	<i>9</i>	(241,528)	(246,219)
		<hr/>	<hr/>

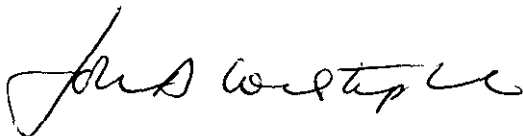
In both the current year and preceding period, all turnover and operating results arose from continuing operations.

There were no recognised gains or losses in the current year or preceding period other than those disclosed in the profit and loss account.

Balance sheet
at 29 February 2004

	<i>Note</i>	2004 £	2003 £
Current assets			
Stock	6	13,961,989	6,518,850
Debtors	7	620,412	683,507
		<u>14,582,401</u>	<u>7,202,357</u>
Creditors: Amounts falling due within one year	8	(15,070,145)	(7,448,573)
Net current liabilities		<u>(487,744)</u>	<u>(246,216)</u>
Members' interests			
Other reserves	9	(487,744)	(246,216)
		<u>(487,744)</u>	<u>(246,216)</u>
Total members' interests		<u>(487,744)</u>	<u>(246,216)</u>

These financial statements were approved by the members on 22 December 2004 and were signed on its behalf by:



JD Corstorphine
Designated member



SG Byrne
Designated member

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 MCD (Fleet) LLP's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, including the Statement of Recommended Practice, Accounting by Limited Liability Partnerships and under the historical cost accounting rules.

Under Financial Reporting Standard 1, the LLP is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Going concern

The financial statements are prepared on a going concern basis which the members believe to be appropriate for the following reasons:

The partnership has received an undertaking from its members that they will continue to provide financial and other support to enable the partnership to settle all current and future debts as they fall due for at least twelve months from the date of approval of these financial statements. As with any partnership placing reliance on other individuals for financial support, the members acknowledge that there can be no certainty that this support will continue although, at the date of approval of the financial statements, they have no reason to believe that it will not do so.

The bank facility does not expire until 30 June 2005. It is anticipated that all of the work in progress will have been sold and all borrowing repaid well in advance of this date.

These financial statements make provision for a funding fee potentially due to the bank of some £0.5 million. This fee will not be paid until funds allow.

The financial statements do not include any adjustments that would result from a discontinuance of members support or a withdrawal of the bank facility.

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 members, constitutes one class of business.

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.

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

Taxation on all partnership profits is solely the personal liability of individual partners. A retention from profits is made to fund payments on behalf of partners, reflected in partners' current accounts. Payments are charged against the retention.

Notes (continued)

2 Operating profit

	Year ended 29 February 2004 £	Period ended 28 February 2003 £
<i>Operating profit is stated</i>		
<i>after charging</i>		
Auditors remuneration:		
Audit	2,100	2,900
Non-audit	1,000	1,900
	<u> </u>	<u> </u>

3 Interest payable and similar charges

	Year ended 29 February 2004 £	Period ended 28 February 2003 £
Bank overdraft interest	655,413	241,055
On bank overdraft financing fees (see note 8)	545,455	-
	<u> </u>	<u> </u>
	1,200,868	241,055
	<u> </u>	<u> </u>

4 Staff numbers and costs

The average number of persons employed by the LLP (including members) during the year, analysed by category, was as follows:

	Number of employees Year ended 29 February 2004	Period ended 28 February 2003
Administration	5	3
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	66,003	20,017
Social security costs	6,822	2,109
	<u> </u>	<u> </u>
	72,825	22,126
	<u> </u>	<u> </u>

These employees do not have contracts of service with the partnership as they have contracts of service with a connected company. These costs are recharged by the connected company as the actual service has been provided by this company.

Notes (continued)

5 Members' remuneration

Profits/losses are shared amongst the members each year in accordance with agreed profit sharing arrangements. Members are required to make their own provision for pensions from their profit share.

None of the members received any remuneration in the financial year ended 29 February 2004 for their services to the LLP (period ended 28 February 2003: £Nil).

6 Stock

	2004 £	2003 £
Work in progress: Fleet Street, Birmingham	13,961,989	6,518,850

7 Debtors

	2004 £	2003 £
Trade debtors	176,674	-
Amounts due from connected companies (see note 11)	362,413	615,000
Other debtors	81,325	68,507
	<u>620,412</u>	<u>683,507</u>

All amounts are due within one year.

8 Creditors: Amounts falling due within one year

	2004 £	2003 £
Bank overdraft (secured)	11,977,123	6,145,044
Trade creditors	659,392	541,938
Amounts due to connected companies (see note 11)	339,714	621,309
Other creditors	1,558,001	-
Accruals and deferred income	535,915	140,282
	<u>15,070,145</u>	<u>7,448,573</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the partnership and interest is charged at 2.5% above base rate.

Other creditors includes a £545,455 (2003: £Nil) funding fee which is payable by the partnership 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 members 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 3. 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.

Notes (continued)

9 Members' interests

	£
At beginning of year	(246,216)
Loss for the year	(241,528)
	<hr/>
Members' interests after loss for the year and at 29 February 2004	<u>(487,744)</u>

10 Commitments

There were no capital commitments at the end of the financial year (2003: £Nil).

11 Related party transactions

(a) Transactions and balances

During the year, the following are considered to be related parties of the LLP:

Midland & City Developments Limited	-	a connected company
MCD (Sheepcote) Limited	-	a connected company
MCD (Browning) Limited	-	a connected company
MCD (Fleet Street) Limited	-	a connected company

The following transactions and debtor/(creditor) balances arose during the year and existed at year end respectively:

	Year ended 29 February 2004		Period ended 28 February 2003	
	Transactions to/(from)	Debtor/ (creditor)	Transactions to/(from)	Debtor/ (creditor)
	£	£	£	£
Midland & City Developments Limited	(333,472)	(38,307)	(336,000)	(37,734)
MCD (Sheepcote) Limited	-	362,413	745,748	615,000
MCD (Browning) Limited	-	-	(29,581)	(29,581)
MCD (Fleet Street) Limited	-	(301,407)	(553,994)	(553,994)
	<hr/>	<hr/>	<hr/>	<hr/>

(b) Transactions with members

During the year ended 29 February 2004, LMP Consultants Limited, a company in which SG Byrne has a 50% interest, made sales to the LLP amounting to £37,000 (period ended 28 February 2003: £62,000) in respect of project management services. At 29 February 2004, LMP Consultants Limited was owed £12,402 (2003: £9,910) by the LLP.

12 Controlling parties

The controlling parties are SG Byrne, JD Corstorphine and TK Quigley.