

Mainstay Residential Management Limited

Report and Financial Statements

Year Ended

31 December 2003

BDO

BDO Stoy Hayward
Chartered Accountants



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Mainstay Residential Management Limited

Annual report and financial statements for the year ended 31 December 2003

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Directors

G W Donaldson
G M Miles
A J Tilly

Secretary and registered office

Mainstay (Secretaries) Limited, Whittington Hall, Whittington Road, Whittington, Worcester,
WR5 2ZX

Company number

3340310

Auditors

BDO Stoy Hayward LLP, 125 Colmore Row, Birmingham, B3 3SD

Mainstay Residential Management Limited

Report of the directors for the year ended 31 December 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Results

The profit and loss account is set out on page 5 and shows the profit for the year.

Principal activities

The company's principal activity is the provision of residential property management services. Future developments are likely to be in the same field.

Directors

The directors of the company during the year were:

G W Donaldson
G M Miles
A J Tilly

No director had any beneficial interest in the ordinary share capital of the company.

Directors' responsibilities

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 year. 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; and
- 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.

Mainstay Residential Management Limited

Report of the directors for the year ended 31 December 2003 (*Continued*)

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

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

By order of the board



For and on behalf of
Mainstay (Secretaries) Limited
Secretary

9 August 2004

To the shareholders of Mainstay Residential Management Limited

We have audited the financial statements of Mainstay Residential Management Limited for the year ended 31 December 2003 on pages 5 to 12 which have been prepared under the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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 of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
Birmingham*

13 August 2004

Mainstay Residential Management Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	2	84,900	211,800
Administrative expenses		68,500	161,900
Operating profit	3	16,400	49,900
Other interest receivable and similar income		6,300	7,100
Profit on ordinary activities before taxation		22,700	57,000
Taxation on profit on ordinary activities		4,500	17,100
Profit on ordinary activities after taxation		18,200	39,900

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 7 to 12 form part of these financial statements.

Mainstay Residential Management Limited

Balance sheet at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Intangible assets	5		6,300		7,300
Tangible assets	6		100		300
			6,400		7,600
Current assets					
Debtors	7	2,400		35,800	
Cash at bank and in hand		143,300		101,800	
		145,700		137,600	
Creditors: amounts falling due within one year	8	64,500		75,800	
Net current assets			81,200		61,800
Total assets less current liabilities			87,600		69,400
Creditors: amounts falling due after more than one year	9		15,000		15,000
			72,600		54,400
Capital and reserves					
Called up share capital	10		100		100
Profit and loss account	11		72,500		54,300
Equity shareholders' funds	12		72,600		54,400

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

The financial statements were approved by the Board on 9 August 2004.


A J Tilly
Director

The notes on pages 7 to 12 form part of these financial statements.

The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that it is a 'small' company under the Companies Act 1985.

Goodwill arising on an acquisition of a trade is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and written off on a straight line basis over its useful economic life, which in the opinion of the directors is ten years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Depreciation is provided to write off the cost evenly over their expected useful lives. It is calculated at the following rates:

Fixtures and fittings - 33% per annum

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Mainstay Residential Management Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

1 Accounting policies (*continued*)

Taxation

Payment is made for corporation tax group relief between group undertakings where appropriate.

2 Turnover

Turnover arises solely within the United Kingdom.

3 Operating profit

The company's audit fee for the year was borne by Mainstay Residential (2) Limited.

4 Directors' remuneration

No director received any emoluments during the current year (2002 - £NIL).

5 Intangible assets

	Purchased goodwill £
<i>Cost or valuation</i>	
At 1 January 2003 and 31 December 2003	10,000
<i>Amortisation</i>	
At 1 January 2003	2,700
Provided for the year	1,000
At 31 December 2003	3,700
<i>Net book value</i>	
At 31 December 2003	6,300
At 31 December 2002	7,300

Mainstay Residential Management Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

6 Tangible fixed assets

	Plant and machinery etc £
<i>Cost</i>	
At 1 January 2003 and 31 December 2003	900
<i>Depreciation</i>	
At 1 January 2003	600
Provided for the year	200
At 31 December 2003	800
<i>Net book value</i>	
At 31 December 2003	100
At 31 December 2002	300

7 Debtors

	2003 £	2002 £
Trade debtors	-	23,600
Amounts owed by group undertakings	2,400	12,200
	<u>2,400</u>	<u>35,800</u>

All amounts shown under debtors fall due for payment within one year.

8 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	7,300	-
Amounts owed to group undertakings	47,700	35,700
Corporation tax	7,100	20,000
Other creditors	2,400	20,100
	<u>64,500</u>	<u>75,800</u>

9 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Loan instalments	15,000	15,000
	<u>15,000</u>	<u>15,000</u>
Maturity of debt:		
	Loans and overdrafts 2003 £	Loans and overdrafts 2002 £
In more than one year but not more than two years	15,000	15,000
	<u>15,000</u>	<u>15,000</u>

10 Share capital

	2003 £	Authorised 2002 £	Allotted, called up and fully paid 2003 £	2002 £
<i>Equity share capital</i>				
Ordinary shares of 10p each	1,000	1,000	100	100
	<u>1,000</u>	<u>1,000</u>	<u>100</u>	<u>100</u>

Mainstay Residential Management Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

11 Reserves

	Profit and loss account £
At 1 January 2003	54,300
Profit for the year	18,200
At 31 December 2003	72,500

12 Reconciliation of movements in shareholder's funds

	2003 £	2002 £
Profit for the year	18,200	39,900
Opening shareholder's funds	54,400	14,500
Closing shareholder's funds	72,600	54,400

13 Commitments

The company had no capital or operating lease commitments at 31 December 2003 or 31 December 2002.

14 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Mainstay Group Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

Related party transactions and balances

During the year the company was charged management fees of £42,000 (2002 - £94,600) by Mainstay Residential (2) Limited, a fully owned subsidiary of Pemberstone Group Limited, the ultimate parent company. As at 31 December 2003 the balance owed was £27,100 (2002 - £24,900).

15 Ultimate parent company and parent undertaking of larger group

The largest and smallest group in which the results of the company are consolidated is that headed by Pemberstone Group Limited, incorporated in England and Wales. The consolidated financial statements of this company are available to the public and may be obtained from Whittington Hall, Whittington Road, Worcester, WR5 2ZX. There are no other group financial statements which include the results of the company.