



Smith Melzack Pepper Angliss (Services) Limited

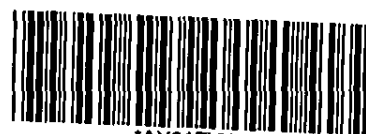
Company No. 1128017

Financial Statements

For the year ended

30 September 2007

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Smith Melzack Pepper Angliss (Services) Limited

Company Information

Directors

S Sandler FRICS
I A Fass FRICS
R M J Franks
L M Bonney
A Kleinman
C Povey MRICS
C H Orman FRICS
P Vernon-Smith

Secretary

S Sandler FRICS

Registered Office

7-10 Chandos Street
London
W1G 9AJ

Auditors

Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

Smith Melzack Pepper Angliss (Services) Limited

Contents

Directors' Report	Page No. 1-2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6-11

Smith Melzack Pepper Angliss (Services) Limited

Directors' Report For the year ended 30 September 2007

The directors have pleasure in presenting their report and financial statements for the year ended 30 September 2007

Principal activities and review of the business

The principal activities of the company throughout the year was the provision of management and administration services to professional firms and commercial organisations

Principal risks and uncertainties

The principal risks and uncertainties for SMPA is to maintain a future deal flow pipeline at budgeted sales levels SMPA has a good level of recurring fees for Property Management income and it manages the deal flow pipeline from other revenue sources using a computerised database which form the basis of regular meetings with Fee Earners to assess future revenue earning potential

Results and dividends

The results for the year are set out on page 4

The directors do not recommend the payment of a dividend

Future developments

The directors are of the opinion that the company will continue to trade in the foreseeable future

Directors and Officers insurance

The Company has taken out Directors and Officers Insurance with an insured limit of £3million

Directors

The following directors have held office since 1 October 2006

S Sandler FRICS
I A Fass FRICS
R M J Franks
L M Bonney
A Kleinman
C Povey MRICS
C H Orman FRICS
P Vernon-Smith

Charitable donations

	2007	2006
	£	£
During the year the company made the following payments		
Charitable donations	<u>1,108</u>	<u>628</u>

Auditors

Kingston Smith LLP have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act 1985 it is proposed that they be re-appointed auditors to the company for the ensuing year

Smith Melzack Pepper Angliss (Services) Limited

Directors' Report (continued) For the year ended 30 September 2007

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting 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

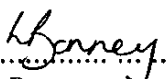
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to the auditor

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) 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.

On behalf of the Board


.....
L M Bonney
Director
28/3/08.

Smith Melzack Pepper Angliss (Services) Limited

Independent Auditors' Report To the Shareholders of Smith Melzack Pepper Angliss (Services) Limited

We have audited the financial statements of Smith Melzack Pepper Angliss (Services) Limited for the year ended 30 September 2007 set out on pages 4 to 12. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party 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 the directors and auditors

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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, and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and 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.

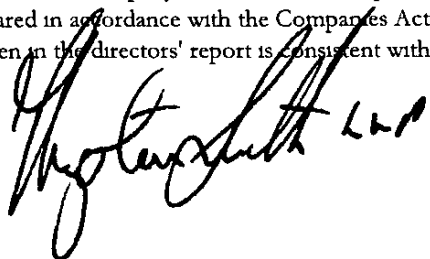
Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its profit for the year then ended and 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.

Kingston Smith LLP

Chartered Accountants
Registered Auditors



Dated

28 March 2008

Devonshire House
60 Goswell Road
London
EC1M 7AD

Smith Melzack Pepper Angliss (Services) Limited

Profit and Loss Account For the year ended 30 September 2007

	Note	2007 £	2006 £
Turnover	2	2,400,000	2,395,000
Distribution costs		-	-
Administrative expenses		(2,392,000)	(2,389,171)
Operating (loss)/profit	3	<u>8,000</u>	<u>5,829</u>
Interest payable and similar charges	4	<u>(83)</u>	<u>(2,428)</u>
(Loss)/profit on ordinary activities before taxation		7,917	3,401
Tax on profit on ordinary activities	5		(4,792)
Profit for the year	11	<u><u>7,917</u></u>	<u><u>(1,391)</u></u>

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

Smith Melzack Pepper Angliss (Services) Limited

Balance Sheet As at 30 September 2007

	Notes	2007	2006
		£	£
Fixed Assets			
Tangible assets	6	47,146	53,083
Current Assets			
Debtors	7	239,696	121,083
Cash at bank and in hand		<u>5,658</u>	<u>13,851</u>
		245,354	134,934
Creditors amounts falling due within one year	8	<u>(257,525)</u>	<u>(160,959)</u>
Net current assets/(liabilities)		<u>(12,171)</u>	<u>(26,025)</u>
Total assets less current liabilities		<u><u>34,975</u></u>	<u><u>27,058</u></u>
Capital and reserves			
Called up share capital	10	100	100
Profit and loss account	11	<u>34,875</u>	<u>26,958</u>
Shareholders' funds	12	<u><u>34,975</u></u>	<u><u>27,058</u></u>

Approved by the Board and authorised for issue on 28/3/08

.. *L.M. Bonney*
L M Bonney
Director

Smith Melzack Pepper Angliss (Services) Limited

Notes to the Financial Statements For the year ended 30 September 2007

1 Accounting Policies

1.1 Accounting basis and standards

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 cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group

1.2 Changes in accounting policies

The financial statements are prepared under the historical cost convention

1.3 Turnover

Turnover represents the amounts receivable for services provided net of value added tax and trade discounts

1.4 Tangible fixed assets and depreciation

Tangible fixed assets 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 leasehold	Over remaining life of the lease
Plant and machinery	10% - 33 1/3% per annum on cost
Computer equipment	33% per annum on cost
Fixtures, fittings and equipment	10% - 20% per annum on cost

1.5 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable

1.6 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

1.7 Deferred taxation

In accordance with FRS 19, deferred tax is recognised as a liability or asset if transactions or events that give the company the obligation to pay more tax in future or a right to pay less tax in future have occurred by the balance sheet date

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3 Operating profit

	2007	2006
	£	£
Operating profit is stated after charging		
Depreciation of tangible assets	10,729	26,611
Auditors' remuneration	4,000	7,000

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amount to 9 (2006: 9)

Smith Melzack Pepper Angliss (Services) Limited

Notes to the Financial Statements (continued)

For the year ended 30 September 2007

4 Interest payable	2007	2006
	£	£
On bank loans and overdrafts	<u>83</u>	<u>2,428</u>
5 Taxation	2007	2006
	£	£
Current tax charge	<u>-</u>	<u>-</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>7,917</u>	<u>3,401</u>
Profit on ordinary activities before taxation multiplied by standard rate of U K corporation tax of 30.00% (2006 30.00%)	<u>2,375</u>	<u>1,020</u>
Effects of		
Non deductible expenses	10,207	15,067
Depreciation add back	3,219	7,983
Capital allowances	(5,304)	(6,593)
Other tax adjustments	<u>(10,497)</u>	<u>(17,477)</u>
	<u>(2,375)</u>	<u>(1,020)</u>
Current tax charge	<u>-</u>	<u>-</u>

There is no tax liability in the year (2006 £nil) due to profits being offset by group relief

Smith Melzack Pepper Angliss (Services) Limited

Notes to the Financial Statements (continued) For the year ended 30 September 2007

6	Tangible fixed assets	Land and buildings leasehold £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
	Cost				
	At 1 October 2006	7,792	74,971	296,492	379,255
	Additions	2,298	-	2,494	4,792
	At 30 September 2007	10,090	74,971	298,986	384,047
	Depreciation				
	At 1 October 2006	2,056	42,308	281,808	326,172
	Charge for the year	1,597	884	8,248	10,729
	At 30 September 2007	3,653	43,192	290,056	336,901
	Net book value				
	At 30 September 2007	6,437	31,779	8,930	47,146
	At 30 September 2006	5,736	32,663	14,684	53,083

The net book value of other tangible fixed assets includes £nil (2006 £nil) in respect of assets held under finance leases or hire purchase contracts. The depreciation in respect of such assets amounted to £nil (2006 £4,999) for the year.

7	Debtors	2007 £	2006 £
	Trade debtors	2,954	42
	Other debtors	26,052	15,222
	Amounts owed by parent and fellow subsidiary undertakings	129,901	-
	Prepayments	80,789	105,819
		239,696	121,083
8	Creditors: amounts falling due within one year	2007 £	2006 £
	Trade creditors	68,370	73,789
	Amounts owed to parent and fellow subsidiary undertakings	-	7,674
	Taxes and social security costs	146,639	53,650
	Other creditors	27,271	8,815
	Accruals and deferred income	15,245	17,031
		257,525	160,959

The Group does not have an overdraft facility on a net group basis. However, the Company's bankers retain their security of fixed and floating charges over the undertaking and assets present and future to cover situations where accounts within the Group are temporarily overdrawn.

Smith Melzack Pepper Angliss (Services) Limited

Notes to the Financial Statements (continued)

For the year ended 30 September 2007

9 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2007 £	2006 £
Directors' contributions	20,165	17,292
Other staff contributions	14,041	32,106
	<u>34,206</u>	<u>49,398</u>

10 Share Capital

	2007 £	2006 £
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

11 Statement on movements on reserves

	Profit and loss account £
Balance at 1 October 2006	26,958
Profit for the year	<u>7,917</u>
Balance at 30 September 2007	<u>34,875</u>

Smith Melzack Pepper Angliss (Services) Limited

Notes to the Financial Statements (continued)

For the year ended 30 September 2007

12 Reconciliation of movements in shareholders' funds

	2007	2006
	£	£
Profit for the financial year	7,917	3,401
Opening shareholders' funds	<u>27,058</u>	<u>23,657</u>
Closing shareholders' funds	<u>34,975</u>	<u>27,058</u>

13 Contingent liabilities

An omnibus letter of guarantee and set off is in place between the following members of Mercury Group plc - Mercury Group plc, Smith Melzack Pepper Angliss Limited, Smith Melzack Pepper Angliss (Professional Services) Limited, Smith Melzack Pepper Angliss (Management) Limited, Smith Melzack Pepper Angliss (Croydon) Limited and Smith Melzack Pepper Angliss (Services) Limited. At the year end the group had £NIL (2006 £90,440) bank borrowings.

The Smith Melzack Pepper Angliss Limited group has a group VAT registration in place. The company is included within this group registration and so is jointly and severally liable for the total group VAT due.

The difference between the total group VAT liability and what has been provided in these accounts for VAT is £64,778 (2006 £104,254).

14 Financial commitments

At 30 September 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 September 2008.

	2007	Other 2006
	£	£
Operating lease which expire		
Within one year	2,563	14,698
Between two and five years	<u>7,350</u>	<u>14,201</u>

15 Directors' emoluments

	2007	2006
	£	£
Remuneration	640,277	712,938
Pensions to directors	<u>20,165</u>	<u>17,292</u>

Emoluments disclosed above include the following amounts paid to the highest paid director.

Emoluments for qualifying services	85,777	85,732
Company pension contributions to money purchase schemes	<u>3,250</u>	<u>2,597</u>

Smith Melzack Pepper Angliss (Services) Limited

Notes to the Financial Statements (continued) For the year ended 30 September 2007

16 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2007 Number	2006 Number
Administration	13	14
Operations	20	21
	<u>33</u>	<u>35</u>

Employment costs

	2007 £	2006 £
Wages and salaries	1,434,476	1,482,972
Social security costs	308,681	163,609
Other pension costs	34,206	49,398
	<u>1,777,363</u>	<u>1,695,979</u>

17 Control

The company regards Smith Melzack Pepper Angliss (Professional Services) Limited as its immediate parent company by virtue of their 100% share holding. The ultimate parent company is Mercury Group plc, by virtue of their 100% share holding in the immediate parent of Smith Melzack Pepper Angliss (Professional Services) Limited - Smith Melzack Pepper Angliss Limited.

Mercury Group Plc prepares financial statements and copies can be obtained from John East & Partners Limited, 10 Finsbury Square, London, EC2A 1AD.

18 Related party transactions

The company had taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the ground that consolidated financial statements are prepared by the ultimate parent company.