

Registration number: 05505563

Knightsbridge Residents Management Company Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017



Knightsbridge Residents Management Company Limited

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Knightsbridge Residents Management Company Limited

Company Information

Directors	C J E Barrass A D Tabor G L Dixon C S Gibson-Smith G J Sharp
Company secretary	London Registrars Ltd
Registered office	Suite A 6 Honduras Street London EC1Y 0TH
Bankers	HSBC Bank P.L.C. City of London Branch 60 Queen Victoria Street London EC4N 4TR
Auditors	MHA MacIntyre Hudson Chartered Accountants New Bridge Street House 30-34 New Bridge Street London EC4V 6BJ

Knightsbridge Residents Management Company Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

Fair review of the business

Knightsbridge Residents Management Company Limited has continued in 2017 to consolidate its position as the leading property in London's super prime residential property sector. The company retains an excellent reputation for overseeing the management of the premier luxury five-star deluxe residential estate in London by providing the very best bespoke and personalised service to all residents. However as numerous luxury residential developments are in the pipeline within the London property sector the company remains focussed on the overall strategy which is to remain ahead of the competitive set.

In 2017, and continuing, investment has been made on fire projects to make the building even safer after the Grenfell Tower fire tragedy.

The company reserves of £2,961,369 (2016 - £3,391,484) are the key financial indicator for the company. The reserves are held by the company on behalf of the residents to meet the planned expenditure on long term projects. The reserves have decreased this year as the Company looks to hold nearer to £1M in reserves. This process of reserve reduction is being undertaken in conjunction with paying for the planned Kinesis Spa extension project and so will reduce naturally over the next two accounting years. The remaining balance will be maintained to meet the future needs of long term projects on the building whilst allowing the Company to maintain the core service charge at an inflationary level.

Principal risks and uncertainties

The directors have reviewed the principal risks and uncertainties facing the business which remain largely unchanged save for consideration of the potential impacts of great fire safety awareness and an increase in cyber-crime.

Due to the nature of the business there are no significant risks. One specific area considered by the directors is cash flow relating to collection of resident debtors. As mitigation a third-party service provider continues to collect the debts on behalf of the Company. This third party service provider collects the debtors on a timely basis and as an agent will raise late payment charges and interest charges where appropriate to encourage timely payment.

Further to this, an additional risk considered is the company overspending the residents' monies and incurring liquidity issues. Ultimately this risk is short term as the leases prescribe that any overspend can be recovered from residents. To mitigate this risk there is a robust monthly budgeting and management reporting process involving key management in all departments.

It is deemed the business plans implemented by management mitigate the principal risks to an acceptable level.

Knightsbridge Residents Management Company Limited

Strategic Report for the Year Ended 31 December 2017

Future developments

With the refurbishment of the car park now complete the major project in progress and over the coming financial years is the extension of the Kinesis Spa. The project continues to develop in the planning phase with 2020 outlined for the physical completion of this exciting improvement.

The budget for the coming year has continued the trend of focussing on value for money on the provision of day-to-day services meanwhile collecting further funds to invest in the improvement and enhancement of the five star deluxe services provided and the estate as a whole.

Approved by the Board on 10 May 2018 and signed on its behalf by:



.....
C J E Barrass
Director

Knightsbridge Residents Management Company Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors of the company

The directors who held office during the year were as follows:

C J E Barrass

A D Tabor

G L Dixon

C S Gibson-Smith

G J Sharp

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 10 May 2018 and signed on its behalf by:



.....
C J E Barrass
Director

Knightsbridge Residents Management Company Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and in accordance with FRS 102. 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.

Knightsbridge Residents Management Company Limited

Independent Auditor's Report to the Members of Knightsbridge Residents Management Company Limited

Opinion

We have audited the financial statements of Knightsbridge Residents Management Company Limited (the 'company') for the year ended 31 December 2017, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Knightsbridge Residents Management Company Limited

Independent Auditor's Report to the Members of Knightsbridge Residents Management Company Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 5], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Knightsbridge Residents Management Company Limited

**Independent Auditor's Report to the Members of Knightsbridge Residents
Management Company Limited**

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Andrew J Moyser FCCA ACA (Senior Statutory Auditor)

For and on behalf of MHA MacIntyre Hudson Chartered Accountants, Statutory Auditor

New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

10 May 2018

Knightsbridge Residents Management Company Limited

Profit and Loss Account for the Year Ended 31 December 2017

	Note	Total 31 December 2017 £	Total 31 December 2016 £
Service fee	3	<u>8,273,214</u>	<u>8,228,892</u>
Operational costs		(5,743,094)	(5,588,901)
Reserve contribution		<u>(2,530,119)</u>	<u>(2,639,991)</u>
Administrative expenses		(8,273,213)	(8,228,892)
Other operating income	4	29,542	27,046
Other operating expense		<u>(35,905)</u>	<u>-</u>
Operating (loss)/profit	5	<u>(6,362)</u>	<u>27,046</u>
(Loss)/profit before tax		(6,362)	27,046
Taxation	7	<u>(5,686)</u>	<u>(5,409)</u>
(Loss)/profit for the financial year		<u><u>(12,048)</u></u>	<u><u>21,637</u></u>

The above results were derived from continuing operations.

The notes on pages 14 to 19 form an integral part of these financial statements.

Knightsbridge Residents Management Company Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 £	2016 £
(Loss)/profit for the year		<u>(12,048)</u>	<u>21,637</u>
Total comprehensive income for the year		<u><u>(12,048)</u></u>	<u><u>21,637</u></u>

Knightsbridge Residents Management Company Limited

(Registration number: 05505563)
Balance Sheet as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets		-	-
Current assets			
Debtors	9	2,907,605	3,721,083
Cash at bank and in hand		9,120,044	8,535,029
		12,027,649	12,256,112
Creditors: Amounts falling due within one year	11	(9,066,079)	(8,864,427)
Net current assets		2,961,570	3,391,685
Net assets		2,961,570	3,391,685
Capital and reserves			
Called up share capital	12	201	201
Capital expenditure reserve		17,693	290,515
Major capital projects reserve		1,776,404	830,746
Sinking fund reserve		774,878	1,865,781
Retained earnings		392,394	404,442
Total equity		2,961,570	3,391,685

Approved and authorised by the Board on 10 May 2018 and signed on its behalf by:



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C J E Barrass
Director

Knightsbridge Residents Management Company Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £	Capital expenditure reserve £	Major capital projects reserve £	Sinking fund reserve £	Retained earnings £	Total £
At 1 January 2017	201	290,515	830,746	1,865,781	404,442	3,391,685
Loss for the year	-	-	-	-	(12,048)	(12,048)
Adjustment for provisions	-	-	-	-	2,532,550	2,532,550
Transfer to reserves	-	205,810	607,527	1,716,782	(2,530,119)	-
Total comprehensive income	-	205,810	607,527	1,716,782	(9,617)	2,520,502
Adjustments to reserves	-	-	1,000,000	(1,000,000)	-	-
Additional provisions	-	-	2,432	-	(2,431)	1
Expenditure	-	(478,632)	(664,301)	(1,807,685)	-	(2,950,618)
At 31 December 2017	201	17,693	1,776,404	774,878	392,394	2,961,570
	Share capital £	Capital expenditure reserve £	Major capital projects reserve £	Sinking fund reserve £	Retained earnings £	Total £
At 1 January 2016	201	335,154	282,220	1,354,460	382,805	2,354,840
Profit for the year	-	-	-	-	21,637	21,637
Adjustment for provisions	-	-	-	-	2,663,555	2,663,555
Transfer to reserves	-	232,471	616,073	1,738,232	(2,586,776)	-
Total comprehensive income	-	232,471	616,073	1,738,232	98,416	2,685,192
Additional provisions	-	-	-	76,779	(76,779)	-
Expenditure	-	(277,110)	(67,547)	(1,303,690)	-	(1,648,347)
At 31 December 2016	201	290,515	830,746	1,865,781	404,442	3,391,685

The notes on pages 14 to 19 form an integral part of these financial statements.

Knightsbridge Residents Management Company Limited

Statement of Cash Flows for the Year Ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
(Loss)/profit for the year		(12,048)	21,637
Adjustments to cash flows from non-cash items			
Adjustment for provisions		2,532,550	2,663,555
Reserve expenditure		(2,950,617)	(1,648,347)
Income tax expense	7	5,686	5,409
		(424,429)	1,042,254
Working capital adjustments			
Decrease/(increase) in trade debtors	9	813,478	(501,730)
Increase in trade creditors	11	434,977	370,358
(Decrease)/increase in income in advance		(233,602)	18,861
Cash generated from operations		590,424	929,743
Income taxes paid	7	(5,409)	(4,067)
Net cash flow from operating activities		585,015	925,676
Net increase in cash and cash equivalents		585,015	925,676
Cash and cash equivalents at 1 January		8,535,029	7,609,353
Cash and cash equivalents at 31 December		9,120,044	8,535,029

The notes on pages 14 to 19 form an integral part of these financial statements.

Knightsbridge Residents Management Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

The company is a private company limited by share capital incorporated in United Kingdom.

The address of its registered office is:

Suite A
6 Honduras Street
London
EC1Y 0TH
England

These financial statements were authorised for issue by the Board on 10 May 2018.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

The financial statements have been prepared under the historical cost convention. The financial statements reflect all transactions including those with, for and on behalf of the apartment's owners.

The company holds the freehold of 199 Knightsbridge which was transferred from the developer following the sale of apartments on the site. Since no consideration was paid by the company to acquire the freehold, under the historic cost convention, no historic cost is recorded for this asset in the financial statements.

The directors, having considered the business plans and forecasts for the company for the next 12 months, and beyond, have confirmed the appropriateness of the going concern basis of preparation. This is based on the assumption that the company is required to expend only those amounts that it has received from the owners of the apartments in accordance with their wishes.

Going concern

After reviewing the plans and budget for the forthcoming year along with the 25 year plan the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Turnover

Revenue is measured at the fair value of the right to consideration and represents amounts receivable for service charges in respect of apartments, car park spaces and storage areas and fees for the provision of additional services to the residents. Turnover is received wholly within the United Kingdom.

Knightsbridge Residents Management Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Tax

The company's business consists of the management on a not-for-profit basis of a block of apartments for the apartment owners of 199 Knightsbridge. As a result the company is only taxed on its non business sources of income.

Tangible assets

The company holds some fixed assets on behalf of the residents; however these are taken straight to the Statement of Comprehensive Income and are not held on the Statement of Financial Position. It is deemed that although the company purchases the assets ultimately they are property of the residents.

Cash and cash equivalents

The balance disclosed as cash at bank and in hand includes cash held and cash equivalents.

Trade debtors

Short term debtors are measured at transaction price, less any impairment.

Trade creditors

Short term creditors are measured at the transaction price.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event. It is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Reserves

The Reserves include the Service Fee collected from the Residents, as per the agreed upon budget, less the actual expenditure incurred in the year allocated to each reserve.

Leases

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the lease term.

Defined contribution pension obligation

Short term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2017	2016
	£	£
Service fee	<u>8,273,214</u>	<u>8,228,892</u>

Knightsbridge Residents Management Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2017	2016
	£	£
Other operating income	<u>29,542</u>	<u>27,046</u>

5 Operating loss

The operating profit is stated after charging:

	2017	2016
	£	£
Operating lease costs	2,780	25,409
Directors' remuneration	158,220	158,544
Directors' pension	3,900	3,600
Fees paid to the auditor in respect of the audit of the company's accounts	16,000	15,500
Fees paid to the auditor in respect of other services	<u>2,700</u>	<u>2,600</u>

6 Staff costs

The aggregate payroll costs including directors were as follows:

	2017	2016
	£	£
Wages & salaries	2,470,978	2,431,158
Social security costs	255,584	250,235
Staff pensions	42,227	40,166
	<u>2,721,559</u>	<u>2,638,856</u>

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year are per the above table, there were no outstanding balances at the year end.

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

	2017	2016
	No.	No.
Administration and support	<u>69</u>	<u>67</u>

Knightsbridge Residents Management Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

7 Taxation

Tax charged/(credited) in the income statement

	2017 £	2016 £
Current taxation		
UK corporation tax	<u>5,686</u>	<u>5,409</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK of 19.25% (2016 - 20%).

	2017 £	2016 £
(Loss)/profit before tax	<u>(6,362)</u>	<u>27,046</u>
Corporation tax at standard rate	(1,225)	5,409
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>6,911</u>	<u>-</u>
Total tax charge	<u>5,686</u>	<u>5,409</u>

8 Tangible assets

The company holds the freehold of 199 Knightsbridge which is transferred from the developer following the sale of apartments on the site. Since no consideration was paid by the company to acquire the freehold, under the historic cost convention, no historic cost is recorded for this asset in the financial statements.

9 Debtors

	2017 £	2016 £
Prepayments	218,252	162,828
Service fee receivable	2,689,152	3,558,054
Called up share capital not paid	<u>201</u>	<u>201</u>
Total current trade and other debtors	<u>2,907,605</u>	<u>3,721,083</u>

10 Cash and cash equivalents

Knightsbridge Residents Management Company Limited has cash at bank and in hand and cash equivalents of £9,120,044 (2016 - £8,363,651). Included within this balance are deposits totalling £4,278,964 (2016 - £3,683,257) which are held on behalf of the apartment owners. These funds can only be used where the payment of service charge is in default.

Knightsbridge Residents Management Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

11 Creditors

	Note	2017 £	2016 £
Due within one year			
Trade creditors		358,386	498,954
Other payables		4,497,543	4,018,328
Accrued expenses		301,459	205,129
Income tax liability	7	5,686	5,409
Deferred income		<u>3,903,005</u>	<u>4,136,607</u>
		<u>9,066,079</u>	<u>8,864,427</u>

12 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary B Shares of £1 each	<u>201</u>	<u>201</u>	<u>201</u>	<u>201</u>

13 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2017 £	2016 £
Not later than one year	510	4,517
Later than one year and not later than five years	<u>-</u>	<u>5,386</u>
	<u>510</u>	<u>9,903</u>

14 Reserves

In accordance with the resident leases the company maintains reserves with the primary function of allowing the residents to enjoy high quality facilities now and in the future. The lease allows the company to include charges to the residents in the annual service charge to maintain these reserves at an appropriate level to meet the expenditure required.

This expenditure is assessed on the basis of a rolling 25 year plan as updated by management and a third party surveyor. The reserves are categorised as either sinking fund reserve which aims to meet the long term planned maintenance or capital reserves which are for special capital projects.

Knightsbridge Residents Management Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

15 Parent and ultimate parent undertaking

The ultimate controlling party is the residents, as their ownership of the apartments entitle them a shareholding of one share each..

2