



Companies House

— *for the record* —

Flat Management Companies

August 2003

Flat Management Companies

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This is a guide only and should be read with the relevant legislation.

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Introduction

This booklet is for people who manage a company that has been incorporated to own a property divided into a number of separate leasehold flats. Usually, the company will own the freehold but sometimes it will hold a headlease instead. It is aimed at smaller companies, as the arrangements of larger flat management companies can be complex and are best handled by professionals.

It covers some of the possible questions you will need to consider such as:

- Do we need a limited company?
- If we have a company, what will our responsibilities be?

It also gives advice on how to keep accounting records and how to understand the accounts that are prepared from them. It does not explain the statutory framework governing the format in which accounts must be prepared, or the complex and lengthy accountancy rules.

This is a guide only. If you are in any doubt, you should seek independent help from an accountant or solicitor.

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Chapter 1

Do you need a company?

1. What is a limited company?

In law, a limited company is a 'person' in its own right. This means it can own property (such as a freehold or leasehold) and enter into contracts in its own name. It exists independently and separately from the people involved.

When a property is divided into a number of flats, each flat owner has a lease of their own flat but they may also hold shares in a management company that owns the freehold (or lease) of the entire building. As shareholders, the flat owners have their say in running the limited company. Normally, the company's constitution will say that shareholders who sell their flats must also transfer their shares to the new owners.

This ensures that - at any given time - the limited company represents the interests of all the current flat owners. However, it remains a separate legal entity regardless of who holds its shares from time to time.

Some limited companies do not have shares and are instead 'limited by guarantee'. If your company is limited by guarantee, it means that the members have agreed to contribute to the assets of the company if it is wound up. In this booklet, the terms 'shareholder' and 'member' mean the people who own the company.

Instead of having a company, you may wish to consider two other options:

- If your organisation does not own property but simply collects money from residents for repairs and maintenance, and pays bills when they arise, then less formal arrangements may be appropriate such as a residents association.
- Residents could consider buying the freehold of their properties in their own names or as trustees.

Ask a solicitor or accountant to tell you whether one of these options would best suit your circumstances.

2 Why have a limited company?

The main reason why residents of a block of flats would have a company is to own the freehold or 'head lease'. Freehold gives outright ownership of the property to the company. A 'head lease' is a lease granted directly to the company, who may in turn grant subleases of the property (or parts of it) to the flat owners. **For the purposes of this booklet, the difference between a company that owns a freehold and one that holds a 'head lease' is immaterial.**

However, the company is also often used for collecting a central pool of cash for carrying out repairs and maintenance to common parts of the property.

Often it is a condition of buying a flat that the buyer becomes a member or shareholder of the company. In some cases all flat owners automatically become directors. See [question 5](#) about directors' responsibilities.

3 What does the limited company do?

Your property probably has parts common to all the flat owners living in it: boundaries, roofs, halls, drives and gardens being typical examples. These require maintenance, insurance, lighting, etc. These costs are funded by the individual flat owners, who make periodic contributions into a pooled fund.

Many flat management companies choose to account for these transactions within the company. These companies are therefore used both to own the freehold (or head lease) and manage that ownership. Chapters [2](#) and [3](#) give information on the financial accounting required.

If your company just pays a few bills, perhaps for repair or maintenance, then your advisor may say that these payments need not go through the company's books. Less formal arrangements, such as collecting the money through a residents association, may be satisfactory. The company could then continue to own the freehold (or head lease) of the property, but all its accounting transactions would be conducted elsewhere - the company would then be 'dormant'. Accounts would still have to be prepared, presented to members, and delivered to Companies House, but all that would mean is a simple 'nil' balance sheet that does not have to be audited.

A standard dormant company balance sheet, Form DCA, is available for companies that have been dormant since incorporation. For this, and more information about dormant company accounts, see our booklet, '[Dormant Companies](#)'.

4 What are the legal responsibilities of limited companies?

The prime purpose of limited companies is to limit the liabilities of entrepreneurs who use them for business purposes. In exchange for this [limited liability](#), companies are required to make certain information about themselves available to the public. This information is filed at Companies House. The timing and presentation of the information is governed by law.

Flat management companies, although mostly formed for a different purpose, are governed by the same legislation - primarily, the Companies Act 1985. It does not allow flat management companies to be treated any differently to other companies.

The main requirements of this Act affecting flat management companies are that they file:

- an [annual report and accounts](#);
- an [annual return](#); and
- other event-driven notifications (typically changes in directorships or [registered office](#) address).

These documents and notifications must be filed at Companies House. [Chapter 4](#) gives information about what you need to send to Companies House and when.

5 Who is responsible for managing the company?

Managing the business of the company is the responsibility of its [officers](#). Legally, all companies must have:

- at least one director (unless the company is a plc); and
- a company secretary.

A sole director cannot also be the company secretary. There must be two officers.

The directors and secretary manage the company on behalf of the members. Among other things, they are responsible for holding meetings and ensuring that all the necessary returns, accounts and other documents reach Companies House by the due date.

6 What happens if documents are not delivered to Companies House?

When you are appointed as an officer, you take on some very important obligations. If you don't comply with them, there could be very serious consequences. The company officers could be prosecuted because they are personally responsible for ensuring that documents are delivered on time. Failing to do so is a criminal offence.

Your company could also be 'struck off the register' and dissolved. In this case all assets (such as the freehold of your property) would be 'bona vacantia'. This means they belong to the Crown. Your company would then not be able to sell its freehold and you may find that you couldn't sell your flat. So it is in your interests to ensure that the company complies with the law and stays on the register.

7 Do the members get a say in how the company is managed?

Generally a company must hold at least one meeting of its members every year. This is known as the annual general meeting. Other general meetings may also be held.

At meetings, the members elect and remove directors, pass various resolutions and consider the company's

accounts. However, they cannot reject the accounts, as these are the responsibility of the directors and not the members. If the members were to refuse to adopt the accounts, this could be taken as a vote of no confidence in the directors.

If all the members agree that they do not want to hold an annual general meeting, they may pass a resolution saying so. A copy of the resolution must be sent to Companies House.

If the company decides not to hold annual general meetings, this may complicate the appointment of directors and make it difficult for members to discuss company affairs.

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Chapter 2

Statutory accounts

1 What accounts must the company keep?

All limited companies have a duty to keep accounting records and to prepare annual accounts. The Companies Act and other regulations specify the format in which the annual accounts must be prepared, the information that needs to be disclosed, and the rules affecting the valuation and treatment of the transactions and balances appearing in the accounts.

These rules are long and complicated. Residents will rarely have the time and patience to understand them. So our strong advice to flat management companies is to employ a professional accountant to prepare your annual statutory accounts. The cost would be shared among the leaseholders.

2 What if our company cannot afford a professional accountant?

Many small flat management companies do not want to employ an accountant and try to prepare their accounts themselves.

Many of these attempts go badly wrong. They are made without the slightest reference to, or knowledge of, the Companies Act; yet the directors happily sign a statement in the accounts acknowledging their responsibility for preparing them to meet the Act's requirements.

Directors should note that the Companies Act means they can be prosecuted if their accounts fail to comply with its requirements.

Many small flat management companies elect one of their members to keep a record of transactions, and many also expect him or her to prepare the statutory accounts. But preparing statutory accounts can be time consuming, stressful and frustrating. All the members should carefully consider whether it is fair to impose that burden, and whether the chosen person is confident, competent and happy with the responsibility.

Again, our advice is that you employ a professional accountant to prepare the statutory accounts.

3 Our treasurer does the book-keeping and accounts what can we do to make their job easier?

Members can make the life of the book-keeper easier by ensuring that their contributions are paid into the company bank account on time.

Being able to write up the accounting records regularly, filing and cross-referencing paperwork, and completing details on cheque stubs will all make the book-keeping task easier. If you are the treasurer but inexperienced in this role, it is worth remembering that relying on your memory doesn't work very well - you should keep proper written records and update them regularly.

4 Does Companies House give technical advice on accounts?

No. We can give general guidance, but not advice on specific accounting issues. Firstly, giving technical advice is not a role that the Government has given us. Secondly, it is not practicable: your accounts are subject to complex legal requirements, and we do not know enough about your company to be confident that we are giving you proper advice.

Consult an accountant if you need this sort of advice.

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Chapter 3

Accounting records and statutory accounts - a worked example

This chapter uses a fictional example of a small flat management company, showing how it keeps its accounting records, and how these are used to produce the statutory accounts. You can judge from the example whether it is reasonably close to your own situation.

You can use this chapter to help keep your accounting records, and to understand the accounts that are prepared from them.

The example does not explain why records are kept this way, or the technical framework in which the accounts are prepared. To do so would require a longer and more complex guide.

There are two aspects that perhaps need a preliminary explanation.

Freehold purchase

The freehold will be shown as an asset on the balance sheet, usually valued at its cost. There are various ways in which its purchase could have been funded, and various ways in which to show the funding in the accounts. The accounts need to reflect both the purchase and its funding.

In our example we have set up a reserve, simply called **other reserve**. Thus the members paid £2,500 into the company to buy the freehold - the bank balance was increased by this receipt, as was the other reserve. On buying the freehold, the bank balance was reduced by £2,500 and an asset was acquired for the same value.

Rainy day funds - a maintenance reserve

The accounts of some flat management companies may contain a maintenance reserve, although a different term may be used. This will arise when the members recognise the probability of a major expense in the near future, such as a roof replacement. Members of these companies decide to drip-feed contributions towards the cost over a number of years, thus softening the financial blow of funding the project in one year.

The contributions will be reflected as income, and the money placed in a bank account, in much the same way as other member contributions. But on the balance sheet a separate heading, **maintenance reserve**, will be used to record the cumulative value less expenditure on project(s) earmarked to this reserve.

As most small flat management companies do not use such a reserve, and for the purposes of clarity, the accounting treatment of this type of reserve has been omitted from the following example.

Recording the transactions

Melyn House is a large building split into five flats, each with a 99-year lease. On 1 April 1999 the leaseholders bought the freehold of the building.

The freehold was actually acquired by a company specifically set up to own the freehold. The company is named 'The Melyn House Management Company Limited', and all five of the leaseholders are shareholders. When the company was set up, each leaseholder agreed to take one share with a face value of £1. This nominal value would be paid to the company on receiving the share.

Sometimes companies do not receive payment of the face value of the shares they issue. However, if they don't, it creates a special kind of debt owed to the company by the shareholders which must be shown on the statutory accounts each year under the heading, 'called-up share capital not paid'. It is the first item shown on the balance sheet and it represents an asset. For information on how to show unpaid capital in the accounts, refer to our booklet, '[Accounts & Accounting Reference Dates](#)'.

As well as holding the freehold, the company is responsible for maintaining the common parts of the property - the drive, garden, perimeter fencing, hall and stairs, the roof, and outbuildings. This maintenance is funded by each of the leaseholders paying £50 into the company each month.

The leaseholders are:

Flat 1:	Mr Baker
Flat 2:	Mrs Butler
Flat 3:	Mr & Mrs James
Flat 4:	Mr Taylor
Flat 5:	Mr & Mrs Smith

The company has 3 officers:

- Mr Baker is a director and was elected chairman;
- Mrs Butler (who is an accountant) is a director and was elected treasurer; and
- Mr Smith is a director and also the company secretary.

Mr Smith sent notice of the appointment of the directors and company secretary on [Forms 288a](#) to Companies House.

Setting up a book-keeping system

Mrs Butler knows that the simplest way is the best way of accounting for the company's few transactions. These transactions will consist of just the monthly income from the leaseholders and the expenses of managing and maintaining the property. She had already set up a bank account in the company's name, and all the transactions will be reflected in this bank account.

She uses a **cash book** to record all the receipts and payments.

A **ledger** records all the amounts due from the leaseholders and all the amounts actually received.

The only other requirement is **two files**, one to keep all the invoices raised against the company, and one to keep the bank statements. File dividers in the invoice file split the invoices into two categories: paid and unpaid. This allows Mrs Butler to see, at a glance, what bills are outstanding at any time.

Recording the transactions (1) - the issued share capital

Each of the leaseholders bought one ordinary £1 share at a cost of £1 each. They are therefore shareholders. The £5 collected from issuing the shares has been used to open the bank account.

In the receipts section of the cash book, Mrs Butler enters £5 and describes it as 'contributions for purchase of shares'. Alongside, she enters the date - 1 April 1999.

Cash Book - Receipts

Date	Description	Total amount	Service charges	Other
1/4/99	Contributions for purchase of shares	5		5

She then opens the ledger. There is a separate page for each flat in the house. There are two columns for entering the transactions, one is headed 'Due' and the other 'Received'.

For each flat she enters '£1' in the Due column, and '£1' in the Received column. This shows that each shareholder had paid for their ordinary share.

The ledger for each flat then looked like this:

Ledger: Flat 1 - Mr Baker

Date	Description	Amount due	Amount received	Running total
1/4/99	One ordinary share of £1	1	1	

Recording the transactions (2) - funding the purchase of the freehold

The cost of the freehold was £2,500 and this was payable on 1 April. Each of the shareholders contributed £500 to fund the purchase and the money had been banked that morning.

Again, for each flat in the ledger Mrs Butler enters '£500' in the **Due** column, and '£500' in the **Received** column. She describes these entries as 'contribution to purchase of freehold'.

Ledger: Flat 1 - Mr Baker

Date	Description	Amount due	Amount received	Running total
1/4/99	One ordinary share of £1	1	1	
1/4/99	Contribution to purchase of freehold	500	500	

She enters the £2,500 (£500 x 5) received in the receipts section of the cash book.

Cash Book - Receipts

Date	Description	Total amount	Service charges	Other
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1/4/99	Contributions for purchase of shares	5	5
1/4/99	Contributions for freehold purchase	2,500	2,500

Recording the transactions (3) - buying the freehold

That same day she makes out a cheque to Lamberts, the seller of the freehold, for £2,500. Mrs Butler writes the number '1/99' on the invoice received from the seller and writes 'Paid, cheque number: 10001' on the invoice. She places the invoice in the 'Paid' section of the invoice file. In the payments section of the cash book she enters:

Cash Book - Payments

Date	Supplier	Cheque no	Invoice no	Total amount	Other
1/4/99	Lamberts - freehold	10001	1/99	2,500	2,500

Laid out like this, the entry gives much valuable information that will be useful when drawing up the accounts at the end of the year. It also cross-refers to the cheque and the invoice.

Recording the transactions (4) - service charges due

The shareholders agreed to pay £50 a month to finance the maintenance and management of the common parts of the property. They agreed to pay this on the first day of each month. But at the first meeting they overlooked collecting this money.

Mrs Butler opens her ledger and against each flat makes a new entry:

Ledger: Flat 1 - Mr Baker

Date	Description	Amount due	Amount received	Running total
1/4/99	One ordinary share of £1	1	1	
1/4/99	Contribution to purchase of freehold	500	500	
1/4/99	Service charge - April 1999	50		50

She then sends reminders to all the shareholders, saying that if they all send their cheques by Friday she would only need to make one visit to the bank to deposit them.

Recording the transactions (5) - Service charges paid

The cheques duly arrive and are banked. In the ledger **against each flat** Mrs Butler adds another entry (in italics).

The ledger for each flat looks like this:

Ledger: Flat 1 - Mr Baker

Date	Description	Amount due	Amount received	Running total
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1/4/99	One ordinary share of £1	1	1	
1/4/99	Contribution to purchase of freehold	500	500	
1/4/99	Service charge - April 1999	50		50
7/4/99	Service charge - April 1999 - paid		50	

This shows that all the flats have paid the service charges due, and nothing is outstanding. But as this transaction also involved paying money into the bank account, she has to update the cash book.

Cash Book - Receipts

Date	Description	Total amount	Service charges	Other
1/4/99	Contributions for purchase of shares	5		5
1/4/99	Contributions for freehold purchase	2,500		2,500
7/4/99	April service charges	250	250	

Recording transactions (6) - Additional service charges

In June an invoice arrives from the solicitor for buying the freehold and setting up the company. It is for £624. Mrs Butler is busy the day it arrives and places it in the unpaid section of the invoice file. Later, she realises they do not have enough funds to pay this bill. After she explains the position to the other shareholders, they each contribute an extra £200.

Mrs Butler enters these receipts into the ledger **for each flat** :

Ledger: Flat 1 - Mr Baker

Date	Description	Amount due	Amount received	Running total
1/4/99	One ordinary share of £1	1	1	
1/4/99	Contribution to purchase of freehold	500	500	
1/4/99	Service charge - April 1999	50		50
7/4/99	Service charge - April 1999 - paid		50	
1/5/99	Service charge - May 1999	50		50
10/5/99	Service charge - May 1999 - paid		50	
1/6/99	Service charge - June 1999	50		50
8/6/99	Service charge - June 1999 - paid		50	
15/6/99	Additional service charge - June 1999	200		200
22/6/99	Additional service charge - June 1999 - paid		200	

But again this transaction also involves paying money into the bank account, and she has to update the cash book. The five cheques are paid in on 24 June. In the receipts section she adds a new entry:

Cash Book - Receipts

Date	Description	Total amount	Service charges	Other
1/4/99	Contributions for purchase of shares	5		5
1/4/99	Contributions for freehold purchase	2,500		2,500
7/4/99	April service charges	250	250	
6/5/99	May service charges	250	250	
4/6/99	June service charges	250	250	
24/6/99	Additional service charge - legal fees	1,000	1,000	

Recording transactions (7) - legal fees

The legal fees of £624 included VAT but, as with most flat management companies, Melyn House Management Company Limited cannot register for VAT and cannot, therefore, reclaim this from Customs and Excise. Such expenses are therefore simply recorded at their gross (VAT inclusive) cost.

Mrs Butler transfers the invoice from the unpaid to the paid section of the invoice file and writes on it 'paid, cheque number 10002'. She also writes the number '2/99' on the invoice.

The entry in the payments section of the cash book is:

Cash Book - Payments

Date	Supplier	Cheque no	Invoice no	Total amount	Other
1/4/99	Lamberts - freehold	10001	1/99	2,500	2,500
26/6/99	Solicitors	10002	2/99	624	624

Recording transactions (8) - gardening

A professional gardener maintains the garden of Melyn House. He charges a flat rate of £100 a month, but quotes extra for any big, non-routine jobs.

Mrs Butler records these payments in the cash book as they arise throughout the year, and files the invoices in the 'paid' and 'unpaid' sections of her invoice file.

Recording transactions (9) - electricity

Similarly, quarterly electricity bills are paid in July (£89), October (£93), January (£119) and April (£134).

Mrs Butler records these payments in the cash book as they arise throughout the year, and files the invoices in the 'paid' and 'unpaid' sections of her invoice file.

Recording transactions (10) - insurance

The previous owner had insured the building up to the year ended 31 July 1999. The company is now invoiced

for £824 for insurance covering the year from 1 August 1999 to 31 July 2000. This prompts Mrs Butler to seek quotes from other insurance companies and the most competitive is for £585 from Bloggs Insurance. The shareholders agree to insure the building with this company at their July meeting.

Mrs Butler enters the payment in the payments section of the cash book:

Cash Book - Payments

Date	Supplier	Cheque no	Invoice no	Total amount	Other	Gardening	Electricity	Insurance
1/4/99	Lamberts - freehold	10001	1/99	2,500	2,500			
26/6/99	Solicitors	10002	2/99	624	624			
26/6/99	Gardening - May	10003	3/99	100		100		
26/7/99	Electricity to 14th July	10004	4/99	89			89	
26/7/99	Gardening - June	10005	5/99	100		100		
29/7/99	Bloggs Insurance	10006	6/99	585				585

She writes 'Invoice 6/99, paid 29/7/99, chq 10006' on the invoice.

Recording transactions (11) - unpaid service charges

In January 2000, Mr Taylor's company sends him to work abroad. Mr Taylor had very little notice and forgot to make arrangements to pay his service charges while he was away. He did not return until June, when he paid the outstanding service charges.

From January to June Mrs Butler simply records the service charges due from Mr Taylor in the ledger.

Recording transactions (12) - Routine maintenance

In August the shareholders agree that a boundary fence needs some maintenance work. This costs £411. This is entered in the payments section of the cash book:

Cash Book - Payments

Date	Supplier	Cheque no	Invoice no	Total amount	Gardening	Electricity	Insurance	Maintenance
1/4/99	Lamberts - freehold	10001	1/99	2,500				
26/6/99	Solicitors	10002	2/99	624				
26/6/99	Gardening - May	10003	3/99	100	100			
26/7/99	Electricity to 14th July	10004	4/99	89		89		
26/7/99	Gardening - June	10005	5/99	100	100			
29/7/99	Bloggs Insurance	10006	6/99	585			585	
31/7/99	Gardening - July	10007	7/99	100				
8/8/99	Gardening - tree surgery	10008	8/99	280				

30/8/99	Gardening - August	10009	9/99	100	
2/9/99	Johnson Fences	10010	10/99	411	411

Mrs Butler writes 'Invoice 10/99, paid 2/9/99, chq 10010' on the invoice.

Recording transactions (13) - Unpaid invoices

Towards the end of March 2000 a water pipe bursts, damaging part of the wooden floor in the hall. The pipe is repaired and some of the floor replaced. Mrs Butler receives an invoice for £375 on 28 March. She places it in the 'unpaid' section of her file and doesn't pay it until 21 April - after the company's first year-end.

This is the end of the first [financial year](#) of the company. Mrs Butler has comprehensive accounting records showing all the transactions throughout the year. Copies of her records are shown below.

Because the company had been set up in March 1999, shortly before it acquired the freehold, the company's [accounting reference date](#) at Companies House is 31 March. See [Chapter 4](#) for more information on accounting reference dates. Accounts now need to be prepared for the year-end 31/3/2000.

The accounting records

Cash Book - Receipts

Date	Description	Total amount	Service charges	Other	Ref
1999					
1/4/99	Contributions for purchase of shares	5		5	1
1/4/99	Contributions for freehold purchase	2,500		2,500	2
7/4/99	April service charges	250	250		5
6/5/99	May service charge	250	250		5
4/6/99	June service charge	250	250		5
24/6/99	Additional service charge - legal fees	1,000	1,000		6
2/7/99	July service charge	250	250		5
1/8/99	August service charge	250	250		5
2/9/99	September service charge	250	250		5
8/10/99	October service charge	250	250		5
5/11/99	November service charge	250	250		5
5/12/99	December service charge	250	250		5
2000					
14/1/00	January service charge	200	200		5,11
8/2/00	February service charge	200	200		5,11

8/3/99	March service charge			200	200				5,11
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				6,355	3,850	2,505			
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Cash book - Payments

Date	Supplier	Cheque no.	Invoice no.	Total amount	Other Gardening	Electricity	Insurance	Maintenance	Ref
1999									
1/4/99	Lamberts freehold	10001	1/99	2,500	2,500				3
26/6/99	Solicitors	10002	2/99	624	624				7
26/6/99	Gardening - May	10003	3/99	100	100				8
26/7/99	Electricity to 14 July	10004	4/99	89		89			9
26/7/99	Gardening - June	10005	5/99	100	100				8
29/7/99	Bloggs Insurance	10006	6/99	585			585		10
31/7/99	Gardening - July	10007	7/99	100	100				8
8/8/99	Gardening - tree surgery	10008	8/99	280	280				8
30/8/99	Gardening - August	10009	9/99	100	100				8
2/9/99	Fence repairs	10010	10/99	411				411	12
30/9/99	Gardening - Sept	10011	11/99	100	100				8
23/10/99	Electricity to 14 Oct	10012	12/99	93		93			9
31/10/99	Gardening - October	10013	13/99	100	100				8
30/11/99	Gardening - Nov	10014	14/99	100	100				8
28/12/99	Gardening - Dec	10015	15/99	100	100				8
2000									
23/1/00	Electricity to 13 Jan	10016	16/99	119		119			9
31/1/00	Gardening - January	10017	17/99	100	100				8
26/2/00	Gardening - February	10018	18/99	100	100				8
28/3/00	Gardening, incl. tidy up	10019	19/99	220	220				9
				5,921	3,124	1,500	301	585	4110

Ledger: Flat 1 - Mr Baker

Date	Description	Amount Owing	Amount Paid	Running total	Ref
1999					
1/4/99	One ordinary share of £1	1.00	1.00	-	1
1/4/99	Contribution to purchase of freehold	500	500	-	2
1/4/99	Service charge - April 1999	50		50	4
7/4/99	Service charge - April 1999 - paid		50	-	5
1/5/99	Service charge - May 1999	50		50	4
105/99	Service charge - May 1999 - paid		50	-	5
1/6/99	Service charge - June 1999	50		50	4
6/6/99	Service charge - June 1999 - paid		50	-	5
15/6/99	Additional service charge - June 1999	200		200	6
22/6/99	Additional s/c - June 1999 - paid		200	-	6
1/7/99	Service charge - July 1999	50		50	4
6/7/99	Service charge - July 1999 - paid		50	-	5
1/8/99	Service charge - August 1999	50		50	4
4/8/99	Service charge - August 1999 - paid		50	-	5
1/9/99	Service charge - September 1999	50		50	4
1/9/99	Service charge - September 1999 - paid		50	-	5
1/10/99	Service charge - October 1999	50		50	4
3/10/99	Service charge - October 1999 - paid		50	-	5
1/11/99	Service charge - November 1999	50		-	4
5/11/99	Service charge - November 1999 - paid		50	-	5
1/12/99	Service charge - December 1999	50		50	4
3/12/99	Service charge - December 1999 - paid		50	-	5
2000					
1/1/00	Service charge - January 2000	50		50	4
6/1/00	Service charge - January 2000 - paid		50	-	5
1/2/00	Service charge - February 2000	50		50	4

11/2/00	Service charge - February 2000 - paid	50	-	5
1/3/00	Service charge - March 2000	50	50	4
13/3/00	Service charge - March 2000 - paid	50	-	5
Amount owing at 31 March 2000			-	

Ledger: Flat 2 - Mrs Butler

Date	Description	Amount Owing	Amount Paid	Running total	Ref
1999					
1/4/99	One ordinary share of £1	1	1	-	1
1/4/99	Contribution to purchase of freehold	500	500	-	2
1/4/99	Service charge - April 1999	50		50	4
7/4/99	Service charge - April 1999 - paid		50	-	5
1/5/99	Service charge - May 1999	50		50	4
105/99	Service charge - May 1999 - paid		50	-	5
1/6/99	Service charge - June 1999	50		50	4
6/6/99	Service charge - June 1999 - paid		50	-	5
15/6/99	Additional service charge - June 1999	200		200	6
22/6/99	Additional s/c - June 1999 - paid		200	-	6
1/7/99	Service charge - July 1999	50		50	4
6/7/99	Service charge - July 1999 - paid		50	-	5
1/8/99	Service charge - August 1999	50		50	4
4/8/99	Service charge - August 1999 - paid		50	-	5
1/9/99	Service charge - September 1999	50		50	4
1/9/99	Service charge - September 1999 - paid		50	-	5
1/10/99	Service charge - October 1999	50		50	4
3/10/99	Service charge - October 1999 - paid		50	-	5
1/11/99	Service charge - November 1999	50		-	4
5/11/99	Service charge - November 1999 - paid		50	-	5
1/12/99	Service charge - December 1999	50		50	4
3/12/99	Service charge - December 1999 - paid		50	-	5

2000					
1/1/00	Service charge - January 2000	50		50	4
6/1/00	Service charge - January 2000 - paid		50	-	5
1/2/00	Service charge - February 2000	50		50	4
11/2/00	Service charge - February 2000 - paid		50	-	5
1/3/00	Service charge - March 2000	50		50	4
13/3/00	Service charge - March 2000 - paid		50	-	5
Amount owing at 31 March 2000				-	

Ledger: Flat 3 - Mr & Mrs James

Date	Description	Amount Owing	Amount Paid	Running total	Ref
1999					
1/4/99	One ordinary share of £1	1	1	-	1
1/4/99	Contribution to purchase of freehold	500	500	-	2
1/4/99	Service charge - April 1999	50		50	4
7/4/99	Service charge - April 1999 - paid		50	-	5
1/5/99	Service charge - May 1999	50		50	4
105/99	Service charge - May 1999 - paid		50	-	5
1/6/99	Service charge - June 1999	50		50	4
6/6/99	Service charge - June 1999 - paid		50	-	5
15/6/99	Additional service charge - June 1999	200		200	6
22/6/99	Additional s/c - June 1999 - paid		200	-	6
1/7/99	Service charge - July 1999	50		50	4
6/7/99	Service charge - July 1999 - paid		50	-	5
1/8/99	Service charge - August 1999	50		50	4
4/8/99	Service charge - August 1999 - paid		50	-	5
1/9/99	Service charge - September 1999	50		50	4
1/9/99	Service charge - September 1999 - paid		50	-	5
1/10/99	Service charge - October 1999	50		50	4
3/10/99	Service charge - October 1999 - paid		50	-	5

1/11/99	Service charge - November 1999	50		-	4
5/11/99	Service charge - November 1999 - paid		50	-	5
1/12/99	Service charge - December 1999	50		50	4
3/12/99	Service charge - December 1999 - paid		50	-	5
2000					
1/1/00	Service charge - January 2000	50		50	4
6/1/00	Service charge - January 2000 - paid		50	-	5
1/2/00	Service charge - February 2000	50		50	4
11/2/00	Service charge - February 2000 - paid		50	-	5
1/3/00	Service charge - March 2000	50		50	4
13/3/00	Service charge - March 2000 - paid		50	-	5
Amount owing at 31 March 2000				-	

Ledger: Flat 4 - Mr Taylor

Date	Description	Amount Owing	Amount Paid	Running total	Ref
1999					
1/4/99	One ordinary share of £1	1	1	-	1
1/4/99	Contribution to purchase of freehold	500	500	-	2
1/4/99	Service charge - April 1999	50		50	4
7/4/99	Service charge - April 1999 - paid		50	-	5
1/5/99	Service charge - May 1999	50		50	4
105/99	Service charge - May 1999 - paid		50	-	5
1/6/99	Service charge - June 1999	50		50	4
6/6/99	Service charge - June 1999 - paid		50	-	5
15/6/99	Additional service charge - June 1999	200		200	6
22/6/99	Additional s/c - June 1999 - paid		200	-	6
1/7/99	Service charge - July 1999	50		50	4
6/7/99	Service charge - July 1999 - paid		50	-	5
1/8/99	Service charge - August 1999	50		50	4
4/8/99	Service charge - August 1999 - paid		50	-	5
1/9/99	Service charge - September 1999	50		50	4

1/9/99	Service charge - September 1999 - paid		50	-	5
1/10/99	Service charge - October 1999	50		50	4
3/10/99	Service charge - October 1999 - paid		50	-	5
1/11/99	Service charge - November 1999	50		-	4
5/11/99	Service charge - November 1999 - paid		50	-	5
1/12/99	Service charge - December 1999	50		50	4
3/12/99	Service charge - December 1999 - paid		50	-	5
2000					
1/1/00	Service charge - January 2000	50		50	4
1/2/00	Service charge - February 2000	50		100	4
1/3/00	Service charge - March 2000	50		150	4
Amount owing at 31 March 2000				150	

Ledger: Flat 5 - Mr & Mrs Smith

Date	Description	Amount Owing	Amount Paid	Running total	Ref
1999					
1/4/99	One ordinary share of £1	1	1	-	1
1/4/99	Contribution to purchase of freehold	500	500	-	2
1/4/99	Service charge - April 1999	50		50	4
7/4/99	Service charge - April 1999 - paid		500	-	5
1/5/99	Service charge - May 1999	50		50	4
105/99	Service charge - May 1999 - paid		50	-	5
1/6/99	Service charge - June 1999	50		50	4
6/6/99	Service charge - June 1999 - paid		50	-	5
15/6/99	Additional service charge - June 1999	200		200	6
22/6/99	Additional s/c - June 1999 - paid		200	-	6
1/7/99	Service charge - July 1999	50		50	4
6/7/99	Service charge - July 1999 - paid		50	-	5
1/8/99	Service charge - August 1999	50		50	4
4/8/99	Service charge - August 1999 - paid		50	-	5
1/9/99	Service charge - September 1999	50		50	4

1/9/99	Service charge - September 1999 - paid	50	-	5
1/10/99	Service charge - October 1999	50	50	4
3/10/99	Service charge - October 1999 - paid	50	-	5
1/11/99	Service charge - November 1999	50	-	4
5/11/99	Service charge - November 1999 - paid	50	-	5
1/12/99	Service charge - December 1999	50	50	4
3/12/99	Service charge - December 1999 - paid	50	-	5
2000				
1/1/00	Service charge - January 2000	50	50	4
6/1/00	Service charge - January 2000 - paid	50	-	5
1/2/00	Service charge - February 2000	50	50	4
11/2/00	Service charge - February 2000 - paid	50	-	5
1/3/00	Service charge - March 2000	50	50	4
13/3/00	Service charge - March 2000 - paid	50	-	5
Amount owing at 31 March 2000			-	

Preparing the trial balance - the first year

The trial balance (1) - the cash book transactions

The first task in preparing the company's annual accounts is to summarise all the transactions on one report - the trial balance. See below.

Trial Balance Year ended 31 March 2000

	Cash book	Unpaid contributions	Unpaid invoices	Prepaid expenses	Accrued expenses	Income & expenditure	Balance sheet
Income							
Service charge	3,850	150				4,000	
						4,000	
Expenditure							
Gardening	1,500					1,500	
Electricity	301				120	421	
Maintenance	411		375			786	
Insurance	585			(195)		390	
Legal fees	624					624	

		3,721			
Assets					
Freehold	2,500			2,500	
Bank balance	434			434	
Contributions due	150			150	
Prepayments		195		195	
				3,279	A
Liabilities					
Unpaid invoices		375		375	
Accruals			120	120	
				495	B
Assets less liabilities				2,784	C = A - B
Reserves					
Share capital	5			5	
Other reserve	2,500			2,500	
Surplus income			Surplus 279	279	
				2,784	D = C

The figures marked C and D must always be the same value

Mrs Butler had already added up the total income and expenditure recorded in the cash book - and simply entered these figures to the 'Cash Book' column on the trial balance. Her cash book recorded total receipts of £6,355 and total payments of £5,921, giving a bank balance of £434 - this is entered onto the trial balance as an asset.

The freehold that the company had bought for £2,500 is also shown as an asset. Mrs Butler decided to show the £2,500 contributed by the shareholders to buy the freehold as a separate reserve.

Finally, Mrs Butler checks that she hasn't made any careless errors in allocating these totals to the wrong place or writing down a wrong number. She knows that the value of the categories marked 'C' on the trial balance must equal the value of the categories marked 'D'. Any imbalance will indicate an error somewhere.

The trial balance (2) - unpaid contributions

The next step is to determine the value of any unpaid contributions that were due as at 31 March 2000. Mrs Butler takes out the ledger and notes that everybody has paid what was due, except for Mr Taylor who owed £150 in service charges. This she enters to an 'Unpaid contributions' column as service charge income on the

trial balance.

The total - £150 - is also entered as contributions due, under 'Assets' on the trial balance. This shows that Mr Taylor owes the company this money.

The trial balance (3) - unpaid invoices

Next, Mrs Butler reviews her invoice file for any invoices that were paid after the year-end - but which related to work undertaken before that date. There is only one, the invoice for £375 for repairing water damage in the hall. This is allocated to the maintenance expenditure, and a corresponding amount under 'Liabilities' as an unpaid invoice.

The trial balance (4) - accruals and prepayments

Finally, Mrs Butler reviews the invoices to see whether anything invoiced during the year related to costs falling after the year-end (prepaid expenses), and for invoices received after the year-end relating to costs incurred during the year (accrued expenses).

The insurance invoice covered the year ending on 31 July 2000, 4 months after the year-end. Of the total annual cost of £585, only 8/12 related to the year ended 31 March 2000. Mrs Butler therefore deducts £195 from the cost of £585, equal to 4/12 of the total, and enters this in the 'Prepaid expenses' column against insurance and brackets it to show that it has to be deducted from the total expenses for the year. She also enters this amount as a prepayment under 'Assets'.

She also sees that they had paid £134 for electricity in April, after the year-end, but that much of this was for electricity used before March 31. She estimates that about £120 of the total was probably used before March 31 and adds that total to the electricity costs for the year in the Accrued expenses column. She also enters £120 against the 'Accruals' heading under 'Liabilities' on the trial balance, reflecting that the company had run up (or accrued) these costs at 31 March, although it had not then been invoiced.

The trial balance (5) - adding it all up

Finally, the entries against each heading need to be totalled.

For example, the service charge income was equal to the contributions due from the five flats of £50 each month: $5 \times £50 \times 12 = £3,000$, plus the additional service charge of £200 each ($5 \times £200$), another £1,000.

Mrs Butler's cash book shows that £3,850 had been paid in the year and the remaining £150 is due from Mr Taylor on his return from abroad.

Maintenance expenditure of £786 was made up of the £411 paid in the year (in the cash book) and £375 invoiced after the year for work done in March.

Preparing the statutory accounts - the first year

The format of the company's statutory accounts is governed by specific and complex rules in the Companies Act 1985 and accounting standards.

The complexity of these regulations means that directors of most small companies employ a professional accountant to draw up their statutory accounts. These accounts must be given to the shareholders and filed at Companies House within strict time limits. If the accounts are not filed on time, the company will get a 'late filing penalty'. See [Chapter 4](#) for more information.

Fortunately, as she is an accountant, Mrs Butler knows how to produce the company's statutory accounts.

Mrs Butler checked the criteria for claiming audit exemption. Because the company is so small, there is no legal

requirement to have an audit and the members all agreed that an audit would be unnecessary. The statutory accounts will therefore consist of:

- a directors' report;
- an income and expenditure account;
- a balance sheet;
- an audit exemption statement; and
- notes to the accounts.

Here is how the company's statutory accounts look for its first year:

Melyn House Management Company Limited
Company Number: 0000001

Statutory accounts for the year ended 31 March 2000

Directors' report

The directors present their report for the year ended 31 March 2000.

Principal activity

The principal activity of the company is that of ownership of the freehold of Melyn House. The company is also used to administer and maintain the common parts of the property.

Directors

The directors of the company, and their beneficial interests in the ordinary shares of the company were:

	1 April <u>1999</u>	31 March <u>2000</u>
S Baker	1	1
U Butler	1	1
S Smith	1	1

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

Signed on behalf of the board of directors, who approved this report on 23 August 2000.

S. Smith

.....
S Smith, secretary

Melyn House Management Company Limited

Income and expenditure account for the year ended 31 March 2000

	2000 £
Income	
Service charge contributions	<u>4,000</u>
Expenditure	
Gardening	1,500
Electricity	421
Maintenance	786
Insurance	390
Legal fees	624
	<u>3,721</u>
Retained surplus / (deficit)	279
	===

There were no other recognised gains and losses for the year attributable to shareholders.

Melyn House Management Company Limited

Balance sheet as at 31 March 2000

	Notes	2000 £
Fixed assets		
Tangible assets	2	2,500
Current assets		
Debtors	3	345
Cash at bank		434
		<u>779</u>

Creditors:		
amounts falling due within one year	4	(495)
Net current assets / (liabilities)		284

Net assets / (liabilities)		2,784
		=====
Capital and reserves		
Called-up share capital	5	5
Other reserve	6	2,500
Income surplus / (deficit)	6	279

		2,784
		=====

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985, and with the Financial Reporting Standard for Small Entities.

For the year ended 31 March 2000 the company was entitled to exemption from audit under s249A(1) of the Companies Act 1985. No notice requiring an audit was deposited under s249B(2).

The directors acknowledge they are responsible for:

- ensuring that the company keeps proper accounting records, as required by s221; and
- preparing accounts giving a true and fair view of the affairs of the company as at the year end and of its surplus / (deficit) for the year as required by s226; and
- preparing accounts which comply with the Act, so far as applicable to the company.

Signed on behalf of the board of directors:

U. Butler

..... U Butler, director

These accounts were approved on 23 August 2000

Melyn House Management Company Limited

Notes to the accounts for the year ended 31 March 2000

1 Accounting policies

Basis of accounting

These accounts have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities.

Depreciation

Depreciation has not been provided on the freehold as the directors are of the view that its value will not diminish.

2000

£

2 Fixed assets

Cost at start and end of year	2,500
	=====

3 Debtors

Contributions due	150
Prepayments	<u>195</u>
	345
	===

4 Creditors: amounts falling due within one year

Trade creditors	375
Accruals	<u>120</u>
	495
	===

5 Called-up share capital

Authorised share capital	
100 ordinary shares of £1 each	<u>100</u>
5 ordinary shares of £1 each	<u>5</u>

6 Movement on reserves

	Share capital	Other reserve	Income surplus/(deficit)	Total
Share Issued	5			5
Movement during year		2,500	279	2,779
Balance at 31 March 20005		2,500	279	2,784
=====				

7 Controlling Party

There is no controlling party.

Preparing the statutory accounts after the company's first year

Preparation of accounts in subsequent years creates an additional complication and an additional reporting requirement in the statutory accounts.

The additional complication is the treatment of opening and closing balances. And the additional reporting requirement is for the accounts to include a lot of information relating to the previous year.

Opening and closing balances (1) - year-end adjustments

The income and expenditure account should only include income and expenditure arising in the year, or period, for which the accounts are being drawn up.

As we saw in the first year, the receipts and payments recorded in the cash book did not accurately record the income that fell due in that year, nor did they accurately record the expenditure that the company incurred. This is because the payment and receipt dates do not always correspond with the dates that debts and liabilities actually arise.

Mr Taylor, for example, went abroad suddenly and did not pay some of his contributions on time. Mrs Butler made an adjustment for this, but in June 2000 Mr Taylor paid the outstanding amount. This appears in the cash book receipts for the second year ended 31 March 2001, and could therefore overstate the contributions in the second year. Mrs Butler will have to make another adjustment to ensure that she doesn't 'double count' these contributions.

Similarly, in the second year the cash book records the payment of £375 for the water damage repairs, but Mrs Butler has already included this as an expense in the first year - when the work was done.

Prepayment and accrual adjustments were also made to the insurance and electricity costs in the first year.

In the second year Mrs Butler will have to add the insurance prepayment of £247 to insurance costs - this was the value of insurance for the period 1 April to 31 July 2000.

The electricity bill of £134 will be paid in April 2000, but £120 of this had already been charged in the year ended 31 March 2000.

In the second and subsequent years it is necessary to allocate these adjustments to their proper place. How Mrs Butler makes the adjustments is explained below, but first you need to understand the difference between the income and expenditure account and the balance sheet.

Opening and closing balances (2) - the balance sheet

The income and expenditure account records the income and expenditure **arising over a period of time**. In

our example above this was the period from 1 April 1999 to 31 March 2000.

The balance sheet is different - it records the assets and liabilities of a **company at a fixed point in time**, e.g. as at 31 March 2000.

This means that when Mrs Butler draws up the accounts for the second year there will be no opening balances against the Income and Expenditure accounts.

But there will be opening balances against the balance sheet accounts.

An easy way of understanding this is to look at your monthly bank statement. Your income and expenditure for the month will show up as individual entries for that month - they are unaffected by what you earned or spent the previous month.

Your bank balance at the end of the month is determined by what you paid in and paid out during the month - but it is also affected by the balance on the account brought forward from the previous month.

Mrs Butler resolves the difficulty this creates in the second, and subsequent, years by introducing two more columns to her trial balance. She calls these 'Opening balance' and 'Adjustments to opening balance'.

This is how it would show up on the trial balance

	Opening balance	Adjustment to opening balance
Income		
Service charge		(150)
Expenditure		
Gardening		
Electricity		120
Maintenance		(375)
Insurance		195
Legal Fees		
Assets		
Freehold	2,500	
Bank Balance	434	
Contributions due	150	(150)
Prepayments	195	(195)
Liabilities		
Unpaid invoices	375	(375)

Accruals	120	(120)
Reserves		
Share Capital	5	
Other reserve	2,500	
Income deficit	279	

Mr Taylor paid his outstanding contributions in June of the second year, so he no longer owes the company this money. The contributions due have therefore reduced to nil. The income has also been reduced by a corresponding amount - but the cash book will include this income as a receipt. When this is included on the trial balance, the two entries will cancel each other out:

Income in second year:	
Opening balance	0
Opening balance adjustment	(150)
Cash book receipts	150
Effect on income in 2nd year	0

However, if Mr Taylor failed to pay this overdue amount in the second year, the adjustment would not be made and the balance would be carried forward as a debtor.

Here is how the trial balance and accounts would look in the second year. To aid clarity the transactions arising in the second year are exactly the same as in the first year, except:

- all service charge income is double the value of that recorded in the first year. Mr Taylor pays the overdue amount that arose in the first year, but is again unexpectedly working abroad and at the end of the second year fails to pay the last two months' service charge (£200) by the end of the year;
- there is, of course, no further income to fund the purchase of the freehold or purchase of shares;
- all expenditure is double that recorded in the first year, but no freehold is purchased; and
- no further shares are issued.

Trial Balance						
Year ended 31 March 2001						
	Opening	Adjustment	Cash Unpaid	Unpaid	Prepaid	Accrued Income & Balance
	balances	to opening	book contributions	invoices	expenses	expenses expenditure sheet
	balances	balances				
Income						
Service charge	(150)		7,950	200		8,000
						8,000

Expenditure									
Gardening			3,000					3,000	
Electricity	(120)		602			240		722	
Maintenance	(375)		822	750				1,197	
Insurance	195		1,170		(390)			975	
Legal fees			1,248					1,248	
								7,142	
Assets									
Freehold	2,500								2,500
Bank balance	434		1,108						1,542
Contributions due	150	(150)	200						200
Prepayments	195	(195)			390				390
									4,632
Liabilities									
Unpaid invoices	375	(375)		750					750
Accruals	120	(120)				240			240
									990
Assets less liabilities									3,642
Reserves									
Share capital	5								5
Other reserve	2,500								2,500
Surplus income	279					Surplus	858		1,137
									3,642

* surplus b/f and surplus for the year

Melyn House Management Company Limited
Company Number: 0000001

Statutory accounts for the year ended 31 March 2000

Directors' report

The directors present their report for the year ended 31 March 2000.

Principal activity

The principal activity of the company is that of ownership of the freehold of Melyn House. The company is also used to administer and maintain the common parts of the property.

Directors

The directors of the company, and their beneficial interests in the ordinary shares of the company were:

	1 April 1999	31 March 2000
S Baker	1	1
U Butler	1	1
S Smith	1	1

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

Signed on behalf of the board of directors, who approved this report on 23 August 2000.

S. Smith

.....
S Smith, secretary

Melyn House Management Company Limited
Income and expenditure account for the year ended 31 March 2001

	2001	2000
	£	£
Income		
Service charge contributions	8,000	4,000
Expenditure		
Gardening	3,000	1,500
Electricity	722	421
Maintenance	1,197	786
Insurance	975	390
Legal Fees	1,248	624
	7,142	3,721
Retained surplus / (deficit)	858	279
Retained surplus b/fwd	279	-
Retained surplus c/fwd	1,137	279

=====

There were no other recognised gains and losses for the year attributable to shareholders.

Melyn House Management Company Limited

Balance sheet as at 31 March 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	2	2,500	2,500
Current assets			
Debtors	3	590	345
Cash at bank		<u>1,542</u>	<u>434</u>
		2,132	779
Creditors: amounts falling due within one year	4	(990)	(495)
Net current assets / (liabilities)		<u>1,142</u>	<u>284</u>
Net assets / (liabilities)		3,642	2,784
		=====	=====
Capital and reserves			
Called-ip share capital	5	5	5
Other reserve	6	2,500	2,500
Income surplus / (deficit)	6	1,137	279
		<u>3,642</u>	<u>2,784</u>
		=====	=====

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985, and with the Financial Reporting Standard for Small Entities.

For the year ended 31 March 2001 the company was entitled to exemption from audit under s249A(1) of the Companies Act 1985. No notice requiring an audit was deposited under s249B(2).

The directors acknowledge they are responsible for:

- ensuring that the company keeps proper accounting records, as required by s221; and
- preparing accounts giving a true and fair view of the affairs of the company as at the year end and of its surplus / (deficit) for the year as required by s226; and
- preparing accounts which comply with the Act, so far as applicable to the company.

Signed on behalf of the board of directors:

U. Butler

..... U Butler, director

These accounts were approved on 21 August 2001

Melyn House Management Company Limited

Notes to the accounts for the year ended 31 March 2001

1 Accounting policies

Basis of accounting

These accounts have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities.

Depreciation

Depreciation has not been provided on the freehold as the directors are of the view that its value will not diminish.

2 Fixed assets

Cost at start and end of year

	2001	2000
	£	£
	2,500	2,500
	=====	=====

3 Debtors

Contributions due	200	150
Prepayments	<u>390</u>	<u>195</u>
	590	345
	=====	=====

4 Creditors: amounts falling due within one year

Trade creditors	750	375
Accruals	<u>240</u>	<u>120</u>
	990	495
	=====	=====

5 Called-up share capital

Authorised share capital		
100 ordinary shares of £1 each		100
		=====
Allotted, called up and fully paid		
5 ordinary shares of £1 each		5
		=====

6 Movement on reserves

	Share capital	Other reserve	Income surplus/(deficit)	Total
At 1 April 2000	5	2,500	279	2,784
Movement during year			858	858
Balance at 31 March - 01	5	2,500	1,137	3,642
	=====	=====	=====	=====

7 Controlling party

There is no controlling party.

[Back to top](#)

Chapter 4

Flat management companies and Companies House

1. What information does Companies House need to know?

Companies House keep up-to-date information about all limited companies on record and we make this information available to anyone who wants to know about the company. Basically we need to know:

- Where to contact the company. The company's official address is known as its 'registered office'.
- Who runs the company. That is, particulars of the company officers.
- Who owns shares in the company - the shareholders (if the company has them).
- Where certain company registers are kept.
- What rules govern the company - its memorandum and articles of association.
- What the company's financial year-end is. The company's financial year-end is known as its 'accounting reference date'.
- What the company's accounts say

Most of this information is registered at Companies House when the company is first formed and, if anything changes, you will need to tell us, usually on a special form. However, every year we will send to the company's registered office a summary of the information held on the public record at Companies House - this form is called an annual return (Form 363s). This must be completed and returned to us. Also, every year, the company must prepare accounts and send those to us.

More information about when and how you need to tell us about changes to the above information is included in this chapter.

2. What is a 'registered office'?

This is the company's official address registered at Companies House. It is also the address where we will usually send letters and reminders. The registered office address can be anywhere in England or Wales (or Scotland if your company is registered there). It is important that all correspondence and notices we send to this address are dealt with promptly. A change of registered office address must be notified to Companies House on [Form 287](#). The new address only becomes the registered office when the form has been registered.

All companies must have a registered office address, and the company's name must be displayed outside.

Please note: If you mean to change the registered office but do not tell us, all reminders, annual returns and official letters will be sent to the old address. You may never receive them and the company may be dissolved without your knowing.

3. Who are the company officers?

These are the company director(s) and the company secretary. They are responsible for managing the company and for delivering documents to Companies House.

Details of who they are must be entered in the company's own register of directors and secretaries and notified to Companies House when the company is first formed. Any changes must be recorded in the company's register and notified to Companies House on the correct form within 14 days of the change. The forms for notifying changes are:

appointments	Form 288a
terminations of appointments	Form 288b

A change of particulars for a director means any of the following: name, address, occupation, nationality and other directorships; and for a company secretary it means name or address.

4. Who are the company members?

A company member is defined as a person who has agreed to become a member and whose name is entered on the company's register of members. For flat management companies, this usually means the leaseholders.

The company must keep a register of its members. Any member of the company or any other person has a right to inspect the register. Unless it is kept at the registered office, Companies House must be notified of where the register is kept, and any change in its location must be notified to Companies House on [Form 353](#).

If the company is limited by shares, the members are also shareholders. Details of shareholders have to be notified to Companies House. The information must be updated every year on the annual return (Form 363s), which we will send the company shortly before it becomes due.

5. What if a member sells their flat?

If the company is limited by shares, the company's [articles of association](#) will usually require the seller to complete and sign the appropriate section of a 'stock transfer form' (available from legal stationers). On completion of the sale, the form and the seller's share certificate should be passed to the buyer. The buyer must then complete their section of the form, pay any stamp duty to the Inland Revenue, and pass the form and share certificate to the company. The company secretary must then arrange for the directors to authorise the change to the register of members and issue a share certificate in the name of the new owner.

Do not send stock transfer forms to Companies House. Keep them with the company's own records.

For more information about shares and share transfers, see our booklet, '[Share Capital and Prospectuses](#)'.

If the company is limited by guarantee, then the company's articles of association will usually require the seller to sign a form to resign as a member (forms should be available from the company secretary) and deliver it to the company.

Please note: if the seller or buyer is ALSO a director or company secretary, the relevant forms [288a](#) or [288b](#) must be completed and sent to Companies house within 14 days (see [question 3](#)).

6. What is an annual return (Form 363s)?

It is a form that every company - even those that are dormant - must send to Companies House each year. (The annual return should not be confused with annual accounts - the 2 are entirely different.) The annual return must be accurately completed to a particular date known as the 'made-up date'. This is:

- 12 months after the date of the made-up date of the previous annual return; or
- in the case of a company's first annual return, the anniversary of the date of incorporation.

The annual return form and filing fee (£15) must reach Companies House within 28 days after its made-up

date.

Shortly before it becomes due, we send an annual return to your registered office, showing the made-up date. The annual return contains pre-printed information about the company already on our records. We also send guidance to help you complete the return.

An annual return is a Form 363s: it is not the same as the annual accounts.

7. What are the memorandum and articles of association?

These documents govern the company.

The memorandum sets out:

- the company name;
- where the registered office is situated (in England, Wales or Scotland);
- what it will do (its objects); and
- details of the [type of company](#) it is; and
- its [share capital](#), if the company has shares.

The articles set out the rules for running the company's internal affairs.

From time to time, it may be necessary to change these documents. These changes are made by [special resolution](#) and must be registered at Companies House. For more information about resolutions to change the memorandum and articles of association see our booklet, '[Resolutions](#)'.

If the company wishes to change its name, this is also done by passing a special resolution. Companies House charges a fee of £10 to register the change and issues a change-of-name certificate. More information about this is in our booklet, '[Company Names](#)'.

8. What is an accounting reference date (ARD)?

The ARD is the financial year-end. It is also the date that determines when accounts are due for delivery to Companies House. When a company is incorporated, its ARD will automatically be set as the last day of that month but this can be changed, if the company wishes to do so. Companies House must be told in advance if the ARD is about to be changed. A change of ARD must be notified on [Form 225](#). Changing the ARD can be complicated because of the effect it has on the related accounts. For more information on this see our booklet, '[Accounts and Accounting Reference Dates](#)'.

9. When must the annual accounts be filed?

Annual accounts must usually be delivered to Companies House within 10 months of a company's accounting reference date (ARD) for a private company, and 7 months for a public company. However, if a company's first accounts cover a period longer than 12 months, the maximum time allowed is 22 months from the date of incorporation (19 months for a public company) or 3 months from the ARD, whichever is longer.

To help you file accounts on time, we send a reminder to the company's registered office 6 to 8 weeks before the accounts are due.

If the accounts reach Companies House outside the time allowed for filing, the company will always receive a late filing penalty of up to £1,000. Further information about civil penalties is available in our booklet, '[Late Filing Penalties](#)'. The company's officers could also be prosecuted because they are personally responsible for ensuring that documents are delivered on time.

There is no special treatment for flat management companies. You still have to file accounts on time.

The members can pass an '[elective resolution](#)' not to lay the accounts before the members in a general meeting (see our booklet, '[Resolutions](#)'), but the accounts must still be prepared and given to the members and delivered to Companies House.

10. Can the time allowed for filing accounts be extended?

Yes, but only if there is a special reason - for example, an unforeseen event outside the control of the company and only if the period normally allowed for filing the accounts has not already expired. The company may write to the Secretary of State for Trade and Industry and ask for an extension of time for delivering the accounts to Companies House.

To apply for an extension write to:

For companies incorporated in England and Wales:

The Secretary of State
Companies Administration Section
Companies House
Crown Way
Cardiff CF14 3UZ
DX33050 Cardiff

For companies incorporated in Scotland:

The Secretary of State
Companies House
37 Castle Terrace
Edinburgh EH1 2EB
DX ED235 Edinburgh 1

The application must:

- give full reasons for the application;
- say how much extra time you want; **and**
- reach Companies House before the end of the time allowed for delivering the accounts.

Remember: If the accounts reach Companies House outside the time allowed for filing, the company will receive a civil penalty for late filing of up to £1,000.

11. What other documents must I file at Companies House?

Other notices that you have to file if they apply to you include:

- notice of an increase or change in share capital - use Form [123](#) or [122](#) as appropriate;
- details of mortgages and charges - use Form [395](#) (Form [410](#) for companies registered in Scotland);
- various company resolutions - see our booklet, '[Resolutions](#)';

- notice of the company's liquidation, receivership, administration or a voluntary arrangement - see our booklet, '[Liquidation and Insolvency](#)' (or '[Liquidation and Insolvency \(Scotland\)](#)' for companies registered in Scotland).

Whenever you complete a document, always quote the company number. It is the company's unique identifier. The number is shown on the company's incorporation certificate or you can ring us on 0870 33 33 636.

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Chapter 5 Further information

1 How do I send information to the Registrar?

You may deliver documents to the Registrar by hand (personally or by courier), including outside office hours, bank holidays and weekends to Cardiff, London and Edinburgh.

You may also send documents by post or by the Hays Document Exchange service (DX). If you send documents, please address them to:

For companies incorporated in England & Wales:

The Registrar of Companies
Companies House
Crown Way
Cardiff CF14 3UZ

DX33050 Cardiff

For companies incorporated in Scotland:

The Registrar of Companies
Companies House
37 Castle Terrace
Edinburgh EH1 2EB

DX ED235 Edinburgh 1

We will only acknowledge receipt of documents at Companies if you provide a stamped addressed envelope.

Please note: Companies House does not accept accounts or any other statutory documents by fax.

2. Where do I get forms and guidance booklets?

This is one of a series of Companies House booklets which provide a simple guide to the Companies Act.

[Statutory forms](#) and [guidance booklets](#) are available, free of charge from Companies House. The quickest way to get them is through this website or by telephoning 0870 3333636.

If you prefer you can write to our stationery sections in [Cardiff](#) or [Edinburgh](#).

Forms can also be obtained from legal stationers, accountants, solicitors and company formation agents - addresses in business phone books.

