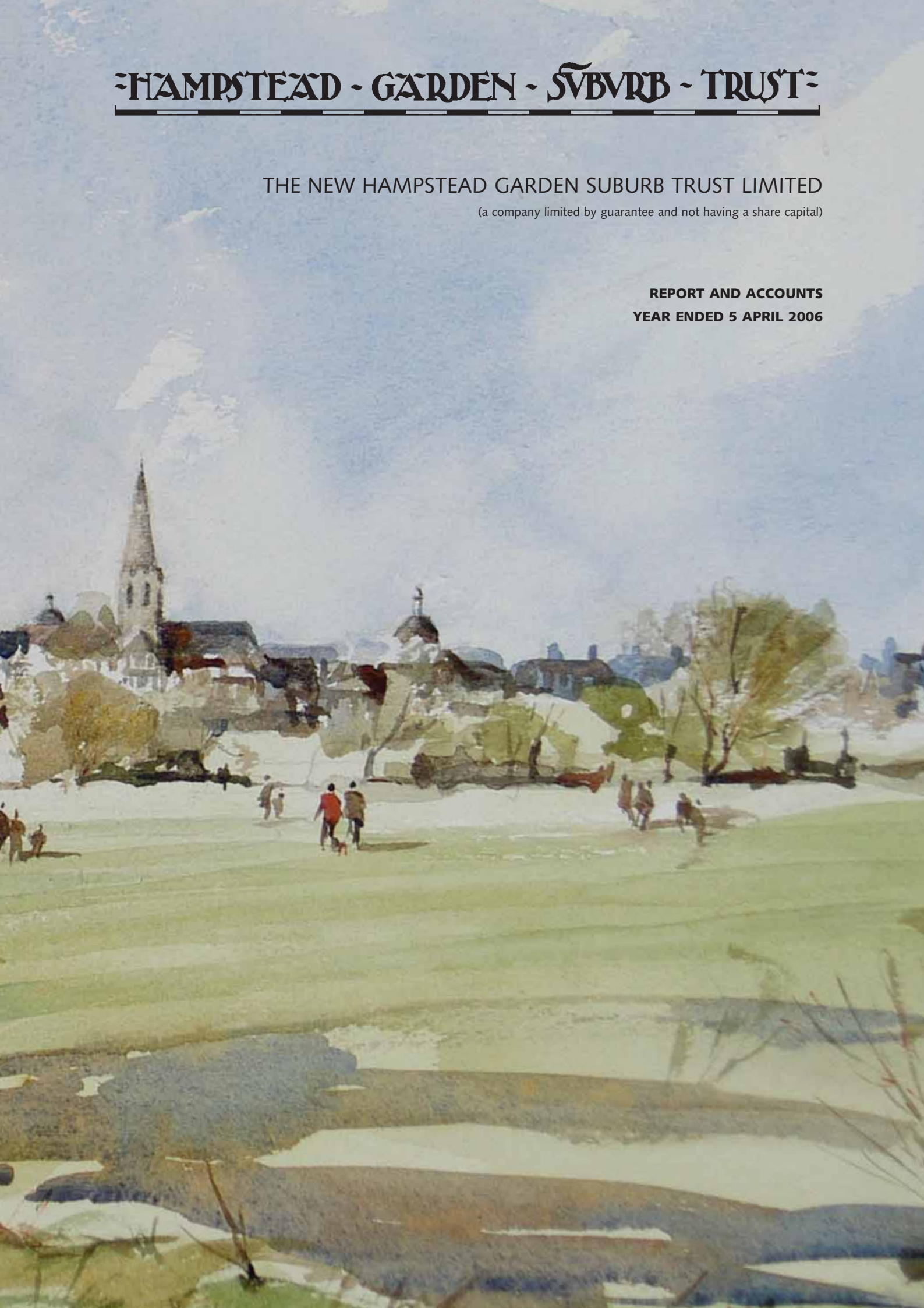


HAMPSTEAD - GARDEN - SUBURB - TRUST

THE NEW HAMPSTEAD GARDEN SUBURB TRUST LIMITED

(a company limited by guarantee and not having a share capital)

**REPORT AND ACCOUNTS
YEAR ENDED 5 APRIL 2006**



NOTICE OF MEETING

NOTICE is hereby given that the thirty-eighth Annual General Meeting of the Company will be held at the Free Church Hall, Northway, London NW11 on Wednesday 13 September 2006, at 8.00pm for the following purposes:

Ordinary business

1. to receive and consider the Report of the Council and the Accounts for the year to 5 April 2006.
2. to receive the report on the election of members of the Council.
3. to appoint the auditors and to authorise the Council to fix their remuneration.

Special business

4. to propose the motion that "the name of the Company be, and hereby is, changed by special resolution from The New Hampstead Garden Suburb Trust Limited to The Hampstead Garden Suburb Trust Limited."

By order of the Council



Jane Blackburn
Secretary
28 July 2006

Registered office
862 Finchley Road
London NW11 6AB

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him or her. No person shall be qualified to be appointed or to act as a proxy unless he or she is either a member of the Company or a spouse of a member or qualified to be a member of the Company under the Articles. The instrument appointing a proxy must be lodged at the registered office of the Company, 862 Finchley Road, London, NW11 6AB, not less than 48 hours before the time of holding the meeting.
2. Two elected members of the Council, Charles Zeloof, who after three years retires by rotation, and David Bogush, who was co-opted during the year, retire at the AGM and have expressed their willingness to stand again.
3. For the convenience of members there are set out below extracts from the Articles of Association regarding the appointment of elected members of the Council:

"Only members of the Company shall be eligible for election as elected members of the Council.

A candidate for election as an elected member of the Council shall:

- (a) have been nominated by the Council or by notice in writing given to the Secretary not earlier than the date of issue of notices of the Annual General Meeting of the Company in any year and not later than the 12th day prior to the date of such Annual General Meeting and signed by two members of the Company; and
- (b) have given notice in writing to the Secretary during the period for nominations referred to in this Article of his or her willingness to be appointed."

Chairman's Introduction 2005/2006

The report of the Trust Council, which follows, illustrates the steps taken to match the undertakings I gave in the Annual Report of 2004/2005

- Communicating better with residents
- Resisting the pressures to overdevelop the Suburb
- Reviewing and modernizing the operation and practices of the Trust

The sustained effort throughout the year has been shared by many people: my fellow Council members, both those appointed by national bodies and those elected by residents, have given freely of their time and knowledge; the Trust staff have taken on additional work and new challenges; residents have volunteered to assist with many tasks and have made many of the new achievements such as the Gazette and the strategic review possible. My thanks are due to all of them. I would also like to thank my colleagues in the Residents Association, the members and officers of the London Borough of Barnet and the officers of English Heritage who have understood the nature and importance of the challenges facing the Suburb and the Trust.

In February 2006 the Trust Council lost an able and committed member, Michael Rowley. Michael had given a lifetime of service to the Suburb, we were all greatly saddened by his death and continue to miss his very particular energy and insight.

In the course of 2005/2006 it has become apparent that where the Trust communicates its nature and purpose clearly, residents are generally very supportive. The challenge for the Trust is to properly explain its purpose as the protector of the architecture and landscape of the Suburb for posterity, and also to explain the extent, and limitations, of Trust powers. The Trust can and must prevent inappropriate development of land and buildings but must always act within the prescribed powers it has been given; the Trust has no powers to control levels of policing, parking, refuse collection or works to the public highways. Property owners on the Suburb must expect their ability to extend and alter their properties to be constrained in the interests of preserving the harmony, consistency and original vision of the whole. In return the unique quality of the Suburb environment enhances the attractiveness and financial value of their properties. The measure of the added financial value (up to 20% over similar property in neighbouring areas) has been confirmed in the course of the year by a survey of local estate agents. The measure of the added environmental value, though we may sometimes take it for granted, is here to be experienced all around us on the Suburb.

There is continuing intense debate about the impact of modern lifestyles on the Suburb. Changes in levels of prosperity bring greatly increased car ownership; climate change stimulates demand for double glazing, solar panels and wind turbines; insurance companies' policies regarding subsidence create intense concern about trees. All these matters are frequently debated by the Trust Council and are recognized as having a major impact on residents' lives. There are no easy answers, and while the Trust supports sustainable technologies where there is no detriment to the character of the Suburb, the Trust must be cautious in considering radical responses. The debate and examination of possible solutions will however continue both directly with residents and within the Trust Council.

Responses to the Gazette lead me to believe that once owners and residents properly understand what the Trust does for the Suburb, the proposed increase in the Management Charge to freeholders is accepted. There is however a view that a flat rate charge (as required under the present terms of the Scheme of Management) is inequitable and should be replaced by a banded charge varying with size and value of property. The Trust Council is investigating an application to the Leasehold Valuation Tribunal for a change to the terms of the Scheme of Management to make this possible. Meanwhile the Trust will also look sympathetically at requests to make stage payments from those who find the increased charge a burden. The Trust will also support applications for assistance from the relevant authorities by those in receipt of pension credit or income support.

In 2006/2007 the Trust Council will continue to build on the progress made in 2005/2006. In addition the Trust will be:

- Managing the private roads and open spaces in its ownership so that they can be maintained and renewed for the Suburb's second century
- Improving the Trust offices to give a better service for residents, especially personal callers, and better conditions for staff
- Reviewing the leasehold income and expenditure stream, which flows directly into the General Fund



Mervyn Mandell
Chairman

28 July 2006

Legal, Administrative and Other Information about the Trust

Registered office

The registered office of the Trust is 862 Finchley Road, London NW11 6AB, telephone numbers 020 8455 1066 and 020 8458 8085, facsimile 020 8455 3453, email mail@hgstrust.org, website www.hgstrust.org. The office is normally open Monday to Friday 9am to 5pm, excluding public holidays.

Trust Company membership

At 5 April 2006 there were 775 members of the Trust Company. The maximum allowed under the Articles of Association is 1,250. Membership of the Trust is open to people who have been continuously resident on the Suburb for over three years. Applications are welcome (there is no charge or subscription, and each member's liability is limited to a guarantee of £1) and the form can be obtained from the Trust Manager at the office address above.

Trust Council's responsibilities

The Trust Council meets about ten times a year to direct and oversee the work of the Trust staff in safeguarding the character and amenities of the Suburb. The Trust Council comprises four members elected by residents who are members of the Trust and four members appointed by the Law Society, the Royal Institute of British Architects, the Royal Town Planning Institute and the Victorian Society. These positions are all unpaid and carry responsibilities and duties requiring considerable time, understanding and effort.

Members of the Council

The members of the Council on 5 April 2006 were as follows:



Elected members:

1. Mervyn Mandell BSc, FRICS, JP – Chairman. Elected September 2004.

Mervyn has lived on the Suburb since 1978. He has been active in the Residents Association as Chairman of its Conservation and Amenities Committee (CONSAM), and previously served as an elected member of the Trust Council from 1996 to 2002. Mervyn is a chartered surveyor by profession and was in private practice until 2004. He now acts as a property consultant.

2. Richard Wakefield Dip CAM, MIPA, MCIM. Elected September 2005.

Richard has lived on the Suburb for most of his life. He is a past Chairman of the Residents Association and he has been editor, now publisher, of Suburb News since 1983. He founded the Garden Suburb Gallery for the Residents Association of which he is the current Honorary Secretary.

3. Charles Zeloof BSc (Hons). Elected September 2003.

Charles has lived on the Suburb since 1985. He is a director of a design company.

4. David Bogush BPharm, MRPharmS. Co-opted by the Council, following the sad death of Michael Rowley, to act as an elected member from April 2006 to September 2006.

David has been a resident of the Suburb for over 35 years. He was involved with the Residents Association for over 25 years in various roles including Secretary of the RA and Chairman of several sub-committees. He was an elected member of the Trust in the early 1990's and has served on the Hampstead Garden Suburb Institute Council.



Appointed members:

5. Wendy Miller. Appointed by the Law Society on 22 September 2004.

Wendy is a solicitor and consultant with the legal firm of Clifford Chance. She is a litigation specialist.

6. Simon Hurst MA, Dip Arch, BSc (Hons), RIBA. Appointed by the Royal Institute of British Architects on 20 May 2003.

Simon is an architect in private practice specialising in works to listed buildings and is a member of the Traditional Architecture Group. He has substantial professional and academic experience, including a scholarship from the Society for the Protection of Ancient Buildings.

7. Wilfred Court MA (Cantab), RIBA. Appointed by the Victorian Society on 6 June 2003.

Wilfred served as the Trust's Architect from 1984 to 1996 and has a deep knowledge of and concern for the architecture of the Suburb. He has also worked in private and public practice in Italy, India, West Pakistan, Ghana and Nigeria.

8. Phillipa Aitken BA (Hons), Dip TP, MRTPI. Appointed by the Royal Town Planning Institute on 12 April 2005.

Phillipa is a senior director with the international property consultancy CB Richard Ellis. She has previously worked for a local authority. Phillipa brings extensive knowledge of planning and development issues to the Trust.

Other elected members of the Council who served during the year were:

Michael Rowley AA Dipl, RIBA (6th April 2005 until February 2006 (deceased)).

Mervyn Unger MA, ACIS (6th April 2005 until September 2005 (retired)).

Elections to the Council:

There was only one nomination for the vacancy for an elected member created by the retirement of Mervyn Unger at the AGM in September 2005. Richard Wakefield was duly declared elected.

Council member's induction and training

New Council members are given written information including the Scheme of Management, Articles of Association, Annual Report and Charity Commission publications including The Essential Trustee. Induction sessions with the Trust Manager are tailored to individual needs and concerns. New Council members are encouraged to tour the office and meet all the staff and to attend the Property and Plans Committee to gain insight into that aspect of the Trust's work.

Honorary Life President

The Trust's Honorary Life President is Dr Mervyn Miller PhD, BA, BArch (Hons), MUP, MArch, RIBA, FRTPI.

Staff

The following people are currently employed by the Trust:

Full-time:



Jane Blackburn BA(Arch), Dip Arch, RIBA
Trust Manager and Company Secretary

David Davidson BA (Arch), MA (Arch Cons) IHBC
Architectural Adviser



Patricia Craggs Dip Bldg Cons (RICS)
Assistant Architectural Adviser

John Hayward BA (Hons) Town & Country Planning
Trust Manager's Assistant

Job sharing:



Jane Wood (to 31 August 2006) and Marjorie Galbinski
Architectural Adviser's Assistants

Part-time:

Nevill Hewitt Dip Mang (to 31 August 2006)
Book-keeper

In addition, a number of people are employed on a freelance basis on the architectural and secretarial sides.

Professional advisers

Solicitors

Lee, Bolton & Lee
1 The Sanctuary
London SW1P 3JT

Bankers

HSBC Bank plc
Temple Fortune
40 Temple Fortune Parade
Golders Green
London NW11 0QU

Auditors

Griffin Stone, Moscrop & Co
41 Welbeck Street
London W1G 8EA

Arboriculturalist

Anthony George Dip LA, MLI, FRSA
The Old Brick House
Village Road
Dorney
Windsor SL4 6QJ

Report of the Council

The Council members, who act in the role of directors and trustees, present their thirty-eighth annual report, together with the audited accounts of the Trust for the year ended 5 April 2006.

Object and principal activity

The object and principal activity of the Trust is to maintain and preserve the present character and amenities of Hampstead Garden Suburb. The Trust was created in its current form principally to control alterations to properties once they became freehold under the Leasehold Reform Act 1967. It is 32 years since the High Court approved the Scheme of Management for the Suburb under the Act. Since then almost 85% of the houses and over 33% of the flats on the Suburb have enfranchised and fall within the Scheme of Management. In 1988 the Trust acquired the freeholds of all the long leasehold properties on the Suburb (including most of the blocks of flats) from Ashdale Land and Property Company. Through these leases, the freehold ownership of 11 allotment sites, 27 unadopted roads, some 50 other communal open spaces and the Scheme of Management itself, the Trust can maintain a unified control over nearly all Suburb properties and the trees, hedges and many of the communal areas around them. Control of the public highways and the larger open spaces rests with the London Borough of Barnet and Transport for London.

Status

The Trust is a company limited by guarantee (Number 928520) and not having a share capital and is registered as a charity (Number 1050098). It is governed by its Memorandum and Articles of Association.

Main developments in 2005/2006

The Trust Council set out in 2005/2006 to resist the growing pressures to over develop the Suburb, to modernize the operation and practices of the Trust and to communicate better with residents. The Council had concluded that to achieve these aims additional funds were essential.

The Council's original proposition had been to generate such funds from development of the North Square sub station site. However when residents were consulted in the summer of 2005 this option was rejected. The Trust Council then instigated a strategic review of the Trust's position and concluded (inter alia) that it was essential to increase the Management Charge in order to stem the otherwise unsustainable drain on the Trust's reserves. The review process has continued throughout the year and into 2006/2007. In the course of the review the financial parameters of the Trust have been closely examined.

How the Trust is funded

The Trust's two main income streams are charges to freeholders under the Scheme of Management, which are variable but applicable only to work in connection with freehold properties (and land to which they have access), and the ground rents and other charges relating to leasehold properties, which flow into the General Fund. The latter are limited and generally falling in real terms. In the course of the review the Trust re-examined the current balance of work load between the leasehold and freehold properties on the Suburb and established (and has confirmed with the Trust's auditors) that this is now in a ratio of around 20%:80%. This ratio has therefore been adopted to calculate the Management Charges for 2005/2006 and 2006/2007.

In 2005/2006 the Trust sold the freehold of 15 properties which thus enter the Scheme of Management.

In the opinion of the Council the market value of the Trust's land and buildings is considerably in excess of the value appearing in the accounts. A professional valuation has been obtained for the Trust's premises at 860-864, Finchley Road, but this has not yet been brought into the balance sheet.

In the opinion of the Council the overall state of the Trust's financial affairs is challenging and, whilst at present the Trust's assets are available and adequate to fulfil its obligations, further steps need to be taken to counter the losses on the General Fund and thus assure the Trust's long term position.

Increased Management Charge

The use of ratios of around 33%:66% in past years has, with the benefit of hindsight, been one of the ways in which the Trust has subsidized the Management Charge from its own resources (the General Fund); the other has been making up any short fall on the estimated Management Charge from the General Fund. The Trust must recover the true cost of its work on behalf of freeholders in 2005/2006 and in the future. Consequently the Trust Council has set a surcharge for 2005/2006 of £39.50 and has set the estimated Management Charge for 2006/2007 at a realistic level which is £110.

The General Fund

The Trust will further examine means to increase the income stream to the General Fund in 2006/2007.

In the course of 2005/2006 the Trust established a relationship with the Charity Bank which includes a loan facility, drawn down in 2006/2007, to smooth the Trust's cash flow and to support the revitalization of the Trust and the best use of its assets. The Charity Bank loan facility has supported the refurbishment of one of the Trust's two residential flats, resulting in a trebling of the rental income from that flat from July 2006, contributing to the Trust's General Fund in 2006/2007. The essential expenditure incurred in the refurbishment during 2005/2006 is a significant element in the year's loss to the General Fund.

Other Income

The Trust had been acting for some years as managing agent for another estate, Chalcots Park. The Council felt, as stated in the 2004/2005 annual report, that this had become a distraction from the core activity of managing the Suburb and that the costs and risks incurred outweighed the benefit of the income gained. In September 2005 the Trust ceased to manage Chalcots Park. This accounts for the fall in income from commissions and fees. The Trust continues to benefit from commission received from insurance companies and brokers on building insurance taken out by Suburb residents. However the Trust does not endorse any company and residents are free to insure with any company via any broker.

Defending the Suburb

In 2005/2006 the Trust has been engaged in legal action, both on its own account and in support of the London Borough of Barnet, to defend the Suburb against the threat of inappropriate development. This has included preventing the demolition of good Suburb houses and more intensive redevelopment of their sites. Such action is expensive, whether or not it comes to court, but it is essential that the Trust is prepared, in appropriate circumstances, to demonstrate willingness both to exercise its own powers and to deploy its special expertise in support of the local authority.

In the course of the year the Trust has commented on English Heritage's emerging position paper on managing historic suburbs and has influenced the balance of advice in favour of the preservation of the most notable suburbs, including Hampstead Garden Suburb.

In 2005/2006 the Trust has been reluctantly involved in the expense of legal action to mitigate the very severe nuisance to residents caused by the violent behaviour of a persistent vagrant. The Trust's action has finally been supported by the local authority which has now taken over responsibility for dealing with the problem.

Day to day activities

The Trust's regular workload continues. In 2005/2006 the Trust processed some 216 applications for building work affecting the external appearance of properties. The Trust's architectural and landscape staff gave advice and guidance to residents, potential residents and their professional advisers on matters including the pruning and felling of trees, routine maintenance work, preliminary advice regarding applications and legal matters. Guided tours and information about the Suburb were given to local school groups, British and foreign architecture students and interested adults.

Policy initiatives

Beside these regular services the Trust is developing more written policies on key issues such as demolition in order to demonstrate a consistent attitude to applications. The Trust also plans to undertake area character studies, in collaboration with the London Borough of Barnet and English Heritage. These will support decision making which takes account of the different architectural character of the various parts of the Suburb in a demonstrably consistent manner. Once completed these studies can be adopted by both the Trust and Barnet to enhance the existing Design Guidance. Progress with the area character studies has been slower than previously envisaged, due partly to the sad death of Michael Rowley (who was the Trustee leading the project) and partly to other calls on staff time.

Threat to trees

The Trust Council has been concerned with the Trust's increasing liability to insurance claims regarding trees. This is due partly to climate change and partly to the rising value of property. The Trust faces a conflict between its duty to preserve the character of the Suburb, which was built to retain many mature trees, and financial probity. This issue is intractable and the Trust Council will continue to wrestle with the implications for the foreseeable future.

One hundred years of wear and tear

The Suburb is now a century old and much of the infrastructure remaining in the Trust's ownership, including the unadopted roads and communal gardens and open spaces, will be in need of substantial renewal in the next decade or so. Such renewal, to be undertaken in collaboration with residents, will need to take account of the demands of much heavier modern use and will be a significant area of the Trust's work in the future.

Office improvements

It is essential that the systems which support the Trust's work are adequate for the task in hand. To this end an important investment has been made in the Trust's computer and other management and record keeping systems. This process continues into 2006/2007, and amongst other things will enable the Trust to deal efficiently with requests for information on consents when the requirements for home information packs are implemented.

Communications

The Trust has been active in improving communications with residents. The Trust's own website (www.hgstrust.org) has been developed during 2005/2006, with links to the Suburb website and other relevant sites. It became available in 2006/2007. Editions of the Trust Gazette were distributed to all residents in December 2005 and May 2006. The Gazette is published to keep residents informed about the work of the Trust and to encourage discussion and debate. The response from residents has been very positive. In the present period of change up to three editions a year are planned. In the future this may become an annual or biannual update.

Charitable donations

During the year the Trust made donations of £4,925, comprising £3,525 to the Proms at St Jude's, £1,200 to HGS Junior School and £200 to an individual in need. A lower level of donations is envisaged in 2006/2007.

Volunteers

In 2005/2006 the Trust has benefited from significant input to its work by volunteers (including Trust Council members) operating at many levels. The Residents Association team generously undertook distribution of the first issue of the Gazette, other volunteers assisted with the North Square consultation and groups are standing by to assist with the area character study. A small but dedicated team has entered a formal volunteering relationship with the Trust and are assisting with matters including the Gazette, the website, the property database, estate management, financial and legal strategy and public relations. This group alone probably contributed at least 100 days work in 2005/2006, starting well into the year, and continue to assist in 2006/2007. However continued voluntary involvement at this intensity cannot be expected.

Trust Council

Information regarding the Trust Council, including details of those members in office during the year and at the date of this report, is shown under Legal, Administrative and Other Information.

Council members' responsibilities in respect of the preparation of accounts

The Council members, who act in the role of directors and trustees, are responsible for preparing the report of the Council and the accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Council members are required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Trust and the incoming resources and application of resources, including its income and expenditure, for the year. In preparing those accounts, the Council members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Council members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Audit enquiries

As far as the Council members are aware, there is no relevant audit information of which the Trust's auditors are unaware. Each of the Council members has taken all steps that he ought to as a director in order to make himself aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

Reserves policy and risk management

The Trust's readily realisable reserves are required for several purposes.

While litigation costs involving freehold properties can be recovered through the annual management charge there is no mechanism for such recoveries in the case of leasehold houses and flats.

The Trust's position as an owner and protector of trees makes it vulnerable to insurance claims. In 2006/2007 the Trust has been forced to accept a high excess for subsidence claims on its own insurance and must therefore in future make provision against claims within its own resources.

The Trust's office premises are in urgent need of improvement.

The Trust supports relevant projects on the Suburb. In 2005/2006 the Trust gave a major contribution to the very successful street signs project, led by the Residents Association.

Within the on going review process the Trust's Council members have reviewed the Trust's risk management strategy. This included examining the Trust's building, public liability and professional indemnity insurance, banking arrangements, health and safety issues, etc. The Council members consider that procedures are in place to mitigate any risks to which the Trust could be exposed.

Investment policy

Any cash at bank not required in the short term is placed on deposit. The Council members consider that this policy gives a reasonable return at low risk.

Plans for future periods

The Trust Council is actively pursuing more accurate five year financial projections to inform future annual plans. This goal will be developed through a further annual review in October 2006. At this stage, having resolved the issue of allocation of costs between the freehold and leasehold income and expenditure streams and restored the Management Charge to a realistic level, the key issue is seen to be the maximization of the leasehold stream. The Trust Council recognizes that it may be necessary to supplement income from this stream and will investigate means to do so.

The long term financial objectives of the Trust are to control the freehold management charge while generating sufficient funds from this and other sources to enable the Trust to operate effectively to preserve the character and amenities of the Suburb. In 2006/2007 the Trust will investigate varying the Scheme of Management to permit the Management Charge to be varied according to property size and value.

Auditors

The Trust Council is undertaking a review of its audit providers and will be recommending auditors for 2006/2007 to the Annual General Meeting.

By order of the Council



Jane Blackburn
Secretary

28 July 2006

Independent Auditors' Report to the Members of The New Hampstead Garden Suburb Trust Limited

We have audited the accounts of The New Hampstead Garden Suburb Trust Limited ("the Trust") for the year ended 5 April 2006 which comprise the statement of financial activities, including the income and expenditure account, the balance sheet and the related notes. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Trust's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Trust's members those matters we are required to state thereto in an auditors' 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 Trust and the Trust's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council members and auditors

As described in the statement of Council members' responsibilities in respect of the preparation of accounts, the Council members, who act in the role of directors and trustees, are responsible for the preparation of the report of the Council and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and the report of the Council is consistent with the accounts. We also report to you if, in our opinion, the Trust has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions is not disclosed.

We read the report of the Council and consider the implications for our report if we become aware of any apparent mis-statements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Council members in the preparation of the accounts, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Trust's affairs as at 5 April 2006, and of its incoming resources and application of resources, including its income and expenditure, in the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the Council is consistent with the accounts.

Griffin Stone, Moscrop & Co

Chartered Accountants and Registered Auditors

London

4 August 2006

Statement of Financial Activities, including the Income and Expenditure Account

for the year ended 5 April 2006

	Note	General Fund	2005/2006 Freehold Scheme of Management	Total	2004/2005 Total
Incoming resources	1(c)				
Incoming resources from generated funds					
Voluntary income					
Donations received		1,550	–	1,550	–
Leaseholders' voluntary contributions		2,637	–	2,637	2,247
Income from activities for generating funds					
Commissions and fees	3	15,032	15,549	30,581	45,629
Sundry income		1,462	863	2,325	4,139
Rental/investment income	4	48,281	–	48,281	52,746
Incoming resources from charitable activities					
Building consent fees – leaseholds		7,280	–	7,280	9,930
Other incoming resources					
Surplus on sales of freeholds		30,040	–	30,040	77,969
Surplus on disposals of other assets		–	–	–	1,696
Building consent fees – freeholds		–	79,322	79,322	60,997
Management charges payable by freeholders		–	168,404	168,404	156,273
Total incoming resources		106,282	264,138	370,420	411,626
Resources expended	1(c)				
Charitable activities					
Charitable grants and donations		4,925	–	4,925	6,800
Amenities and projects	5	4,243	7,687	11,930	9,455
Management expenses	6	157,284	374,018	531,302	434,803
Total resources expended		166,452	381,705	548,157	451,058
Net resources expended		(60,170)	(117,567)	(177,737)	(39,432)
Realised loss on disposals of investment assets		–	–	–	(29)
Net expenditure for the year before taxation		(60,170)	(117,567)	(177,737)	(39,461)
Taxation		–	–	–	–
Net expenditure for the year after taxation		(60,170)	(117,567)	(177,737)	(39,461)
Transfer between funds for notional rent		14,555	(14,555)	–	–
Net movement in funds		(45,615)	(132,122)	(177,737)	(39,461)
Funds, 5 April 2005, brought forward		400,484	–	400,484	439,945
Funds, 5 April 2006, carried forward	£	354,869	(132,122)	222,747	400,484

Continuing operations

The Trust did not acquire or discontinue any of its activities during the above two financial years.

Recognised gains and losses

The Trust did not have any recognised gains or losses other than those shown above.

The attached notes form part of these accounts.

Note of Historical Cost Profits and Losses

for the year ended 5 April 2006

	General Fund	2005/2006 Freehold Scheme of Management	Total	2004/2005 Total
Reported net expenditure for the year before taxation	(60,170)	(117,567)	(177,737)	(39,461)
Realisation of investment revaluation gains of previous years	–	–	–	2,405
Historic cost net expenditure for the year before taxation	£ (60,170)	(117,567)	(177,737)	(37,056)
Historic cost net expenditure for the year after taxation	£ (60,170)	(117,567)	(177,737)	(37,056)

The attached notes form part of these accounts.

Balance Sheet

5 April 2006

	Note	5 April 2006	5 April 2005
Fixed assets			
Tangible assets			
Freehold and long leasehold estate, at cost	8	58,881	60,141
Freehold property	9	34,800	34,800
Office equipment and furniture	10	11,537	13,245
		105,218	108,186
Current assets			
Debtors	12	39,972	42,514
Cash at bank and in hand		129,550	272,247
		169,522	314,761
Deduct:			
Current liabilities			
Creditors: amounts falling due within one year	13	51,993	22,463
Net current assets		117,529	292,298
Total assets less current liabilities		£ 222,747	400,484
Representing:			
General fund		354,869	400,484
Freehold Scheme of Management		(132,122)	–
		£ 222,747	400,484

Signed on behalf of the Council.



Mervyn Mandell



Phillipa Aitken

Approved and authorised for issue by the Council on 28 July 2006.

The attached notes form part of these accounts.

Notes to the Accounts

1. Accounting policies

The following are the accounting policies adopted by the Trust:

(a) Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the valuation of the Trust's freehold land and building, and on the going concern basis. In order to present a true and fair view, because of the special circumstances in which the Trust is operating, the Statement of Financial Activities is drawn up in a form which differs from that provided for by the Statement of Recommended Practice – Accounting and Reporting by Charities issued in March 2005 ("the SORP"). With this exception the accounts have been prepared in accordance with the provisions of the SORP, the Companies Act 1985 and applicable United Kingdom Accounting Standards.

In accordance with Financial Reporting Standard No.1, the Trust is exempt from the requirement to prepare a cash flow statement as it is a small company.

(b) Fixed assets and depreciation

Freehold and long leasehold estate: This is stated at cost and is not being depreciated, but the book value is reduced on the sale of each freehold and lease extension.

Freehold land and building: Freehold land is not being depreciated. Depreciation was provided on the freehold building at £500 per annum from 6 April 1978 to 5 April 1984. This policy was changed from that date so that no further depreciation is provided as the property is maintained to a sufficiently high standard to extend its useful life indefinitely. The freehold building has been reviewed for impairment in accordance with Financial Reporting Standard No.11 and any depreciation charge would be immaterial. The book value of the Trust's freehold land and building is based on a professional valuation carried out as at 12 December 1968. The Trust is adopting the transitional provisions of Financial Reporting Standard No.15 in that it has not updated this valuation.

Office equipment and furniture: Depreciation is provided on office equipment and furniture on the straight line basis at the rate of 25% per annum on cost so as to write off the cost of the office furniture and equipment over its expected useful working life.

(c) Incoming resources and resources expended

All incoming resources and all resources expended, including rents paid under an operating lease, are accounted for in the period to which they relate.

(d) Taxation

As a registered charity the Trust is generally not liable to taxation on its surplus or capital gains. It is not, however, exempt from value added tax. Irrecoverable value added tax is included in the cost of those items to which it relates.

2. Scheme of Management

The Trust administers a Scheme of Management under the 1967 Leasehold Reform Act. This was passed by the High Court in 1974 and amended in 1983. The purpose of the Scheme is to preserve and conserve the Hampstead Garden Suburb and applies to all freehold properties.

Items of income and expenditure are allocated to the Scheme of Management or the general fund as appropriate and the Trust's auditors certify by the signing of the statutory accounts that the Scheme has been charged with a proportionate part of the expenses of the Trust in operating the Scheme. Items which are incurred in respect of both the Scheme of Management and the general fund are apportioned according to the proportion of enfranchised (ie freehold) properties to all properties in respect of which the management charge or lease rents are payable to the Trust. Within this calculation flats are weighted against houses in the proportion 1:10. The weighting has been determined by an analysis of staff time. This calculation results for 2005/2006 in an apportionment of 80%:20% or 4:1 between the Scheme of Management and the general fund. This apportionment has been confirmed with the Trust's auditors. The net expenditure of £132,122 attributable to the Scheme will be offset by a balancing charge in accordance with clause 8 (b) (ii) of the Scheme of Management. This represents a break with the past practice of increasing the management charge roughly in line with retail price inflation, rather than actual costs, and offsetting the net expenditure against the general fund.

3. Commissions and fees

This amount is made up of commission received from Brownhill, Morris & West (insurance agents) £15,616 (2004/2005 – £16,111), for the inclusion of material on their services in Trust mailings, Royal & Sun Alliance (insurers) £3,820 (2004/2005 – £3,026), for an original requirement (now lapsed) in some Trust leases that insurance was to be provided by them and Towergate ARG £690, and fees received from Compco Holdings (owners of the Chalcots estate in Swiss Cottage) £8,290 (2004/2005 – £17,765) and Ashdale Land & Property (freehold owner of 5 tenanted and 18 short leasehold houses on the Suburb) £2,165 (2004/2005 – £8,727), for estate management services.

With the exception of the fees received from Compco Holdings, none of this income involves the Trust in expenditure on additional administrative resources and therefore it reduces the Trust's costs to the advantage of Suburb residents.

As described in the report of the Council, the Trust ceased to provide estate management services to Compco Holdings after 29 September 2005.

The arrangement between the Trust and Brownhill, Morris & West does not represent an endorsement by the Trust, and residents are free to insure with any company via any broker. However, the Trust receives commission in respect of any resident choosing to insure via Brownhill, Morris & West.

4. Rental/investment income

	2005/2006	2004/2005
Rental income	40,682	41,907
Income from investments listed on a recognised stock exchange	–	1,006
Bank interest	7,599	9,833
	£ 48,281	52,746
Allocated to:		
Trust and estate management (general fund)	48,281	46,650
Freehold Scheme of Management	–	6,096
	£ 48,281	52,746

5. Amenities and projects

This amount is made up of expenditure on the Suburb Gallery £2,321 (2004/2005 – £4,138), street signs £7,588 (2004/2005 – £nil), the Trust Gazette £2,021 (2004/2005 – £nil), the Trust Centenary £nil (2004/2005 – £1,387), the rehabilitation of tennis courts £nil (2004/2005 – £2,850) and minor items £nil (2004/2005 – £1,080). It includes payments made under an operating lease for the use of a building totalling £2,750 (2004/2005 – the same) which has been reduced by contributions received totalling £500 (2004/2005 – the same).

6. Management expenses

	2005/2006	2004/2005
Management and staff costs (see note 7)	266,050	231,256
Establishment and administration	122,952	70,035
Trees and open spaces	42,615	80,412
Auditors' remuneration – for audit services	3,850	3,550
– for non-audit services	11,604	11,944
Legal fees	77,082	33,778
Other professional charges	7,149	3,828
	£ 531,302	434,803
Allocated to:		
Trust and estate management (general fund)	157,284	186,806
Freehold Scheme of Management	374,018	247,997
	£ 531,302	434,803

Establishment and administration includes £1,412 (2004/2005 – £1,377) in respect of the reimbursement of travelling expenses necessarily incurred by certain of the Trust's Appointed Trustees and £8,713 (2004/2005 – £6,580) in respect of depreciation of tangible fixed assets.

Establishment and administration also includes £50,399 (2004/2005 – £nil) relating to the refurbishment of part of the Trust's freehold property.

In 2004/2005 trees and open spaces included £41,883 in respect of a leaseholder's insurance claim.

7. Management and staff costs

The average number of staff during the year was 7 (2004/2005 – 5), of which 3 (2004/2005 – 2) were part-time and all of whom were involved in the administration of the Trust's activities.

Management and staff costs during the year comprised:

	2005/2006	2004/2005
Wages and salaries	204,624	176,377
Social security costs	21,881	17,287
Other management costs and expenses incurred	39,545	37,592
	£ 266,050	231,256

For the year ended 5 April 2006 no employee received emoluments in excess of £60,000 (2005 – the same).

8. Freehold and long leasehold estate, at cost

At 5 April 2005	60,141
Disposals during the year	(1,260)
At 5 April 2006	£ 58,881

9. Freehold property

		Land	Building	Total
Valuation on 12 December 1968:				
At 5 April 2005 & 2006	£	7,800	30,000	37,800
Depreciation:				
At 5 April 2005 & 2006	£	–	3,000	3,000
Net book value:				
At 5 April 2005 & 2006	£	7,800	27,000	34,800

10. Office equipment and furniture

Cost:

At 5 April 2005		31,532
Additions during year		7,005
At 5 April 2006		38,537
Depreciation:		
At 5 April 2005		18,287
Charge for year		8,713
At 5 April 2006		27,000
Net book value:		
At 5 April 2006	£	11,537
Net book value:		
At 5 April 2005	£	13,245

11. Investments

	2005/2006	2004/2005
Listed investment		
Market value at 5 April 2005	–	20,361
Eliminated on disposal	–	(20,361)
Market value at 5 April 2006	–	–
Other investment		
Cost at 5 April 2005	–	1
Written-off during year	–	(1)
Cost at 5 April 2006	–	–
Total investments	£	–

The Trust's other investment comprised one share in Abbeyfield Hampstead Garden Suburb Society Limited. On 1 July 2004 all of the assets, liabilities and activities of Abbeyfield Hampstead Garden Suburb Society Limited were transferred to Abbeyfield UK for £nil consideration. The Trust's investment in Abbeyfield Hampstead Garden Suburb Society Limited has, therefore, been written-off.

12. Debtors

	2006	2005
Management income	17,387	22,234
Other debtors	8,263	9,815
Prepayments and accrued income	14,322	10,465
	£ 39,972	42,514

13. Creditors: amounts falling due within one year

	2006	2005
Accruals and deferred income	£ 51,993	22,463

14. Reconciliation of movements in unrealised gains on investment assets

	2005/2006	2004/2005
Unrealised gains at 5 April 2005	–	2,405
Unrealised gains realised during the year	–	(2,405)
Unrealised gains at 5 April 2006	£ –	–

15. Members' liability

The liability of the members is limited by guarantee up to a maximum of £1 per member.

16. Operating lease

For the year ending 5 April 2007 the Trust is committed to pay £2,750 under an operating lease for the use of a building. This lease expires within two to five years of 5 April 2006. At 5 April 2005 the commitment for the following year was also £2,750.

17. Indemnity insurance

During the year ended 5 April 2006 the Trust paid £3,613 (2004/2005 – £3,235) in respect of an insurance policy which indemnifies its trustees and officers against the consequences of any neglect or default on their part and protects the Trust from any loss arising from the neglect or defaults of its trustees or officers.

18. Remuneration of the trustees

No remuneration is paid to any of the Trust's trustees (2004/2005 – the same).



View from the Heath. R Buckeridge ©1970

HAMPSTEAD - GARDEN - SUBURB - TRUST

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