

KERSFIELD MAINTENANCE LIMITED

**SERVICE CHARGE ACCOUNTS OF GARDEN ROYAL
FOR THE YEAR ENDED 31st DECEMBER 2015**

GARDEN ROYAL

SERVICE CHARGE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2015

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GARDEN ROYAL

SERVICE CHARGE ACCOUNTS INFORMATION

Property	Garden Royal Kersfield Road Putney SW15 3HE
Freeholder	Kersfield Maintenance Limited
Directors of Kersfield Maintenance Limited	Ms M Rutland Mr M A Fall Ms I Taul Ms T Charalambous Mr R A Lawrence Ms J M Daffy
Managing Agent	J C Francis & Partners Limited 322 Upper Richmond Road London SW15 6TL
Bankers	National Westminster Bank plc Putney Branch 153 Putney High Street London SW15 1RX
Chartered Accountants	Hillyates, Chartered Accountants Hill House, 27 Meadowford Newport, Saffron Walden Essex CB11 3QL

GARDEN ROYAL SERVICE CHARGE ACCOUNTS

Independent accountants report to the board of directors of Kersfield Management Limited in respect of the service charge accounts for the year ended 31st December 2015 relating to the 50 leasehold flats at Garden Royal, Kersfield Road, Putney SW15 3HE

You have stated that an audit of the service charge accounts in accordance with International Standards on Auditing is not required under the terms of the leases for Garden Royal. In accordance with our engagement letter dated 16th February 2012, we have performed the procedures agreed with you, your Managing Agent and enumerated below with respect to the service charge accounts set out on pages 3 to 7 in respect of the 50 leasehold flats at Garden Royal, Kersfield Road, Putney SW15 3HE for the year ended 31st December 2015 in order to provide a report on the factual findings about the service charge accounts that you have approved.

This report is made to you as landlord for issue as part of the service charge accounts in accordance with our terms of engagement. Our work has been undertaken to enable us to make this report to you as landlord and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than you as landlord for our work or this report.

Basis of report

Our work was carried out having regard to TECH 03/11 *Residential Service Charge Accounts* published jointly by the professional accountancy bodies with ARMA and RICS. In summary, the procedures we carried out with respect to the service charge accounts were:

- We compiled the service charge accounts and checked whether the figures therein were correctly based on the accounting records maintained on your behalf by your Managing Agent, JC Francis & Partners Limited;
- We checked whether service charge expenditure in the accounting records was supported by receipts, other documentation or evidence that we inspected; and
- We checked whether the balance of service charge monies for the 50 leasehold flats at Garden Royal shown on the balance sheet on page 4 of the service charge accounts agreed or reconciled to the bank statements for the accounts in which the funds are held and in other debtor and creditor accounts.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing (UK and Ireland) or International Standards on Review Engagements, we do not express any assurance on the service charge accounts other than in making the factual statements set out below.

Had we performed additional procedures or had we performed an audit of the service charge accounts in accordance with International Standards on Auditing (UK and Ireland) or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Report of factual findings

- We found that the figures used and checked in compiling the service charge accounts were correctly based on the accounting records maintained on your behalf.
- We found that the total amount of 'Costs Charges and Expenses' as defined by the 7th Schedule, Paragraph 10 of the leases of the flats at Garden Royal was £64,342 and the proportionate amount due from lessees as at 31st December 2015 was £84,434, and as detailed in note 5 to the service charge accounts.
- We found that the balance of service charge monies for the 50 leasehold flats at Garden Royal shown on the balance sheet on page 4 of the service charge accounts agrees or reconciles to the bank statements for the accounts in which the funds are held and in other debtor and creditor accounts. However, we also draw your attention to the level of amounts due from certain lessees at 31st December 2015 totalling £6,713 which constitute technical breaches of covenant in respect of those lessees.

Hillyates, Chartered Accountants
Hill House, 27 Meadowford
Newport, Saffron Walden
Essex CB11 3QL

GARDEN ROYAL

SERVICE CHARGE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2015

	2015 Actual £	2015 Budget £	2014 Actual £
Income			
Service charge expenditure recoverable:			
Expenditure excluding building insurance	59,434	47,575	54,258
Building insurance	4,908	4,910	7,443
	64,342	52,485	61,701
Reserve fund contribution	25,000	20,000	20,000
	89,342	72,485	81,701
Deposit account interest, net of taxation	14	-	23
Other income – parking permits and keys	32	-	50
	89,388	72,485	81,774
Service charge expenditure			
Garden maintenance, including tree work	11,114	12,810	12,892
Hire of refuse bins	1,947	1,780	1,800
Water rates (garages)	89	100	47
Electricity	1,576	1,500	1,394
General maintenance, including pest control	19,410	9,100	16,849
Cleaning, including windows	7,475	6,080	5,354
Miscellaneous	-	-	48
Managing agents fees and reimbursed expenses	14,444	13,025	12,169
Company secretarial and other company related expenses	767	-	490
Independent accountant's report and accounts work	2,580	2,680	2,580
Bank charges	32	-	-
Legal and other professional services	-	500	635
	59,434	47,575	54,258
Expenditure before building insurance			
Building insurance	4,908	4,910	7,443
	64,342	52,485	61,701
Total service charge expenditure			
	-	-	-
Major repairs expenditure (note 4)			
	64,342	52,485	61,701
Costs Charges and Expenses (note 5)			
	25,046	20,000	20,073
Net contribution to reserve for major repairs			
Made up of:			
Contribution to reserve for major repairs	25,000	20,000	20,000
Major repairs expenditure	-	-	-
Deposit account interest, net of taxation	14	-	23
Other income – parking permits	32	-	50
	25,046	20,000	20,073

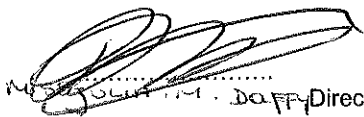
GARDEN ROYAL

BALANCE SHEET AT 31st DECEMBER 2015

	Notes	2015 £	2014 £
CURRENT ASSETS			
Maintenance levy account balances	1/3	91,147	80,113
Prepayments and insurance claims receivable	1	1,135	10,078
Bank current account		80,732	68,738
Petty cash float		100	100
		<u>173,114</u>	<u>159,029</u>
CURRENT LIABILITIES			
Maintenance levy account balances	1/3	3,720	6,130
Creditors and accrued expenses	1	7,947	16,502
Taxation payable	1	45	41
Kersfield Maintenance Limited	2	98	98
		<u>11,810</u>	<u>22,771</u>
NET ASSETS		<u>161,304</u>	<u>136,258</u>
Represented by:			
RESERVES			
Reserve for major repairs	4	<u>161,304</u>	<u>136,258</u>

These Service Charge Accounts were approved by the directors of Kersfield Maintenance Limited on and signed on its behalf by:


Ms T Charalambous, Director


Mr J M. Daff, Director

1. STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

These Service Charge Accounts have been prepared from records, information and explanations supplied by JC Francis & Partners Limited in its capacity as Managing Agent, under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice.

Maintenance levy account

As detailed in note 3, these amounts are represented by:

- Residual arrears of service charges invoiced in respect of the year ended 31st December 2014.
- Recoverable service charge expenditure, excluding buildings insurance, and a Reserve Fund Contribution to be invoiced in respect of the year ended 31st December 2015.
- Amounts paid in advance of service charges to be invoiced in respect of the year ended 31st December 2015 and amounts paid on account of buildings insurance contributions.

Prepayments

Prepayments represent amounts paid in respect of service charge expenditure but relate to periods after the year end.

Creditors and accrued expenses

These represent expenditure incurred during the year or previous years but remaining unpaid or not invoiced by the year end.

Taxation

The service charge account is operated for the benefit of lessees of Garden Royal and is non-profit making. The fund is required to pay income tax at trust rates on interest received from any funds on deposit at National Westminster Bank plc (and previously at Barclays Bank plc until 17th June 2015). The amount shown in the balance sheet represents the tax payable on interest earned in this and previous periods.

Funds held by managing agents

Funds held on behalf of the service charge account is held in a Trust account with National Westminster Bank plc in the name of JC Francis & Partners Limited client account re: Kersfield Maintenance Limited (sort code 60 17 11, account no 87621592).

Insurance

Under the terms of the leases Kersfield Maintenance Limited is required to arrange buildings and terrorist insurance, although terrorist cover has been excluded since 1st January 2015. The policy runs from 1st January each calendar year and is currently placed by brokers UK Global Risk Solutions Limited with Cobra Underwriting Agencies and underwritten by AXA Insurance and Aviva Insurance Limited. Lessees should arrange their own building contents and other appropriate insurances.

Management fees

JC Francis & Partners Limited replaced Prior Estates Limited as managing agents with effect from 18th June 2015. Both have charged management fees, disbursements and other expenses in accordance with the terms of their agreements with Kersfield Maintenance Limited. During the year Prior Estates Limited received payment from UK Global Risk Solutions for the work they undertook in connection with claims made on the buildings insurance policy.

2. KERSFIELD MAINTENANCE LIMITED

Kersfield Maintenance Limited owns the freehold of the 50 flats at Garden Royal, Kersfield Road, Putney SW15 3HE. Its directors are responsible for managing and maintaining the property. As part of its duties the company, through its Managing Agent collects service charges to settle costs charges and expenses and also collects contributions for a major repairs reserve to fund future major repairs. These funds are held in trust for the lessees of Garden Royal as required by legislation.

Up until the year ended 31st December 2009 Kersfield Maintenance Limited included the service charge account transactions within its statutory accounts. However, with effect from the year ended 31st December 2010, the directors of the company reconsidered this treatment in the light of best practice and now complete separate dormant company and service charge accounts to correctly reflect the nature of the service charge account transactions.

The expenditure shown in the service charge account includes expenditure of £7,340 (2014 - £5,434) on cleaning services which were provided by a business in which a resident lessee has an interest.

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NOTES TO THE SERVICE CHARGE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 2015

3. MAINTENANCE LEVY ACCOUNT

	£	2015 £	£	2014 £
Balances at 1 st January 2015				
Due from lessees				
Residual arrears	5,855		3,247	
Recoverable service charge expenditure for 2014	54,258		45,333	
Contribution to reserve fund	20,000		20,000	
	<u>80,113</u>		<u>68,580</u>	
Due to lessees	<u>(6,130)</u>		<u>(6,162)</u>	
		73,983		62,418
Amounts received from lessees on account (net)		<u>(75,898)</u>		<u>(70,136)</u>
		(1,915)		(7,718)
Service charge expenditure incurred for the year	64,342		61,701	
Contribution for reserve for major repairs	25,000		20,000	
		<u>89,342</u>		<u>81,701</u>
Balances at 31 st December 2015				
Due from lessees				
Residual arrears	6,713		5,855	
Recoverable service charge expenditure for 2015	59,434		54,258	
Contribution to reserve fund	25,000		20,000	
	<u>91,147</u>		<u>80,113</u>	
Due to lessees	<u>(3,720)</u>		<u>(6,130)</u>	
		<u>87,427</u>		<u>73,983</u>

4. RESERVE FOR MAJOR REPAIRS

	2015 £	2014 £
Balance at 1 st January 2015	136,258	116,185
Contribution from lessees	25,000	20,000
Major repairs expenditure	-	-
Deposit account interest, net of taxation	14	23
Other income – parking permits	32	50
	<u>161,304</u>	<u>136,258</u>
Balance at 31 st December 2015	161,304	136,258

5. COSTS CHARGES AND EXPENSES

The total amount of Costs Charges and Expenses as defined by the 7th Schedule, Paragraph 10 of the leases of the flats at Garden Royal is made up as follows:

	2015 £	2014 £
Service Charge Account Expenditure	64,342	61,701
Major repairs	-	-
	<u>64,342</u>	<u>61,701</u>
Costs Charges and Expenses	64,342	61,701

A statement of the proportionate amounts due from lessees as at 31st December 2015 of £84,434, which includes the contribution to the reserve fund of £25,000 is set out on page 7 below.

GARDEN ROYAL – STATEMENT OF BALANCES AS AT 31ST DECEMBER 2015
(Proportionate amounts due from lessees)

Flat number	Share	2015 maintenance £
1	66	2,835.95
2	39	1,675.79
3	51	2,191.42
4	51	2,191.42
5	30	1,289.07
6	39	1,675.79
7	51	2,191.42
8	51	2,191.42
9	66	2,835.95
10	33	1,417.98
11	36	1,546.88
12	36	1,546.88
13	51	2,191.42
14	51	2,191.42
15	36	1,546.88
16	51	2,191.42
17	51	2,191.42
18	51	2,191.42
19	30	1,289.07
20	39	1,675.79
21	36	1,546.88
22	36	1,546.88
23	36	1,546.88
24	30	1,289.07
25	36	1,546.88
26	42	1,804.69
27	36	1,546.88
28	36	1,546.88
29	30	1,289.07
30	36	1,546.88
31	51	2,191.42
32	36	1,546.88
33	36	1,546.88
34	36	1,546.88
35	30	1,289.07
36	30	1,289.07
37	36	1,546.88
38	30	1,289.07
39	30	1,289.07
40	30	1,289.07
41	42	1,804.69
42	36	1,546.88
43	36	1,546.88
44	30	1,289.07
45	36	1,546.88
46	30	1,289.07
47	51	2,191.42
48	36	1,546.88
49	30	1,289.07
50	30	1,289.07
	<u>1965</u>	<u>84,434.00</u>