

Unaudited Service Charge Accounts

For the Year Ended 31 December 2016

for

Netherne Management Limited, Netherne on the Hill

Netherne Management Limited, Netherne on the Hill

Contents of the Service Charge Accounts
For the Year Ended 31 December 2016

	Page
Contents Page	1
Service Charge Fund Information	2
Accountants Report of Factual Findings	3 - 4
Income and Expenditure Statement	5
Notes to the Income and Expenditure Statement	6 – 8
Balance Sheet	9
Notes to the Service Charge Accounts	10 – 14

Netherne Management Limited, Netherne on the Hill

Service Charge Fund Information
For the Year Ended 31 December 2016

MANAGING AGENTS AND COMPANY SECRETARY	Stiles Harold Williams (SHW) One Jubilee Street Brighton East Sussex BN1 1GE				
RELEVANT COMPANY	Netherne Management Limited (NML) c/o Stiles Harold Williams One Jubilee Street Brighton East Sussex BN1 1GE				
COMPANY NUMBER	4026814				
DIRECTORS	SP Buczek, RH Shah, LG Sheldon, AJ Rodell (appointed 1 February 2017), GT Smith (appointed 17 February 2017), N Le Cluse (resigned 16 December 2016), J Robins (resigned 16 December 2016), RL Murdoch (resigned 6 May 2017)				
BANKERS	<table><tr><td>SHW Client Account Barclays Bank 139-142 North Street Brighton East Sussex BN1 1RU</td><td>Bath Building Society 15 Queen Square Bath Somerset BA1 2HN</td></tr><tr><td>Shawbrook Bank Lutea House The Drive Warley Hill Business Park Brentwood Essex CM13 3BE</td><td>Aldermore Bank 1st Floor, Block B Western House Lynch Wood Peterborough PE2 6FZ</td></tr></table>	SHW Client Account Barclays Bank 139-142 North Street Brighton East Sussex BN1 1RU	Bath Building Society 15 Queen Square Bath Somerset BA1 2HN	Shawbrook Bank Lutea House The Drive Warley Hill Business Park Brentwood Essex CM13 3BE	Aldermore Bank 1 st Floor, Block B Western House Lynch Wood Peterborough PE2 6FZ
SHW Client Account Barclays Bank 139-142 North Street Brighton East Sussex BN1 1RU	Bath Building Society 15 Queen Square Bath Somerset BA1 2HN				
Shawbrook Bank Lutea House The Drive Warley Hill Business Park Brentwood Essex CM13 3BE	Aldermore Bank 1 st Floor, Block B Western House Lynch Wood Peterborough PE2 6FZ				
ACCOUNTANTS	Richard Place Dobson 1 – 7 Station Road Crawley West Sussex RH10 1HT				

Netherne Management Limited, Netherne on the Hill

Accountant's Report of Factual Findings to the Managing Agent of
Netherne Management Limited, Netherne on the Hill

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 lease for Netherne Management Limited, Netherne on the Hill. In accordance with our engagement letter dated 11 June 2015, we have performed the procedures agreed with you and enumerated below with respect to the service charge accounts set out on pages 5 to 14 in respect of Netherne Management Limited, Netherne on the Hill for the year ended 31 December 2016 in order to provide a report of factual findings about the service charge accounts that you have issued.

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

Basis of report

Our work was carried out having regard to [TECH 03/11¹⁶] *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:

1. we obtained the service charge accounts and checked whether the figures in the accounts were extracted correctly from the accounting records maintained by or on behalf of the landlord;
2. we checked, based on a sample, whether entries in the accounting records were supported by receipts, other documentation or evidence that we inspected; and
3. we checked whether the balance of service charge monies for this property shown on page 9 of the service charge accounts agreed or reconciled to the bank statement(s) for the account(s) in which the funds are held.

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 or review of the financial statements 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.

Netherne Management Limited, Netherne on the Hill

Accountant's Report of Factual Findings to the Managing Agent of
Netherne Management Limited, Netherne on the Hill (contd)

Report of factual findings

- (a) With respect to item 1, we found the figures in the statement of account to have been extracted correctly from the accounting records.
- (b) With respect to item 2, we found that those entries in the accounting records that we checked were supported by receipts, other documentation or evidence that we inspected.
- (c) With respect to item 3, we found that the balance of service charge monies shown on page 9 of the service charge accounts, reconciles to the bank statement for the accounts in which the funds are held.

Signed: *Richard Place Dobson* Date: *04/08/17*

Richard Place Dobson
1 – 7 Station Road
Crawley
West Sussex
RH10 1HT

Netherne Management Limited, Netherne on the Hill

Income and Expenditure Statement
For the Year Ended 31 December 2016

	Notes	2016 (£)	2015 (£)	2014 (£)
INCOME				
Service charges raised (budget)		366,257.00	355,709.00	345,242.00
Total income receivable		<u>366,257.00</u>	<u>355,709.00</u>	<u>345,242.00</u>
EXPENDITURE				
Repairs & Maintenance		178,418.59	176,223.27	188,701.01
Utilities		58,792.49	51,138.20	41,876.83
Professional and management fees		62,586.00	58,489.40	54,762.06
Insurances		24,646.20	25,990.19	10,938.50
Staff costs		40,148.53	37,789.98	35,598.38
Sundry expenses		11,668.35	10,793.24	18,716.19
Total expenditure		<u>376,260.16</u>	<u>360,424.28</u>	<u>350,592.97</u>
DEFICIT FOR THE PERIOD	6	<u>(10,003.16)</u>	<u>(4,715.28)</u>	<u>(5,350.97)</u>

The notes form part of these service charge accounts.

A detailed breakdown of the above Income and Expenditure Statement, split between the Estate, the Village Hall and St Luke's Leisure Centre, is shown on the following pages.

Netherne Management Limited, Netherne on the Hill

Notes to the Income and Expenditure Statement

Detailed Breakdown for the Estate (for the year ended 31 December 2016)

	Notes	2016 (£)	2015 (£)	2014 (£)
INCOME				
Service charges raised (budget)		146,720.00	152,072.00	147,902.00
Total income receivable		<u>146,720.00</u>	<u>152,072.00</u>	<u>147,902.00</u>
EXPENDITURE				
Repairs & Maintenance				
General repairs and maintenance		5,074.00	11,479.93	7,233.42
Grounds equipment repairs		1,894.97	3,243.95	2,958.48
Landscape maintenance		7,177.20	3,912.08	7,419.26
Mower fuel		1,512.04	1,536.60	1,512.00
Mower lease		8,326.32	6,950.17	8,946.05
Play area equipment		275.20	1,494.12	924.96
Snow plough, gritting and salt		840.00	0.00	0.00
Security Patrols		0.00	714.60	1,224.00
Professional fees				
Accountancy fee		1,740.00	1,440.00	2,040.00
Insurances		968.04	0.00	0.00
Management fees	3	53,010.00	51,464.40	49,014.25
Other professional fees	3	7,836.00	3,185.00	3,442.81
Staff costs				
Staff costs		38,864.53	37,315.98	35,598.38
Staff training	3	1,284.00	0.00	0.00
Health & Safety	3	0.00	474.00	0.00
Sundry expenses				
Bad debt provision		695.00	2,546.18	455.00
Office expenses	3	2,437.13	2,930.24	2,211.79
Sundries		7,007.04	2,740.53	13,566.06
Total expenditure		<u>138,941.47</u>	<u>131,427.78</u>	<u>136,546.46</u>
SURPLUS FOR THE PERIOD		7,778.53	20,644.22	11,355.54

The notes form part of these service charge accounts.

Netherne Management Limited, Netherne on the Hill

Notes to the Income and Expenditure Statement

Detailed Breakdown for the Village Hall (for the year ended 31 December 2016)

	Notes	2016 (£)	2015 (£)	2014 (£)
INCOME				
Service charges raised (budget)		32,234.00	27,755.00	28,186.00
Total income receivable		32,234.00	27,755.00	28,186.00
EXPENDITURE				
Repairs & Maintenance				
Cleaning and cleaning materials		3,348.61	3,295.76	2,590.00
Electrical repairs and testing		319.33	465.00	873.91
Fire extinguishers		93.24	205.08	250.26
Fire system inspection		210.00	420.00	1,408.80
General repairs and maintenance		1860.50	2,844.86	6,356.30
Health & Safety		240.00	255.12	396.00
Lightning protection		108.00	108.00	108.00
Sanitary services		3,850.45	3,172.06	2,510.20
Wall heaters annual service		696.00	696.00	696.00
Window cleaning		120.00	120.00	0.00
Utilities				
Electricity		1,580.63	1,714.68	2,519.98
Gas		1,853.80	2,004.65	1,413.29
Non domestic rates		4,159.40	3,887.00	1,552.50
Water		820.93	1,054.57	1,055.73
Professional fees				
Other professional fees		0.00	960.00	265.00
Insurances				
Directors and officers insurance		0.00	339.20	339.90
Property owners insurance		9,944.82	10,773.41	4,451.31
Sundry expenses				
Sundries		1,071.81	262.71	564.90
Total expenditure		30,277.52	32,578.10	27,352.08
SURPLUS (DEFICIT) FOR THE PERIOD		1,956.48	(4,823.10)	833.92

The notes form part of these service charge accounts.

Netherne Management Limited, Netherne on the Hill

Notes to the Income and Expenditure Statement

Detailed Breakdown for St Luke's (for the year ended 31 December 2016)

	Notes	2016 (£)	2015 (£)	2014 (£)
INCOME				
Service charges raised (budget)		187,303.00	175,882.00	169,154.00
Total income receivable		187,303.00	175,882.00	169,154.00
EXPENDITURE				
Repairs & Maintenance				
Access control & IT Turnstyle		2,765.91	1,368.00	2,136.00
Air handling units		1,188.00	984.69	1,641.00
Boiler maintenance and repair		2,052.00	630.00	528.00
Chlorine detection equipment		0.00	0.00	984.55
Cleaning materials		1,255.79	1,279.12	1,183.66
Electrical repairs and testing		748.67	465.00	1,311.91
Emergency panic alarm		336.00	528.00	576.00
Fire extinguishers		148.32	433.80	327.12
Fire system inspection		1,350.00	1,083.60	1,214.40
Fitness equipment servicing		708.73	339.84	959.76
General repairs and maintenance		15,953.48	11,241.40	21,482.60
Gutter and drain clearance		110.40	0.00	0.00
Health & Safety		262.92	1,254.00	684.00
Leisure centre operation		101,079.37	100,281.20	98,317.70
Lightning protection		108.00	108.00	108.00
Microbiological sampling		2,160.00	2,436.00	1,980.00
Pool chemicals/testing tablets		3,577.63	4,384.24	2,758.54
Pool maintenance		4,529.63	4,527.26	4,562.09
Refuse collection		728.49	706.76	637.00
Roof mounted gas heaters		576.00	576.00	0.00
Sanitary services		2,628.39	2,548.03	1,901.04
Window cleaning		205.00	135.00	0.00
Utilities				
Electricity		29,664.88	19,114.31	18,231.77
Gas		8,115.59	11,325.29	10,030.11
Non domestic rates		9,683.50	9,122.50	4,229.50
Water		2,913.76	2,915.20	2,843.95
Professional fees				
Other professional fees		0.00	1,440.00	0.00
Insurances				
Property owners insurance		13,733.34	14,877.58	6,147.29
Sundry expenses				
Sundries		457.37	2,313.58	1,918.44
Total expenditure		207,041.17	196,418.40	186,694.43
DEFICIT FOR THE PERIOD		(19,738.17)	(20,536.40)	(17,540.43)

Netherne Management Limited, Netherne on the Hill

Balance Sheet for the year ended 31 December 2016

	Notes	At 31.12.16 (£)	At 31.12.15 (£)	At 31.12.14 (£)
FIXED ASSETS		0.00	0.00	0.00
CURRENT ASSETS				
Cash at bank and in hand	2	546,853.85	523,279.79	613,445.57
Debtors	4	41,574.63	54,892.03	91,689.98
		<u>588,428.48</u>	<u>578,171.82</u>	<u>705,135.55</u>
CURRENT LIABILITIES				
Creditors	5	(49,526.89)	(36,860.48)	(39,208.90)
NET CURRENT ASSETS		538,901.59	541,311.34	665,926.65
TOTAL ASSETS LESS CURRENT		<u>538,901.59</u>	<u>541,311.34</u>	<u>665,926.65</u>
RESERVES				
Reserve	6	538,901.59	541,311.34	665,926.65
MEMBERS' FUNDS		<u>538,901.59</u>	<u>541,311.34</u>	<u>665,926.65</u>

The notes form part of these service charge accounts.

This statement of account was approved by Teresa Scott for Stiles Harold Williams on 31 July 2017 and signed by:

Signed: Teresa Scott..... Date: 31/7/17.....

Name: TERESA SCOTT.....

Stiles Harold Williams
One Jubilee Street
Brighton
East Sussex
BN1 1GE

Netherne Management Limited, Netherne on the Hill
Notes to the Service Charge Accounts
For the Year Ended 31 December 2016

1. ACCOUNTING POLICIES / CONVENTION

- 1.1 The service charge accounts have been prepared in accordance with the terms of the lease and on an accruals basis under the historical cost convention.
- 1.2 Income is recognised in the period to which it relates and is recognised in the income and expenditure account of the entity it is paid to, when the revenue has been earned.
- 1.3 The general reserve represents the funds available to be spent on the day to day activities of the management company.
- 1.4 Service charge monies are held on trust in accordance with section 42 of the Landlord and Tenant Act 1987. Interest earned on service charge monies held on deposit is taxable at the basic rate of tax. The rate that applied for 2016 was 20% (2015 – 20%).

2. CASH AT BANK AND IN HAND

	At 31.12.16 (£)	At 31.12.15 (£)	At 31.12.14 (£)
Funds held by managing agent	320,485.15	284,831.76	354,231.62
Bath Building Society	75,263.92	74,700.29	88,386.52
Shawbrook Bank	77,204.78	81,951.58	90,427.43
Aldermore Bank	73,500.00	81,396.16	80,000.00
Petty cash	400.00	400.00	400.00
	546,853.85	523,279.79	613,445.57

The funds held by the managing agent are held in a designated client account. Details of the bank with which the account is held are shown on page 2.

Netherne Management Limited, Netherne on the Hill
Notes to the Service Charge Accounts
For the Year Ended 31 December 2016

3. RELATED PARTY TRANSACTIONS

During 2016, the following payments were made to the managing agent and company secretary – Stiles Harold Williams. Prior year figures are also shown for comparison.

	2016 (£)	2015 (£)	2014 (£)
Management fee	53,010.00	51,464.40	49,014.00
Company Secretary fee	1,200.00	1,200.00	1,200.00
Annual Return	30.00	30.00	30.00
Provision of staff training	1,284.00	474.00	0.00
Fire & Risk Assessment	0.00	0.00	964.00
Issuing consultation paperwork	0.00	848.03	0.00
Specification / project management of exterior decorating works to village hall and leisure centre	0.00	6,802.85	5,895.53
Insurance Reinstatement inspection and report for village hall and leisure centre	0.00	2,400.00	0.00
	55,524.00	63,219.28	57,103.53

Netherne Management Limited, Netherne on the Hill
Notes to the Service Charge Accounts
For the Year Ended 31 December 2016

4. DEBTORS

	At 31.12.16 (£)	At 31.12.15 (£)	At 31.12.14 (£)
Service charge debtors	12,701.59	28,281.68	66,362.28
Recoverable legal costs	1,478.24	1,861.00	5,064.89
Estate rent debtors	224.21	936.70	2,437.19
Telephone mast rent due on 23 December	8,958.47	8,958.47	8,958.47
Owed by Netherne Community Bus	35.97	20.60	0.00
Owed by OG Services	1000.00	0.00	0.00
Owed by Italian Piazza	987.50	0.00	0.00
Prepaid directors insurance	262.08	253.70	253.70
Prepaid mower lease and trailer hire	0.00	0.00	1,344.01
Prepaid music license for village hall	30.23	40.16	27.30
Prepaid property owners insurance	14,444.75	13,253.41	6,500.53
Prepaid refuse collection	180.00	180.49	159.25
Prepaid sanitary services	539.82	494.53	461.53
Prepaid Omega Security systems	391.89	0.00	0.00
Prepaid Smart Security maintenance fee	0.00	276.98	0.00
Prepaid SurveyMonkey subscription	218.63	213.06	0.00
Prepaid TV license for leisure centre	121.25	121.25	120.83
	41,574.63	54,892.03	91,689.98

Netherne Management Limited, Netherne on the Hill
Notes to the Service Charge Accounts
For the Year Ended 31 December 2016

5. CREDITORS

	At 31.12.16 (£)	At 31.12.15 (£)	At 31.12.14 (£)
Accrued accountancy fees	1,740.00	1,740.00	2,040.00
Accrued boiler maintenance	2,052.00	0.00	0.00
Accrued cleaning / cleaning materials	365.85	270.00	334.22
Accrued electricity	2,703.32	0.00	1,726.51
Accrued gas	1,710.47	2,318.81	1,374.00
Accrued JCB hire	0.00	72.00	0.00
Accrued leisure centre operations	16,661.80	8,453.46	8,287.70
Accrued microbiological sampling	0.00	0.00	96.00
Accrued office supplies	0.00	247.27	0.00
Accrued PAT testing	0.00	135.00	0.00
Accrued play area inspection	0.00	0.00	210.00
Accrued play area extension	0.00	0.00	12,369.89
Accrued pool chemicals	272.38	412.54	0.00
Accrued pool maintenance	133.36	309.60	306.89
Accrued professional fees	0.00	1,770.00	0.00
Accrued repair costs	0.00	1,132.53	491.00
Accrued security patrols	0.00	0.00	756.00
Accrued Smart Security call out	0.00	132.00	0.00
Accrued staff costs	0.00	0.00	784.67
Accrued water	2,100.00	2,143.15	1,204.00
Accrued sundry expenses	300.00	109.80	113.25
Owed to Italian Piazza	51.90	0.00	0.00
Service charges paid in advance	21,435.81	17,614.32	9,114.77
	49,526.89	36,860.48	39,208.90

Netherne Management Limited, Netherne on the Hill
Notes to the Service Charge Accounts
For the Year Ended 31 December 2016

6. GENERAL RESERVE

The general reserve fund has been established to meet the cost of large, non-regular repair and maintenance work, and the costs of improvements to the Estate, Village Hall and Leisure Centre. Such costs are not met from budgeted service charge income.

	2016 (£)	2015 (£)	2014 (£)
Balance brought forward from previous year	541,311.34	665,926.65	708,203.18
Prior year adjustment to Bath Building	0.00	0.00	(865.44)
Prior year adjustment for overstated debtors	0.00	0.00	(11,855.97)
Prior year adjustment to liabilities	0.00	0.00	4,096.50
Deficit from Income and Expenditure	(10,003.16)	(4,715.28)	(5,350.97)
Monies relating to exit fees *	42,970.75	19,957.74	31,130.88
Annual estate rent charges	11,150.00	11,200.00	11,100.00
Bank and Building Society interest	2,653.99	4,644.57	3,633.69
Sundry Income	40.00	171.25	0.00
Interest on late payments	1,720.12	1,714.48	6,344.95
Telephone mast income	8,958.47	8,958.47	8,958.47
Village hall and pool hire	8,918.01	5,500.50	8,737.00
Leisure Centre memberships	9,945.00	10,305.00	9,450.00
Gym equipment lease fee **	(9,848.64)	(7,551.84)	(4,997.04)
Bad debt write off / recognition	2,480.80	(3,833.68)	0.00
Estate major works	(19,504.00)	(27,665.60)	(43,426.60)
Village hall major works	(22,259.80)	(60,478.92)	(29,873.63)
St Lukes major works	(29,533.37)	(82,944.47)	(29,636.70)
Year end adjustment	(97.92)	122.47	278.33
Balance carried forward at Year End	538,901.59	541,311.34	665,926.65

* Exit fee income for 2014 was overstated by £5,174.63, due to an incorrect allocation of exit fees between Netherne Management Limited and Italian Piazza Management Company. This overstatement was corrected in 2015, with the exit fees figure of £19,957.74 being *net* of the transfer of £5,174.63 to Italian Piazza Management Company.

** The gym equipment lease fee is not part of the budgeted service charge expenditure, but is expected to be covered from the income from Leisure Centre memberships.