

Unaudited Service Charge Accounts

For the Year Ended 31 December 2017

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 2017

	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 2017

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), RL Murdoch (resigned 6 May 2017), LP Ronan (appointed 18 September 2017).	
BANKERS	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 2017 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: 28/09/18

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 2017

	Notes	2017 (£)	2016 (£)	2015 (£)
INCOME				
Service charges raised (budget)		379,737.00	366,257.00	355,709.00
Total income receivable		<u>379,737.00</u>	<u>366,257.00</u>	<u>355,709.00</u>
EXPENDITURE				
Repairs & Maintenance		196,889.45	178,418.59	176,223.27
Utilities		25,445.84	58,792.49	51,138.20
Professional and management fees		81,846.30	62,586.00	58,489.40
Insurances		26,388.03	24,646.20	25,990.19
Staff costs		41,163.33	40,148.53	37,789.98
Sundry expenses		12,763.48	11,668.35	10,793.24
Total expenditure		<u>384,496.43</u>	<u>376,260.16</u>	<u>360,424.28</u>
DEFICIT FOR THE PERIOD	6	<u>(4,759.43)</u>	<u>(10,003.16)</u>	<u>(4,715.28)</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.

	2017 (£)	2016 (£)	2015 (£)
OTHER INCOME			
Monies relating to exit fees	32,052.77	42,970.75	19,957.74
Annual estate rent charges	11,100.00	11,150.00	11,200.00
Bank and Building Society interest	3,966.70	2,653.99	4,644.57
Sundry Income	103.99	40.00	171.25
Interest on late payments	0.00	1,720.12	1,714.48
Telephone mast income	8,958.47	8,958.47	8,958.47
Village hall, pavilion and pool hire	11,464.50	8,918.01	5,500.50
Leisure Centre memberships	11,275.00	9,945.00	10,305.00
Service charges demanded over budget	702.59	-	-
OTHER EXPENDITURE			
Gym equipment lease fee	(9,435.36)	(9,848.64)	(7,551.84)
Bad debt write off / recognition	(360.79)	2,480.80	(3,833.68)
Estate major works	(92,431.46)	(19,504.00)	(27,665.60)
Village hall major works	(142,186.28)	(22,259.80)	(60,478.92)
St Lukes major works	(14,050.95)	(29,533.37)	(82,944.47)
NET OTHER INCOME (EXPENDITURE)	<u>(178,840.82)</u>	<u>7,691.33</u>	<u>(120,022.50)</u>

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 2017)

	Notes	2017 (£)	2016 (£)	2015 (£)
INCOME				
Service charges raised (budget)		143,150.00	146,720.00	152,072.00
Total income receivable		<u>143,150.00</u>	<u>146,720.00</u>	<u>152,072.00</u>
EXPENDITURE				
Repairs & Maintenance				
Cleaning		659.28	0.00	0.00
Fire alarm system		357.60	0.00	0.00
General repairs and maintenance		9,318.92	5,074.00	11,479.93
Grounds equipment repairs		2,152.36	1,894.97	3,243.95
Intruder alarm & Redcare connection		801.00	0.00	0.00
Landscape maintenance		4,885.99	7,177.20	3,912.08
Mower fuel		2,040.64	1,512.04	1,536.60
Mower lease		8,326.32	8,326.32	6,950.17
Play area equipment		0.00	275.20	1,494.12
Snow plough, gritting and salt		0.00	840.00	0.00
Security Patrols		10,000.00	0.00	714.60
Utilities				
Electricity		183.00	0.00	0.00
Professional fees				
Accountancy fee		1,980.00	1,740.00	1,440.00
Management fees	3	54,600.00	53,010.00	51,464.40
Other professional fees	3	8,847.60	7,836.00	3,185.00
Insurances				
Insurances		931.96	968.04	0.00
Staff costs				
Staff costs		41,163.33	38,864.53	37,315.98
Staff training	3	0.00	1,284.00	0.00
Health & Safety	3	0.00	0.00	474.00
Sundry expenses				
Bad debt provision		0.00	695.00	2,546.18
Office expenses	3	3,598.81	2,437.13	2,930.24
Sundries		7,107.73	7,007.04	2,740.53
Total expenditure		<u>156,954.54</u>	<u>138,941.47</u>	<u>131,427.78</u>
SURPLUS (DEFICIT) FOR THE PERIOD		(13,804.54)	7,778.53	20,644.22

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 2017)

	Notes	2017 (£)	2016 (£)	2015 (£)
INCOME				
Service charges raised (budget)		38,179.00	32,234.00	27,755.00
Total income receivable		<u>38,179.00</u>	<u>32,234.00</u>	<u>27,755.00</u>
EXPENDITURE				
Repairs & Maintenance				
Cleaning and cleaning materials		3,084.00	3,348.61	3,295.76
Electrical repairs and testing		85.00	319.33	465.00
Fire extinguishers		184.68	93.24	205.08
Fire system inspection		648.00	210.00	420.00
General repairs and maintenance		6,856.08	1,860.50	2,844.86
Gutter and drain clearance		180.00	0.00	0.00
Hall floor cleaning		1,800.00	0.00	0.00
Intruder alarm & Redcare connection		801.00	0.00	0.00
Health & Safety		0.00	240.00	255.12
Lightning protection		704.40	108.00	108.00
Sanitary services		4,405.79	3,850.45	3,172.06
Wall heaters annual service		708.00	696.00	696.00
Window cleaning		180.00	120.00	120.00
Utilities				
Electricity		2,863.20	1,580.63	1,714.68
Gas		961.06	1,853.80	2,004.65
Non domestic rates		(3,115.20)	4,159.40	3,887.00
Water		(170.22)	820.93	1,054.57
Professional fees				
Other professional fees		16,418.70	0.00	960.00
Insurances				
Directors and officers insurance		0.00	0.00	339.20
Property owners insurance		10,703.15	9,944.82	10,773.41
Sundry expenses				
Sundries		270.86	1,071.81	262.71
Total expenditure		<u>47,568.50</u>	<u>30,277.52</u>	<u>32,578.10</u>
SURPLUS (DEFICIT) FOR THE PERIOD		<u>(9,389.50)</u>	<u>1,956.48</u>	<u>(4,823.10)</u>

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 2017)

	Notes	2016 (£)	2015 (£)
INCOME			
Service charges raised (budget)		198,408.00	175,882.00
Total income receivable		<u>198,408.00</u>	<u>175,882.00</u>
EXPENDITURE			
Repairs & Maintenance			
Access control & IT Turnstyle	2,003.82	2,765.91	1,368.00
Air handling units	1,984.80	1,188.00	984.69
Boiler maintenance and repair	1,332.00	2,052.00	630.00
Cleaning materials	1,728.32	1,255.79	1,279.12
Electrical repairs and testing	85.00	748.67	465.00
Emergency panic alarm	660.00	336.00	528.00
Fire extinguishers	325.44	148.32	433.80
Fire system inspection	890.40	1,350.00	1,083.60
Fitness equipment servicing	312.00	708.73	339.84
General repairs and maintenance	9,216.60	15,953.48	11,241.40
Gutter and drain clearance	180.00	110.40	0.00
Intruder alarm & Redcare connection	576.00	0.00	0.00
Health & Safety	480.00	262.92	1,254.00
Leisure centre operation	103,150.57	101,079.37	100,281.20
Lightning protection	218.40	108.00	108.00
Microbiological sampling	2,316.00	2,160.00	2,436.00
Pool chemicals/testing tablets	4,158.12	3,577.63	4,384.24
Pool maintenance	5,058.79	4,529.63	4,527.26
Refuse collection	667.90	728.49	706.76
Roof mounted gas heaters	255.00	576.00	576.00
Sanitary services	2,881.23	2,628.39	2,548.03
Window cleaning	230.00	205.00	135.00
Utilities			
Electricity	18,757.56	29,664.88	19,114.31
Gas	7,399.30	8,115.59	11,325.29
Non domestic rates	(4,535.83)	9,683.50	9,122.50
Water	3,102.97	2,913.76	2,915.20
Professional fees			
Other professional fees	0.00	0.00	1,440.00
Insurances			
Property owners insurance	14,752.92	13,733.34	14,877.58
Sundry expenses			
Sundries	1,786.08	457.37	2,313.58
Total expenditure		<u>179,973.39</u>	<u>196,418.40</u>
SURPLUS FOR THE PERIOD		<u>18,434.61</u>	<u>(20,536.40)</u>

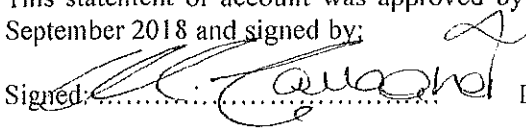
Netherne Management Limited, Netherne on the Hill

Balance Sheet for the year ended 31 December 2017

	Notes	At 31.12.17 (£)	At 31.12.16 (£)	At 31.12.15 (£)
FIXED ASSETS			0.00	0.00
CURRENT ASSETS				
Cash at bank and in hand	2	463,627.82	546,853.85	523,279.79
Debtors	4	45,673.70	41,574.63	54,892.03
		<u>509,301.52</u>	<u>588,428.48</u>	<u>578,171.82</u>
CURRENT LIABILITIES				
Creditors	5	(154,000.18)	(49,526.89)	(36,860.48)
NET CURRENT ASSETS		355,301.34	538,901.59	541,311.34
TOTAL ASSETS LESS CURRENT		<u>355,301.34</u>	<u>538,901.59</u>	<u>541,311.34</u>
RESERVES				
Reserve	6	355,301.34	538,901.59	541,311.34
MEMBERS' FUNDS		<u>355,301.34</u>	<u>538,901.59</u>	<u>541,311.34</u>

The notes form part of these service charge accounts.

This statement of account was approved by Michele Gallagher for Stiles Harold Williams on 26 September 2018 and signed by:

Signed:  Date: 26th September 2018

Name: M. Gallagher

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 2017

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 2017 was 20% (2016 – 20%).

2. CASH AT BANK AND IN HAND

	At 31.12.17 (£)	At 31.12.16 (£)	At 31.12.15 (£)
Funds held by managing agent	233,701.95	320,485.15	284,831.76
Bath Building Society	75,656.22	75,263.92	74,700.29
Shawbrook Bank	78,222.72	77,204.78	81,951.58
Aldermore Bank	75,646.93	73,500.00	81,396.16
Petty cash	400.00	400.00	400.00
	463,627.82	546,853.85	523,279.79

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 2017

3. RELATED PARTY TRANSACTIONS

During 2017, the following payments were made to the managing agent and company secretary – Stiles Harold Williams. Prior year figures are also shown for comparison.

	2017 (£)	2016 (£)	2015 (£)
Management fee	54,600.00	53,010.00	51,464.40
Company Secretary fee	1,200.00	1,200.00	1,200.00
Annual Return	30.00	30.00	30.00
Provision of staff training	0.00	1,284.00	474.00
Land registry searches	183.60	0.00	0.00
Issuing consultation paperwork	0.00	0.00	848.03
Correction for overpaid invoice in 2016	(£1,000.00)		
Specification / project management of exterior decorating works to village hall and leisure centre	0.00	0.00	6,802.85
Insurance Reinstatement inspection and report for village hall and leisure centre	0.00	0.00	2,400.00
	58,631.60	55,524.00	63,219.28

Netherne Management Limited, Netherne on the Hill
Notes to the Service Charge Accounts
For the Year Ended 31 December 2017

4. DEBTORS

	At 31.12.17 (£)	At 31.12.16 (£)	At 31.12.15 (£)
Service charge debtors	11,928.39	12,701.59	28,281.68
Recoverable legal costs	1,330.87	1,478.24	1,861.00
Estate rent debtors	248.76	224.21	936.70
Telephone mast rent due on 23 December	8,958.47	8,958.47	8,958.47
Exit fees owing	3,225.00	0.00	0.00
Owed by Netherne Community Bus	0.00	35.97	20.60
Owed by OG Services	0.00	1000.00	0.00
Owed by Italian Piazza	0.00	987.50	0.00
Refund due for purchase of pavilion hoover	102.58	0.00	0.00
Insurance recovery	667.16	0.00	0.00
Prepaid directors insurance	268.06	262.08	253.70
Prepaid music license for village hall	40.88	30.23	40.16
Prepaid property owners insurance	16,227.21	14,444.75	13,253.41
Prepaid refuse collection	0.00	180.00	180.49
Prepaid sanitary services	593.14	539.82	494.53
Prepaid Omega Security systems	448.27	391.89	0.00
Prepaid Smart Security systems	276.98	0.00	276.98
Prepaid SurveyMonkey subscription	0.00	218.63	213.06
Prepaid TV licenses	183.31	121.23	121.25
Prepaid Water	1,174.62	0.00	0.00
	45,673.70	41,574.63	54,892.03

Netherne Management Limited, Netherne on the Hill
Notes to the Service Charge Accounts
For the Year Ended 31 December 2017

5. CREDITORS

	At 31.12.17 (£)	At 31.12.16 (£)	At 31.12.15 (£)
Accrued accountancy fees	1,980.00	1,740.00	1,740.00
Accrued boiler maintenance	0.00	2,052.00	0.00
Accrued cleaning / cleaning materials	617.39	365.85	270.00
Accrued electricity	0.00	2,703.32	0.00
Accrued fire alarms testing	420.00	0.00	0.00
Accrued gas	0.00	1,710.47	2,318.81
Accrued JCB hire	0.00	0.00	72.00
Accrued leisure centre operations	26,169.33	16,661.80	8,453.46
Accrued microbiological sampling	372.00	0.00	0.00
Accrued office supplies	10.84	0.00	247.27
Accrued PAT testing	170.00	0.00	135.00
Accrued pool chemicals	227.40	272.38	412.54
Accrued pool maintenance	0.00	133.36	309.60
Accrued professional fees	2,265.60	0.00	1,770.00
Accrued repair costs	120.00	0.00	1,132.53
Accrued Smart Security call out	0.00	0.00	132.00
Accrued water	596.33	2,100.00	2,143.15
Accrued sundry expenses	1,049.24	300.00	109.80
Accrued costs for pavilion heaters	2,598.89	0.00	0.00
Accrued costs for hall damp works	74,453.75	0.00	0.00
Owed to Italian Piazza	0.00	51.90	0.00
Service charges paid in advance	42,949.41	21,435.81	17,614.32
	154,000.18	49,526.89	36,860.48

Netherne Management Limited, Netherne on the Hill
Notes to the Service Charge Accounts
For the Year Ended 31 December 2017

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.

	2017 (£)	2016 (£)	2015 (£)
Balance brought forward from previous year	538,901.59	541,311.34	665,926.65
Deficit from Income and Expenditure	(4,759.43)	(10,003.16)	(4,715.28)
Monies relating to exit fees *	32,052.77	42,970.75	19,957.74
Annual estate rent charges	11,100.00	11,150.00	11,200.00
Bank and Building Society interest	3,966.70	2,653.99	4,644.57
Sundry Income	103.99	40.00	171.25
Interest on late payments	0.00	1,720.12	1,714.48
Telephone mast income	8,958.47	8,958.47	8,958.47
Village hall, pavilion and pool hire	11,464.50	8,918.01	5,500.50
Leisure Centre memberships	11,275.00	9,945.00	10,305.00
Gym equipment lease fee **	(9,435.36)	(9,848.64)	(7,551.84)
Bad debt write off / recognition	(360.79)	2,480.80	(3,833.68)
Estate major works	(92,431.46)	(19,504.00)	(27,665.60)
Village hall major works	(142,186.28)	(22,259.80)	(60,478.92)
St Lukes major works	(14,050.95)	(29,533.37)	(82,944.47)
Service charges demanded over budget	702.59	-	-
Year end adjustment	-	(97.92)	122.47
Balance carried forward at Year End	355,301.34	538,901.59	541,311.34

* 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.