

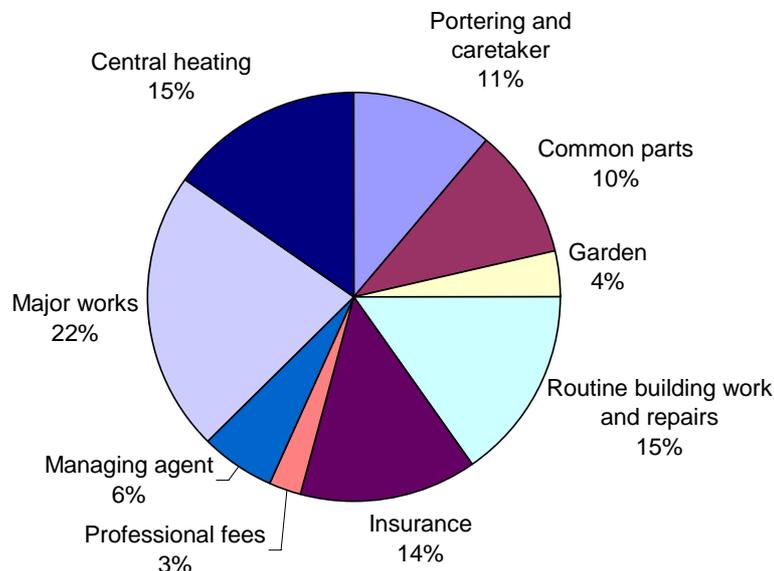
Ashworth Mansions – Service Charge

Explanatory Notes for year ending September 2006

All flat owners pay a service charge that funds the maintenance and repair of the estate. At the beginning of each year we estimate the likely expenditure and set a service charge budget which each flat owner pays quarterly. Each flat is allocated a proportion of the total although these vary according to its size. If we spend more than the budget, the excess is recouped the following year in four equal instalments.

This note explains where the money was spent and highlights key developments. This is the second year for which we have circulated this additional information regarding the service charge and trust that you will find it useful.

In total, we spent £391K in 2005/6 – broken down as shown in this diagram.

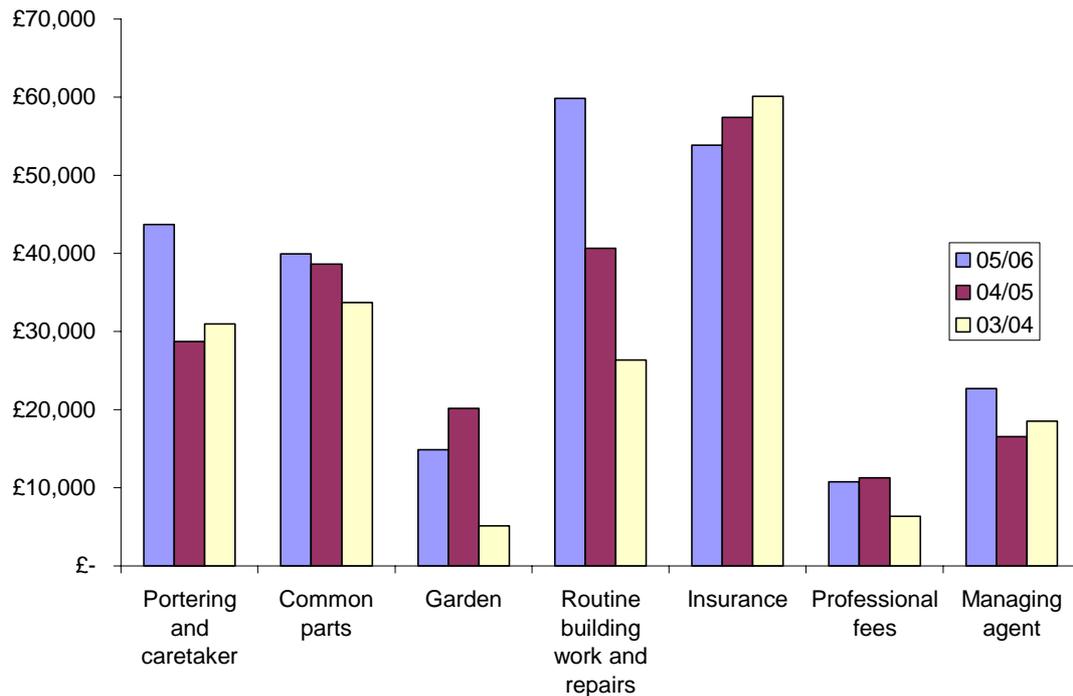


Main account

Total expenditure on the main account rose from £212K to £245K. The bulk of the increase was due to higher spending on repairs (£60K vs. £41K) as the agents continue to address the years of underinvestment in the estate. Portering costs were also higher (£43K vs. £29K) reflecting readjustments to market levels for both the porter's wages and in the rent we pay for his flat. The porter's flat is owned by the former freeholder. Some years ago, the board declined the opportunity to purchase the lease but we will now give this matter serious consideration. Routine spending on the common parts fell by 7% to £55K reflecting lower electric bills and a sharp reduction in garden expenditure. Insurance premiums fell by 6% to £54K. Professional fees rose by £5K primarily due to the full year impact of the change in managing agent to kfh.

Income from service charges was £205K leaving a deficit of £40K for the year. The bulk of this can be funded from reserves but a residual amount of £8K, unfortunately, needs to be charged to flat owners. We have now exhausted our reserves and will, in future, simply charge relevant expenses to the year in which they are incurred.

Development of spending on main service charge account 2003/4 to 2005/6



Major Works Account

Flat owners contributed £200K as a special levy to fund the redecoration of the common parts. £86K was spent in 2005/6 with the remaining £114K carried forward to complete the works during the current year.

Beginning in September 2007, we reinstated a reserve fund to which flat owners contribute each quarter towards the cost of the future major works outlined in the Ashworth Mansions long-term maintenance plan. We do not expect to make any further special levies.

Central heating

There is a separate service charge account for the communal heating and hot water known as the “central heating” account. Only flats that benefit are asked to contribute. Spending on the central heating account has risen significantly from £23K in 2003/4 to £60K in 2005/6 and we are well aware of the burden this places on the flat owners concerned. We have cushioned the impact of higher energy prices this year through the use of reserves but cannot continue to do so.

Higher energy prices are fact of life but we are keen to ensure we get best value. We are currently retendering both our gas contract, which expires later this summer, and the maintenance contract for the system. We have also established a separate reserve fund for the eventual replacement of the system at the end of its life.