



## ACCOUNTING FOR RESIDENTS' MANAGEMENT COMPANIES



Tim Lindfield BAcc FCA

Tel: 020 8681 5500

E: [tim.lindfield@simpsonwreford.com](mailto:tim.lindfield@simpsonwreford.com)



Alison Boram BSc FCA

Tel: 020 8681 5500



Nick Hunwick FCA

Tel: 020 8681 5500

E: [nick.hunwick@simpsonwreford.com](mailto:nick.hunwick@simpsonwreford.com)



Paulina Kaczmarczyk FCCA

Tel: 020 8681 5500

# SWP

SIMPSON WREFORD  
& PARTNERS

**SERVICE CHARGE SPECIALISTS**

# ACCOUNTING FOR RESIDENTS' MANAGEMENT COMPANIES

## INTRODUCTION

### Is there a problem?

The answer is ... it all depends...

The purpose of this briefing is to provide the reader with an understanding of the requirement to prepare accounts for Resident Management Companies (RMCs), the various options available, and some examples of the types of accounts which could be prepared.

Given the size of the property market and the number of flats and houses which share common facilities it is perhaps surprising that there has not been a definitive set of instructions for the preparation of such accounts.

There is a mixture of Statute (Landlord & Tenant Act) and best practice (under the guidance of the Royal Institute of Chartered Surveyors – RICS – The Institute of Chartered Accountants in England & Wales – ICAEW – The Association of Residential Managing Agents –ARMA).

ARMA have created ARMA-Q, a guide to best practice for managing agents who must follow it in order to remain a member. Some of these requirements involve accounting presentation.

RICS have their own code as guidance for its members.

However, discussion still continues around several technical aspects of presentation, especially where the RMC itself is concerned. For example, should the company report any of the transactions which are shown in the Service Charge Statement of Account? It is argued that the RMC derives no economic benefit from the monies received which it holds on trust for tenants.

This has not stopped the debate from continuing and the professional bodies are still seeking further guidance from learned counsel and other experts.

The overriding principle in this sector of accounting is that the ownership of funds remains with the residents and agents responsible for administering those funds must keep them in designated client accounts, in trust and thus ring-fenced.

We have prepared this briefing on the basis of what we believe to be best practice, taking into account all the up to date guidance available at the present time.

The reader's attention is drawn to the disclaimer below. Unless properly engaged to prepare the relevant accounts, we can accept no responsibility whatsoever to the casual reader.

SIMPSON WREFORD & PARTNERS

March 2018

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# Accounting for Residents' Management Companies

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## **RESIDENTS' MANAGEMENT COMPANIES (RMCs) – WHAT ARE THE ISSUES?**

Accounting for RMCs is more complex than it first appears. The accounting requirements will depend upon the type of development which has been built.

The need for an RMC arises where properties (be they flats or houses) share common amenities which need to be maintained on a collaborative basis. Funds will need to be collected and expended on behalf of all property owners and as a limited company is the most practical vehicle to administer this, it is used as one of the parties to the lease in the majority of cases.

Some estates are simple in concept, perhaps having a block of four flats. But some can include a complex mix of flats, houses, offices and other commercial premises, even water features and communal facilities. Whatever the size, the RMC through its directors (and managing agents where appointed) is the sole legal entity which can act on behalf of all parties.

### **Leasehold Properties**

In the case of properties where the governing document is a lease, the parties will be the resident leaseholder, the freeholder and the RMC. The lease will set out all the various obligations regarding the property. In particular, it will specify that SERVICE CHARGES will be due and payable for the upkeep of the common amenities, the dates when payable, and the types of expenditure in order to maintain them.

The lease may not specify the nature of accounts to be produced, but residents ARE ENTITLED under Section 21 of the Landlord & Tenant act of 1985 to request a summary of expenditure (A STATEMENT OF COSTS) from the LANDLORD for the year.

The lease may require that such a statement is reported on by an independent accountant and in some cases by an auditor.

In each case, where an RMC has been formed, all of the necessary legal requirements must be dealt with, including, where appropriate, advising the Inland Revenue of the nature of the company and whether it will be liable to tax.

### **The accounting debate**

There has been considerable debate in recent years as to the nature of accounts to be produced. The service charges raised are specifically for the maintenance of the leasehold properties. It follows that these funds do not belong to the RMC (as would be the case in a conventional trading company), but are held ON TRUST for the individual leaseholders. The RMC derives no economic benefit from these funds. (In the words of Learned Counsel the company shall “deploy” not “enjoy” the funds at its disposal)

For this reason, the ICAEW together with other leading accountancy bodies, RICS and ARMA have been developing a code of BEST PRACTICE in which it has been recommended that only those funds which belong to the RMC (e.g share capital) are shown in its accounts, and a separate Service Charge Account is prepared to account for all monies received and expended which are held on trust on behalf of residents.

This leaves the RMC itself with no activity to report.

However, there is presently some debate as to whether any of the service charge activity should be included in the RMC accounts but no final guidance from the various institutes has been issued.

It could be argued that because the contracts undertaken are in the name of the company (even when managed by agents) that some reference ought to be made to those transactions in the company's accounts.

OUR FIRM'S POLICY is that because the company has no beneficial interest in service charge funds they will not be shown in the company's accounts. We describe the company as "inactive" and incorporate a note to the balance sheet as follows:

"The company has no income or expenditure in its own right from which it derives economic benefit. Whilst certain contracts are entered into in the name of the company, the execution of those contracts and settlement of the liabilities arising are made through a Statement of Account that does not form part of the annual accounts of the company."

IT IS ALSO THE FIRM'S POLICY to adopt Financial Reporting Standard (FRS) 105 for all RMCs. This standard covers micro-entity companies under which most RMCs will fall. The reporting requirement is for a balance sheet, profit and loss account and limited notes (of which the above will be one).

Since this is the bare minimum, we will also attach for residents "Supplementary Accounting Information" sheets which will provide more details. But only the brief accounts are filed at Companies House.

Some companies may have income and expenditure in their own right, such as ground rents if it owns the freehold, and may have company secretarial costs, directors insurance etc., in which case the same reporting standard will apply, but the company will be active. (See below).

The only circumstance where a departure from FRS105 will be made is if the company is required to be audited under full International Auditing Standards, in which case the accounting standard will be FRS102 in which case further disclosures and presentation will be necessary.

It should be noted however that it is not usually the company but the service charge account which needs auditing.

In exceptional circumstances, there may be a case for showing the amounts contracted for in the limited company accounts. Should this situation arise we would draft a proposed presentation to be discussed with the company directors on a bespoke basis.

## Freehold Properties

There are many instances where a group of freehold properties are built around common land by a developer who either retains that land or transfers it to the residents by way of a limited company. In this sense it is still a type of RMC but the governing document will be a TP1 which is the purchasers' contract to buy their property. This will stipulate that contributions (AMENITY CHARGES) will be made towards the upkeep of the common land.

It is arguable that these contributions should also be held on trust by the RMC. Indeed the constitution of the company will confine expenditure only to meet such liabilities if the developer retains the land. The RMC is maintaining the land on their behalf and surplus funds are held as a provision against future costs.

The situation is changed if the RMC owns the common land. In this case the asset belongs to the company and any monies received are to maintain its asset and therefore it will be entitled to retain surplus funds as reserves against future costs.

The presentation in the respective accounts will be different in the above cases.

If the RMC owns the freehold, it may charge GROUND RENT, such an amount being shown in the TP1. This is a taxable receipt out of which certain relevant expenses may be deducted.

## Mixed Developments

In some instances a development will be a mixture of leasehold and freehold properties, in which case both SERVICE CHARGES and AMENITY CHARGES will be accounted for.

Add to this mix the possibility of the RMC owning some of the freehold land, and the question of presentation becomes important, as the reader will need to clearly see the individual sectors separately accounted for with a suitably clear statement of assets and liabilities.

The RICS code recommends that where commercial and residential properties are managed together the rules for retaining funds should follow the residential code (ie funds to be held in trust).

## Taxation considerations

Service charges and Amenity charges are not subject to company tax. However, bank interest on surplus funds on deposit received gross is subject to income tax and declared on a trust tax return.

HOWEVER, from 6<sup>th</sup> April 2017 a trust tax return will not be required if the only taxable income is savings interest and the tax liability on that interest is below £100.

Where an RMC owns the freehold and receives ground rents and has a surplus after expenses the net amount is subject to corporation tax. As the freeholder, the RMC may be in a position to grant lease extensions and income from the premium arising is potentially taxable.

In all cases HMRC should be notified in order to establish whether a return is due or not. The resulting fines for failure to do so are financially punitive.

## Action at the outset – what needs to be done

It is important to establish the accounting and taxation requirements from the outset as to make later changes can cause confusion and unnecessary expense. The following pages provide more detail and guidance.

## **SERVICE CHARGE ACCOUNTS**

The lease is the key document which governs the issue of service charges. If the rules set out in the lease are not followed properly it may be difficult to enforce the recoverability of service charges and will give opportunities for leaseholders to contest them.

The Landlord & Tenant Act 1985 gives the right to tenants (leaseholders) to request their landlords (via managing agents if appointed) to provide a summary of service charge costs and section 21 lays down a format which seeks to ensure that accruals are taken into account.

However, for best practice the Service Charge Residential Management Code issued by RICS seeks to lay down the requirements for appropriate accounts. This is further endorsed by the ICAEW, RICS and ARMA who have collaborated in producing guidance as to suggested layout and format (TECH 03/11 – ICAEW TECHNICAL RELEASE: RESIDENTIAL SERVICE CHARGE ACCOUNTS).

The emphasis is also on producing accounts within six months of the accounting period. (See below).

An example of this layout is shown in Appendix 2 to this briefing, and it will be noted that such accounts include the following:

- Representations from the managing agent to the independent reporting accountant
- Accountants report
- Income and expenditure account with comparisons to budget and previous year
- Balance sheet with comparison to the previous year
- Notes to support the figures including reference to payments to any connected party such as a director or other leaseholder.
- Notes of payments made to parties related to the managing agents.
- Details of the bank account.

***This layout is the version prepared by this firm but presentations may vary.***

The Landlord & Tenant Act 1985 s.21 requires a landlord to provide a statement of costs within the later of six months from the end of the accounting period or one month on request. It also sets a limit on the recovery of costs billed more than 18 months in arrears.

This can cause many problems in practice and thus BEST PRACTICE advises that accounts should be prepared within six months of the accounting year end.

For a more detailed consideration of this and the legal consequences that could arise, see Appendix 1.

### **Responsibility for the Service Charge Accounts**

It comes as a surprise to some clients that the parties who sign the statement are the managing agent and the reporting accountant. The directors or those representing the residents are invited to query any of the figures shown, but they do not take responsibility for them.

The directors of the RMC take responsibility for the statutory accounts and sign the balance sheet, as noted above.

## TAXATION OF SERVICE CHARGE ACCOUNTS

### INCOME AND CORPORATION TAX

- No corporation tax is due as the service charge monies are not deemed to be part of the RMC's income.
- Bank interest may be earned on surplus monies deposited prior to future expenditure. If this is received gross then the tax will be due and payable on the 1<sup>st</sup> January following the year of receipt.  
It will depend on which bank is holding the funds as to whether they will deduct tax.
- Should gross interest be received a trust tax return will need to be completed, for the year ending 5<sup>th</sup> April each tax year. Such a return must be submitted by the 31<sup>st</sup> January following the end of the tax year and any tax due paid by that date. HOWEVER, from 6<sup>th</sup> April 2017, a trust tax return will not be required if the only taxable income is savings interest and the tax liability on that interest is below £100.

### VALUE ADDED TAX (VAT)

- This can be a difficult area and specialist advice should be obtained. There are potentially different ways in which VAT is treated between residential and commercial leases. In a MIXED DEVELOPMENT the practical aspects may result in higher management and accountancy costs.

#### Commercial

- Supplies of land and buildings, such as freehold sales, leasing or renting, are exempt from VAT. Rents therefore received by landlords that include service charges are not generally subject to VAT. No VAT is added to the sum demanded for rent and no input VAT is recoverable on costs either by the landlord or the tenant.
- Since FA 1989, landlords who are registered for VAT can make a 'once and for all' election to waive the exemption on commercial rents and service charges (an Option to Tax). The effect of this is to make rents and service charges liable to VAT at the standard rate. Having done so the landlord can recover input tax on costs incurred in the provision of services on the upkeep of the building.

#### Residential

- THERE IS NO OPTION TO TAX AVAILABLE TO LANDLORDS OF RESIDENTIAL PROPERTIES.
- Service charges relating to the upkeep of the common areas of a building of residential flats are exempt from VAT, so long as they are required to be paid under the terms of the lease.
- The service charge is treated as an ancillary to the main supply of exempt domestic accommodation and thus VAT is not charged.
- The landlord will incur VAT on costs of services in the upkeep of the development. This cannot be recovered. A leaseholder who is registered for VAT cannot reclaim the VAT as he was not a direct recipient of the supply.

#### VAT – Mixed developments

- Wherever possible it is recommended that the costs of each type of occupancy are separately identified and apportioned by way of separate schedules.
- There are difficulties for landlords where both commercial and residential contribute to shared costs within the same service charge schedule, especially where the landlord has taken up the option to tax on the commercial element.
- Where the services can be separated between the respective parts of the building then the VAT treatment can be separated along the lines noted above.
- Where a single set of services is obtained for the whole building the landlord will need to make an apportionment of that cost between the two elements and VAT recovery will be

restricted using the partial exemption method. The method enables the landlord to recover VAT based on the proportion of taxable supplies to total supplies (including exempt supplies). Specialist support should be obtained to prepare these calculations.

## TAXATION IN STATUTORY ACCOUNTS

A RMC is liable to corporation tax on any assessable income arising.

Taxable income will include ground rents, receipts from lease extensions, or in some cases income from a specific activity (for example the rent of space for a transmitter for a mobile phone company on the property roof), a tax computation must be prepared and a return submitted to HMRC.

The return must be submitted within 12 months of the year end and any payment due paid by 9 months of the year end.

In some cases, ground rents received may be matched by relevant costs such as company secretarial fees and accountancy fees, and possibly directors insurance. In such an instance suitable notification to HMRC should enable them to agree that no return is necessary. This position will be reviewed every five years.

Similarly, if there is no activity HMRC should be advised (preferably at the outset), and no return will be necessary.

It is assumed that any bank interest belongs to the Service Charge Account, and is assessable in the manner described above.

### OTHER TAXATION ISSUES

#### Premiums on leases

- Where a company owns the freehold it has the power to grant lease extensions to the leasehold period. The value of the leasehold property is materially dependent on the length of the lease in question. The longer the lease the more valuable the property.
- As a 'rule of thumb' a leasehold property starts to lose value if the lease falls below 75 years. A resident could seek to increase the period to at least 125 or even 999 years. Any premium payable would be recouped on the ultimate sale of the property.
- The premium is a taxable receipt, but it should be recognised that the granting of the increase also devalues the value of the freehold. It should be possible to set the value of this diminution against the premium and thus restrict the gain which would otherwise be assessed.
- It may be necessary to seek the advice of a surveyor in respect of these valuations.

#### Further considerations:

- It would be usual for residents who formed a company to buy the freehold to a) take up shares (or become members if limited by guarantee) and b) use the opportunity to increase their lease to 999 years at the same time.
- The funding of the freehold purchase would either be by shares of £1 plus a premium for the balance or by way of loans.
- The advantage of loans becomes apparent if not all the residents have participated in the purchase, and those remaining do so at a later date. At that point any premium charged would generate cash which (after tax) could be used to reduce the loans which would be tax free in the hands of the recipient.
- Depending on the level of premium charged a surplus of cash may arise. The costs of running the freehold company include the annual return fee, company secretarial costs, accountancy

and possibly directors' insurance, and the surplus cash can be used to fund these costs, but it can tie up cash for a number of years.

Proper advice should be taken before embarking on a freehold purchase to ensure that all the relevant considerations have been taken into account.

## REPORTING BY INDEPENDENT ACCOUNTANTS

Most leases will require Service Charge Accounts to be reviewed by an independent accountant, although in some cases a surveyor (or managing agent) may be mentioned.

The nature of the work will usually be described and will fall into two main categories, one may refer to an audit or another to a report by an accountant.

The distinction is important, but it the wording of the lease is also critical. Many leases written around the 1980s use phrases such as “the accounts shall be audited by an independent accountant who shall certify...”

Since the 1980s the term “audit” has undergone considerable change and the present sophistication of the steps involved and cost could not have been envisaged by the lawyers of the time.

The original RICS guidance suggests that the lease should be literally obeyed, but it is our understanding that this has been modified in recent years to point out that if the cost of such work is out of proportion to the entity concerned, the interested parties should agree on the scope and range of work to be carried out by the independent accountant for a cost in line with economic expectations.

It is worth noting a relatively recent case which came before the Land Valuation Tribunal (LVT) – now known as the First Tier Tribunal (FTT):

In *Lehmann & Lehmann v West Heath Lodge Residents association Ltd*, the lease provided for the accounts to be “*prepared and audited by a competent chartered accountant or incorporated accountant, who shall certify the total amount of the said cost charges and expenses*”.

Notwithstanding this provision, the LVT concluded that this did not require a full audit of the annual accounts. Counsel suggested that future FTT rulings would follow this guideline.

If an audit is required reference will be made to “International Standard on Auditing 800 (ISA 800): Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks.”

An audit report prepared under TECH 03/11 is set out in Appendix 2 (page 8).

It is also worth noting that modern accountants’ reports do not “certify” anything, but merely give an opinion. (Which is what the modern audit also does).

Appendix 2 Service Charge Accounts includes a report by the independent accountant (page 2). The report is geared to the scope of work recommended by TECH 03/11 issued by the professional bodies.

It will be noted that the accountant is not confirming value for money of the work of contractors.

## **THE ROLE OF MANAGING AGENTS AND ACCOUNTS**

Many properties are self-managed, by a board of directors or representatives of the leaseholders. Where managing agents are involved, the degree of accounting input will vary.

All agents should manage the funds collected under strict conditions, ring fencing the client monies by arrangement with a bank. They will be responsible for employing contractors to carry out the relevant work.

Some agents will provide basic cash statements showing monies expended, and will keep tenants (leaseholder) accounts showing individual balances. Others will prepare a trial balance from which final accounts are prepared, and some will produce the entire accounts package.

Whatever the extent of records produced to us, we encourage agents to sign a Statement of Representation, an example of which is shown in Appendix 2 (Page 1). This makes it clear that the agent has taken responsibility for the records produced, and is an integral part of the quality of the accounts produced. (Again, BEST PRACTICE as recommended.)

It is worth noting that an agent provides not just a professional service, but is able to ensure collection of service charges, management of funds and supervision of contractors, which may not be within the skill or desire of the average leaseholder.

The choice of an agent should include their membership of the appropriate professional body.

ARMA has recently introduced more stringent rules for its members who must now comply, under ARMA-Q, a set of compliance regulations ensuring an appropriate standard of professionalism.

Agents who do not belong to ARMA or RICS should be avoided.

## **ALTERNATIVE REPORTS – SECTION 21 OF THE LANDLORD & TENANT ACT**

In most cases accounts will be prepared in the manner suggested above, on a timely basis, and in the right format based on best practice.

However, the Act gives the right to a tenant to ask for accounts specifically under Section 21. If this was the case then the independent accountant (who MUST be a Registered Auditor) would also have to report under that section and the wording of his report would be different to that shown in Appendix 1.

### **The Example report would be as follows:**

In accordance with our engagement letter and as required by the lease, we have examined the statement of account in respect of xxxxxxxxxxxx for the accounting period ended 30<sup>th</sup> March 2018.

### **Respective responsibilities of Landlord and accountant**

Under Section 21 of the Landlord and Tenant Act 1985 the Landlord or his agent is responsible for the preparation of the Section 21 Statement of Accountants' certificate and the summary of rights and obligations of Tenants relating to Service charges.

The statement of account, together with the Section 21 certificate and a summary of Tenants' Rights and obligations in relation to service charges must be supplied to the Tenant no later than six months after the end of the accounting period.

We have been asked to form an independent opinion on whether the Section 21 statement of account deals fairly with the matters with which it is required to deal under Section 21 and any regulations and to report to the Landlord or his agent. This is based on our examination of the accounts, receipts and other documents produced to us on the service charge account.

### **Basis of Opinion**

We planned and performed our examination so as to obtain the information and explanations we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of account deals fairly with the matters with which it is required to deal, and is sufficiently supported by accounts, receipts and other documents which have been made available to us. In view of the purpose for which this statement of account has been prepared, we did not form any opinion as to the reasonableness of the costs or payments or the standard of services or work provided.

Our work included an examination on a test basis of evidence relevant to the amounts included in the statement and their disclosure.

### **Opinion**

In our opinion the statement is, in all material respects, a fair summary of the service charge costs and complies with the requirements of the section and is sufficiently supported by accounts receipts and other documents.

## NOTES TO APPENDICES

### APPENDIX 1 MORE ABOUT THE 18 MONTH RULE

- A recent court case is instructive.

### APPENDIX 2 SERVICE CHARGE STATEMENT OF ACCOUNT FOR ABC COURT

- Page 1 is the representation made to the accountants that the managing agents are responsible for the accounts, and whether or not an audit is required.
- Page 2 is the latest report issued by the Technical Bodies, and shows the approach adopted by the independent accountant.
- In this example a deficit arises for the year, which is almost covered by the balance brought forward. It goes to show that not all budgets work out. A demand will be raised (on a timely basis) to collect the deficit of, in this example, £74.
- Page 5 shows that additional funds have been demanded for specific future costs – very sensible in a well-run block. It avoids large fluctuations in residents' costs. Note that it will not cover the deficit on the income and expenditure account.
- On page 7 various notes (in accordance with best practice) give the reader more information and assurance that funds are properly secure.
- SHOULD THE LEASE REQUIRE AN AUDIT page 8 shows the report which would replace that shown on page 2.

### APPENDIX 3 INACTIVE MANAGEMENT COMPANY LTD

- These accounts are prepared under FRS 105. As such they are very brief.
- This company has no activity because all the transactions are included in the service charge accounts. See the appropriate note on the balance sheet.
- There is no directors' report – FRS 105 does not require it. An information sheet details directors and professionals.
- There is no income and expenditure account.
- In this example the company is limited by guarantee and has no share capital, but it could easily have some.

### APPENDIX 4 ACTIVE MANAGEMENT COMPANY LTD

- This company owns the freehold of the property concerned. As a result it receives ground rents against which relevant costs can be charged.
- Where activity exists the accounts to be filed at Companies House remain very brief, but further information is provided by Supplementary Accounting Information sheets, which we prepare on a bespoke basis applicable to each client company.
- In some very complex cases where there are a number of sectors the analysis will stretch over several columns and the schedules will be read in landscape form.

## APPENDIX 5 CDE COURT

- This statement of account is applicable where the property concerned is commonhold land which may include roads, gardens or other areas where the enjoyment is shared. The demands raised are still contractual but come under the heading “Amenity Charges”.
- Note that the reports from the managing agent and the accountant are worded differently to those of ABC court. This is because the income and expenditure are not governed by the Landlord & Tenant Act.

*The accounts shown in these appendices are the simple versions of what could be more complex situations. Many properties have a number of different parts to them – a gym, carpark or different blocks all of which may have differing levels of service charge.*

*To enable income and expenditure to be reported in line with the requirements of the leases the individual parts (or sectors) will have their own pages.*

*We have additional templates to illustrate our preferred presentation, which can be provided on request.*

## ***APPENDIX 1***

The 18 Month Rule: When does the clock start ticking?

The 18 month rule can often be misunderstood by landlords and managing agents alike. Some tenants may also try to use it to avoid their fiscal responsibilities.

Section 20B of the Landlord and tenant Act 1985 is as follows:

“If any of the relevant costs taken into account in determining the amount of any service charge were incurred more than 18 months before a demand for payment of the service charge is served on the tenant, then (subject to subsection (2), the tenant shall not be liable to pay so much of the service charge as reflects the costs so incurred”.

When can a cost be said to have been “incurred”?

A recent case is instructive:

OM Property Management LTD v Burr

The facts concerned a gas bill for a heated swimming pool in a block of flats. OMPM had been given erroneous information by the builder as to who they should pay for gas charges for six years. When this was discovered the bill was recalculated and a new invoice issued showing a £100k shortfall dating back to 2001.

Mr Burr contended that it was too late for OMPM to claim this £100k as the bill had been incurred over 18 months previously. i.e. at the time of the supply not the date of the eventual bill.

The LVT agreed but the Court of Appeal did not. Whilst each case had to be considered on its merits, here the crucial date was the invoice, and since this had been within the 18 month period, Mr Burr would have to pay his share.

COMMENT:

Utility bills are often the cause of disputes. Many bills are issued on an estimated basis with actual invoices often raised years later when a meter is actually read. Where that results in a demand for payment logic would say that the landlord can still recover the amount as the invoice has been demanded in time, even though the supply itself is more than 18 months ago.

Each case will have to be considered on its merits.

***APPENDIX 2***

**ABC COURT**

**STATEMENT OF ACCOUNT**

**FOR THE PERIOD ENDED 24 MARCH 2018**

## ABC COURT

### CONTENTS

Pages	1	Managing agents letter of representation
	2	Accountants report
	3	Income and expenditure account
	5	Reserve fund
	6	Balance sheet
	7	Notes to the accounts

**SERVICE CHARGE STATEMENT OF ACCOUNT FOR**

**ABC COURT**

**LETTER OF REPRESENTATION FROM MANAGING AGENT TO ACCOUNTANT**

**FOR THE PERIOD ENDED 24 MARCH 2018**

We have determined 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 ABC Court.

We are responsible for preparing service charge information as set out in the accounts of ABC Court for the period ended 24 March 2018.

We are responsible for ensuring that the financial management of the service charges is sound and that there is an effective system of internal control which facilitates the proper use of the service charges and which includes arrangements for good management of the building and all communal grounds for which we have responsibility in accordance with the terms of the lease.

No leaseholder has made a request for a written summary of relevant costs in relation to the service charges payable or demanded as payable in the period in accordance with Section 21 of the Landlord and Tenant Act 1985.

We confirm that all relevant costs included as expenditure in the service charge information, including any payments to reserve funds, is a proper charge to the property and is in accordance with the underlying leases. Where necessary we have complied with the provisions of section 20 of the Landlord and Tenant Act 1985 in relation to long-term expenditure and major works as defined by the legislation.

All expenditure included in the service charge information is a proper charge to the property and is in accordance with underlying leases.

Where necessary, the allocation of relevant expenditure across the various service charge sectors including that relating to the above property is in accordance with the lease.

All the accounting records have been made available to you for the purpose of your engagement and all the transactions relating to service charges have been properly reflected and recorded in the accounting records. Any significant matters of which we consider you ought to be aware have been brought to your attention.

The charge to the reserve fund is in accordance with the provisions of the leases and the amounts have been accurately reflected in the reserve fund (where applicable) included as part of the service charge statement of relevant costs.

All service charge monies are held separately in trust in accordance with section 42 of the Landlord and Tenant Act 1987 in designated accounts with Barclays Bank Plc and the balances reconciled to the fund balances shown in the statement of account.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can make the above representations to you.

.....

**MANAGING AGENTS' DECLARATION**

We approve the attached summary of costs.

.....

**ABC COURT**  
**INDEPENDENT ACCOUNTANTS REPORT**  
**FOR THE PERIOD ENDED 24 MARCH 2018**

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 ABC Court. In accordance with our engagement letter, we have performed the procedures agreed with you and enumerated below with respect to the service charge accounts set out on pages 3 to 7 in respect of ABC Court for the year ended 24 March 2018 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 03/11 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:-

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 ABC Court shown in the service charge accounts agreed or reconciled to the bank statements for the accounts 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.

**Report of factual findings**

- a. With respect to item 1 we found the figures in the statement 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 in the service charge accounts agrees or reconciles to the bank statement for the accounts in which the funds are held.

.....  
Simpson Wreford & Partners  
Chartered Accountants and Registered Auditors  
Suffolk House  
George Street  
Croydon CRO 0YN

Date

**SERVICE CHARGE STATEMENT OF ACCOUNT FOR**  
**ABC COURT**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE PERIOD ENDED 24 MARCH 2018**

	2018 Actual £	2018 Budget £	2017 Actual £
<b>Income relating to the period</b>			
Service charge demanded on account for the period	8,918	8,918	8,546
<b>Total income</b>	<u>8,918</u>	<u>8,918</u>	<u>8,546</u>
<b>Expenditure relating to the period</b>			
<b>Repairs and maintenance</b>			
General repairs	2,414	1,100	542
Electrical repairs	263	240	236
Cleaning	1,254	1,600	1,331
Window cleaning	540	560	540
Signage and markings	19	-	-
TV/Satellite maintenance	1,380	-	-
<b>Grounds maintenance</b>			
Gardening	1,253	1,378	1,315
Tree surgery	528	-	-
<b>Utilities</b>			
Electricity	390	500	411
Water rates	27	35	25
<b>Professional fees</b>			
Managing agents fees	1,415	1,415	1,316
Administration charges	143	140	105
Meetings and inspections	90	250	88
Company secretarial fees and related costs	426	425	411
Independent accountant's fee	684	680	649
Professional fees	912	-	1,233
Section 20 notices	-	-	582
Administration fees on section 20 notices	-	-	193
Asbestos survey	300	-	-
<b>Insurance</b>			
Directors indemnity insurance	-	420	-
<b>General expenses</b>			
Bank charges	28	-	35
Postage & photocopying	47	100	85
Sundry expenses	-	75	-
<b>Total expenditure</b>	<u>12,113</u>	<u>8,918</u>	<u>9,097</u>

**SERVICE CHARGE STATEMENT OF ACCOUNT FOR**  
**ABC COURT**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE PERIOD ENDED 24 MARCH 2018**

	2018 Actual £	2018 Budget £	2017 Actual £
<b>(Deficit) for the period</b>	(3,195)	-	(551)
<b>Transfers (to)/from reserves</b>	-	-	-
	<u>(3,195)</u>	<u>-</u>	<u>(551)</u>
<b>Deficit to be collected</b>	74	-	-
<b>Surplus at start of accounting period</b>	<u>3,121</u>	<u>-</u>	<u>3,672</u>
<b>(Deficit)/surplus at end of accounting period</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,121</u></u>

## SERVICE CHARGE STATEMENT OF ACCOUNT FOR

## ABC COURT

## RESERVE FUND

FOR THE PERIOD ENDED 24 MARCH 2018

	Internal Decorations Reserve £	External Decorations Reserve £	Total £
<b>Balance brought forward</b>	3,572	10,700	14,272
<b>Income</b>			
Demanded in period	500	2,500	3,000
<b>Expenditure in period</b>			
Internal decorations	(3,204)	-	(3,204)
	_____	_____	_____
<b>Balance carried forward</b>	<u>868</u>	<u>13,200</u>	<u>14,068</u>

## SERVICE CHARGE STATEMENT OF ACCOUNT FOR

## ABC COURT

## BALANCE SHEET

AS AT 24 MARCH 2018

	Notes	2018 £	2017 £
<b>ASSETS</b>			
Prepayments		39	36
Deficit to be demanded		74	-
Cash at bank	3	<u>17,504</u>	<u>18,620</u>
		<u>17,617</u>	<u>18,656</u>
<b>LIABILITIES</b>			
Service charges paid in advance by tenants		2,735	-
Trade creditors		45	306
Accruals		758	728
Amounts due to Limited company		11	11
Other creditors		<u>-</u>	<u>218</u>
		<u>3,549</u>	<u>1,263</u>
<b>NET ASSETS</b>		<u><u>14,068</u></u>	<u><u>17,393</u></u>
<b>REPRESENTED BY:-</b>			
Income and expenditure account		-	3,121
<b>Reserve fund</b>			
Internal decorations reserve		868	3,572
External decorations reserve		13,200	10,700
		<u>14,068</u>	<u>17,393</u>

**SERVICE CHARGE STATEMENT OF ACCOUNT FOR**

**ABC COURT**

**NOTES TO THE ACCOUNTS**

**FOR THE PERIOD ENDED 24 MARCH 2018**

**1. Accounting policies**

The statement of account has been prepared in accordance with the provisions of the lease and on the accruals and prepayments basis, under the historical cost convention and (except where it is disclosed otherwise) according to generally accepted accounting practice in the United Kingdom.

**2. Tenants rights and obligations**

A summary of tenants (leaseholders) rights and obligations must by law accompany a demand for service charges, and is available from the managing agents.

**3. Cash at bank**

All funds (whether reserve or current account) are held in trust in designated client accounts in the name of the Service Charge Account with Barclays Bank Plc.

**4. Transactions with directors of ABC Management Ltd**

There were no transactions in the year.

**5. Transactions with related companies**

There were no transactions in the year.

**Summary of client bank account movements:**

In addition to the management fees shown in the income and expenditure account the following companies in the same group have provided services that have been charged for separately:

**6.**

	£
Balance brought forward at 25 <sup>th</sup> March 2017	18,620
Monies received during the year	11,918
Monies expended during the year	<u>(13,034)</u>
Balance carried forward at 24 <sup>th</sup> March 2018	<u>17,504</u>

**REPORT OF THE INDEPENDENT AUDITORS**  
**TO**  
**THE LANDLORD / MANAGING AGENT OF ABC COURT**

We have audited the accompanying service charge accounts for the year ended 24 March 2018, which comprise the statement of service charge income and expenditure, balance sheet as at 24 March 2018, and related notes. The accounts have been prepared in accordance with the accounting policies set out in Note 1 of the accounts.

**Landlord/managing agent's responsibility for the accounts**

The landlord/managing agent is responsible for the preparation of these accounts in accordance with the terms of the lease(s), and for such internal control as the landlord/managing agents determines is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the accounts

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the service charge accounts of ABC Court for the period ended 24 March 2018 are prepared, in all material respects, in accordance with the accounting policies set out in Note 1 to the accounts.

**Basis of accounting and restriction on distribution and use**

Without modifying our opinion, we draw attention to Note 1 to the account which describes the basis of accounting. Our report has been prepared pursuant to the terms of our engagement letter and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of our engagement letter or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

.....  
Simpson Wreford & Partners  
Chartered Accountants and Registered Auditors  
Suffolk House  
George Street  
Croydon CR0 0YN

Date

**Unaudited Financial Statements**  
**for the Year Ended 31st December 2018**  
**for**  
**INACTIVE COMPANY LIMITED**

**INACTIVE COMPANY LIMITED (BY GUARANTEE)**

**Contents of the Financial Statements  
for the year ended 31st December 2018**

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<b>Balance Sheet</b>	3
<b>Chartered Accountants' Report</b>	4
<b>Detailed Income and Expenditure Account</b>	5

**INACTIVE COMPANY LIMITED (BY GUARANTEE)**

**Company Information  
For year ended 31st December 2018**

**DIRECTORS**

O Director  
Ms T Director

**REGISTERED OFFICE**

123 High Street  
Croydon  
CR1 2AB

**REGISTERED NUMBER**

123456789 (England & Wales)

**ACCOUNTANTS**

Simpson Wreford & Partners  
Chartered Accountants  
Suffolk House  
George Street  
Croydon  
Surrey  
CR0 0YN

**INACTIVE COMPANY LIMITED (BY GUARANTEE)**

**Income Statement  
For the year ended 31st December 2018**

	31.12.18	31.12.17
	£	£
<b>TURNOVER</b>	-	-
Taxation	-	-
<b>SURPLUS</b>	<u>-</u>	<u>-</u>

**INACTIVE COMPANY LIMITED (BY GUARANTEE) (REGISTERED NUMBER: 0123456789)**

**Balance Sheet  
31st December 2018**

	31.12.18	31.12.17
	£	£
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>RESERVES</b>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**1. OTHER FINANCIAL COMMITMENTS**

The company has no income or expenditure in its own right from which it derives economic benefit.

Whilst certain contracts are entered into in the name of the company, acting as principal, the execution of these contracts and settlement of the liabilities arising are made through funds held in trust for the benefit of residents and is shown in a Statement of Account that does not form part of the annual accounts of the company.

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2018.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2018 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006; and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its surplus or deficit for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the micro-entity provisions and delivered in accordance with the provisions of Part 15 of the Companies Act 2006 relating to Small Companies.

The financial statements were approved by the Board of Directors on ..... and were signed on its behalf by:

.....

Director

**Chartered Accountants' Report to the Board of Directors  
on the Unaudited Financial Statements of  
Inactive Company Limited**

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Inactive Company Limited for the year ended 31st December 2018 which comprise the Income Statement and the Balance Sheet from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed within the ICAEW's regulations and guidance at <http://www.icaew.com/en/membership/regulations-standards-and-guidance>.

This report is made solely to the Board of Directors of Inactive Company Limited, as a body, in accordance with our terms of engagement. Our work has been undertaken solely to prepare for your approval the financial statements of Inactive Company Limited and state those matters that we have agreed to state to the Board of Directors of Inactive Company Limited, as a body, in this report in accordance with ICAEW Technical Release 07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Inactive Company Limited Board of Directors, as a body, for our work or for this report.

It is your duty to ensure that Inactive Company Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and profit of Inactive Company Limited. You consider that Inactive Company Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the financial statements of Inactive Company Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

Simpson Wreford & Partners  
Chartered Accountants  
Suffolk House  
George Street  
Croydon  
Surrey  
CR0 0YN

Date: .....

**INACTIVE COMPANY LIMITED (BY GUARANTEE)**

**Detailed Income and Expenditure Account  
for the year ended 31st December 2018**

	31.12.18		31.12.17	
	£	£	£	£
<b>Income</b>		-		-
<b>NET SURPLUS</b>		<u>-</u>		<u>-</u>

This page does not form part of the statutory accounts

**Unaudited Financial Statements**  
**for the Year Ended 31st December 2018**  
**for**  
**ACTIVE COMPANY LIMITED**

**ACTIVE COMPANY LIMITED (BY SHARES)**

**Contents of the Financial Statements  
for the year ended 31st December 2018**

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**ACTIVE COMPANY LIMITED (BY SHARES)**

**Company Information  
For year ended 31st December 2018**

**DIRECTORS**

O Director  
Ms T Director

**REGISTERED OFFICE**

123 High Street  
Croydon  
CR1 2AB

**REGISTERED NUMBER**

2123456789 (England & Wales)

**ACCOUNTANTS**

Simpson Wreford & Partners  
Chartered Accountants  
Suffolk House  
George Street  
Croydon  
Surrey  
CR0 0YN

**ACTIVE COMPANY LIMITED (BY SHARES)**

**Income Statement  
For the year ended 31st December 2018**

	31.12.18	31.12.17
	£	£
<b>TURNOVER</b>	-	-
Other income	450	1,999
Other charges	(450)	(1,008)
Taxation	-	-
<b>Profit</b>	<u>-</u>	<u>-</u>

**ACTIVE COMPANY LIMITED (BY SHARES)**

**Balance Sheet**

**31st December 2018**

	31.12.18	31.12.17
	£	£
<b>FIXED ASSETS</b>	19,547	
<b>CURRENT ASSETS</b>	2,000	2,000
<b>CREDITORS</b>		
Amounts falling due within one year	<u>(1,008)</u>	<u>(1,008)</u>
<b>NET CURRENT ASSETS</b>	992	992
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>20,539</u>	<u>20,539</u>
<b>CREDITORS</b>		
Amounts falling due after more than one year	<u>15,040</u>	<u>15,040</u>
<b>NET ASSETS</b>	<u>5,499</u>	<u>5,499</u>
<b>CAPITAL AND RESERVES</b>	<u>5,499</u>	<u>5,499</u>

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31st December 2018.

The members have not required the company to obtain an audit of its financial statements for the year ended 31st December 2018 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the
- (a) Companies Act 2006; and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the micro-entity provisions and delivered in accordance with the provisions of Part 15 of the Companies Act 2006 relating to Small Companies.

The financial statements were approved by the Board of Directors on ..... and were signed on its behalf by:

.....  
Director

**Chartered Accountants' Report to the Board of Directors  
on the Unaudited Financial Statements of  
Active Company Limited**

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Active Company Limited for the year ended 31st December 2018 which comprise the Income Statement and the Balance Sheet from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed within the ICAEW's regulations and guidance at <http://www.icaew.com/en/membership/regulations-standards-and-guidance>.

This report is made solely to the Board of Directors of Active Company Limited, as a body, in accordance with our terms of engagement. Our work has been undertaken solely to prepare for your approval the financial statements of active Company Limited and state those matters that we have agreed to state to the Board of Directors of active Company Limited, as a body, in this report in accordance with ICAEW Technical Release 07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than active Company Limited Board of Directors, as a body, for our work or for this report.

It is your duty to ensure that Active Company Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and profit of active Company Limited. You consider that active Company Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the financial statements of Active Company Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

Simpson Wreford & Partners  
Chartered Accountants  
Suffolk House  
George Street  
Croydon  
Surrey  
CR0 0YN

Date: .....

**ACTIVE COMPANY LIMITED (BY SHARES)**

**Profit and Loss Account  
for the year ended 31st December 2018**

	31.12.18		31.12.17	
	£	£	£	£
<b>Income</b>		-		-
<b>Other income</b>				
Rents received	450		-	
Lease premium	-		1,999	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		450		1,999
<b>Expenditure</b>				
Other insurance	100		344	
Accountancy	150		190	
Other professional fees	200		474	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		450		1,008
<b>NET PROFIT</b>		<u>          </u>		<u>          </u>
		<u>          </u>		<u>          </u>
		-		991

This page does not form part of the statutory accounts

***APPENDIX 5***

**CDE COURT**

**STATEMENT OF ACCOUNT**

**FOR THE PERIOD ENDED 31 DECEMBER 2018**

## CDE COURT

### CONTENTS

Pages	1	Managing agents letter of representation
	2	Accountants report
	3	Income and expenditure account
	5	Reserve fund
	6	Balance sheet
	7	Notes to the accounts

**LETTER OF REPRESENTATION FROM MANAGING AGENT TO ACCOUNTANT**

We are responsible for preparing information as set out in the accounts of CDE Court for the period ended 31 December 2018.

We are responsible for ensuring that the financial management of the charges is sound and that there is an effective system of internal control which facilitates the proper use of the charges and which includes arrangements for good management of the building and all communal grounds for which we have responsibility.

All expenditure included in the statement of accounts is a proper charge to the property.

All the accounting records have been made available to you for the purpose of your engagement and all the transactions relating to charges have been properly reflected and recorded in the accounting records. Any significant matters of which we consider you ought be aware have been brought to your attention.

The charge to the reserve fund is correct and the amounts have been accurately reflected in the reserve fund (where applicable) included as part of the statement of relevant costs.

All bank accounts have been held in trust in designated client accounts in the name of the Account with Barclays Bank Plc.

.....  
Managing agents Date

**MANAGING AGENTS' DECLARATION**

We approve the attached summary of costs.

.....  
Managing agents Date

**CDE COURT****INDEPENDENT ACCOUNTANTS REPORT****FOR THE PERIOD ENDED 31ST DECEMBER 2018**

In accordance with our engagement letter, we have examined the statement of account in respect of CDE Court for the accounting period ended 31 December 2018.

**Basis of report**

We planned and performed our examination so as to obtain the information and explanations we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of account deals fairly with the matters with which it is required to deal, and is sufficiently supported by accounts, receipts and other documents which have been made available to us. In view of the purpose for which this statement of account has been prepared, we did not form any opinion as to the reasonableness of the costs or payments, or the standard of services or works provided.

Our work included the examination of a test basis of evidence relevant to the amounts included in the statement and their disclosure.

**Opinion**

In our opinion the Statement is, in all material respects, a fair summary of the costs, and is sufficiently supported by accounts, receipts and other documents.

**SIMPSON WREFORD & PARTNERS**

Chartered Accountants and Registered Auditors  
Suffolk House  
George Street  
Croydon CR0 0YN

**Date:**

**STATEMENT OF ACCOUNT FOR**  
**CDE COURT**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE PERIOD ENDED 31 DECEMBER 2018**

	2018 Actual £	2018 Budget £	2017 Actual £
<b>Income relating to the period</b>			
Amenity charge demanded on account for the period	20,706	20,706	32,232
Amenity charge 2017	189	-	-
Amenity charge 2016	320	-	-
Developers void costs	<u>12,293</u>	<u>-</u>	<u>-</u>
<b>Total income</b>	<u>33,508</u>	<u>20,706</u>	<u>32,232</u>
<b>Expenditure relating to the period</b>			
<b>Repairs and maintenance</b>			
General repairs	125	1,650	1,121
Electrical repairs	-	600	227
Pest control	1,575	1,800	1,502
Insurance claims	-	-	100
Drains, gutters & pipes	-	300	112
<b>Grounds maintenance</b>			
Gardening	9,274	6,500	7,230
<b>Utilities</b>			
Electricity	500	250	500
Water rates	100	-	100
<b>Professional fees</b>			
Managing agents fees	7,559	6,984	12,631
Administration fees	430	250	595
Meeting & inspection fees	248	325	630
Independent accountant's fee	900	475	900
Company secretarial fees & costs	-	255	-
Other professional fees	-	-	(85)
<b>Insurance</b>			
Public liability	485	250	315
<b>General expenses</b>			
Bank charges	50	30	60
Postage & photocopying	48	-	734
Contingency fund	-	200	-
Sundry expenses	<u>(3)</u>	<u>50</u>	<u>75</u>
<b>Total expenditure</b>	<u>21,291</u>	<u>19,919</u>	<u>26,747</u>

**STATEMENT OF ACCOUNT FOR**  
**CDE COURT**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE PERIOD ENDED 31 DECEMBER 2018**

	2018 Actual £	2018 Budget £	2017 Actual £
<b>Surplus for the period</b>	12,217	787	5,485
<b>Transfers (to)/from reserves</b>	2,299	(787)	-
	<u>14,516</u>	<u>-</u>	<u>5,485</u>
<b>Deficit to be demanded</b>	1,992	-	-
<b>Deficit at start of accounting period</b>	<u>(16,508)</u>	<u>-</u>	<u>(21,993)</u>
<b>Deficit at end of accounting period</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(16,508)</u></u>

**STATEMENT OF ACCOUNT FOR**  
**CDE COURT**  
**RESERVE FUND**  
**FOR THE PERIOD ENDED 31 DECEMBER 2018**

	<b>General Reserve</b>
	<b>£</b>
<b>Balance brought forward</b>	1,519
<b>Income</b>	
Demanded in period	780
<b>Expenditure in period</b>	
Transfer to service charges	(2,299)
	<hr/>
<b>Balance carried forward</b>	<u><u>-</u></u>

## STATEMENT OF ACCOUNT FOR

## CDE COURT

## BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	2017 £
<b>ASSETS</b>			
Charges due		3,910	3,166
Prepayments		282	284
Deficit to be demanded		1,992	-
Cash at bank	3	4,100	3,320
		<u>10,284</u>	<u>6,770</u>
<b>LIABILITIES</b>			
Charges paid in advance		841	-
Trade creditors		-	7,192
Accruals		9,443	8,968
Other creditors		-	5,599
		<u>10,284</u>	<u>21,759</u>
<b>NET ASSETS</b>		<u>-</u>	<u>(14,989)</u>
<b>REPRESENTED BY:-</b>			
Income and expenditure account		-	(16,508)
<b>Reserve fund</b>			
General reserve		-	1,519
		<u>-</u>	<u>(14,989)</u>

## STATEMENT OF ACCOUNT FOR

## CDE COURT

## NOTES TO THE ACCOUNTS

## FOR THE PERIOD ENDED 31ST DECEMBER 2018

**1. Accounting policies**

The statement of account has been prepared in accordance with the provisions of the lease and on the accruals and prepayments basis, under the historical cost convention and (except where it is disclosed otherwise) according to generally accepted accounting practice in the United Kingdom.

**2. Cash at bank**

All funds (whether reserve or current account) are held in trust in designated client accounts in the name of the Service Charge Account with Barclays Bank Plc.

**3. Transactions with directors of CDE Court Ltd**

There were no transactions in the year.

**4. Transactions with related companies**

In addition to the management fees shown in the income and expenditure account the following companies in the same group have provided services that have been charged for separately:

XYZ Insurance Services Ltd

**5. Summary of client bank account movements:**

	£
Balance brought forward at 1 <sup>st</sup> January 2018	3,320
Monies received during the year	34,385
Monies expended during the year	<u>(33,605)</u>
Balance carried forward at 31 <sup>st</sup> December 2018	<u>4,100</u>