

**Accountant's report of factual findings to the members of Nether Edge Management Company Limited
T/A Nether Edge Living**

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. In accordance with our engagement letter dated 20th September 2017, we have performed the procedures agreed with you and enumerated below with respect to the service charge accounts set out on pages 1 to 21 in respect of the property for the year ended 31st December 2020 in order to provide a report of factual findings about the service charge accounts that you have issued.

This report is made to the members 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 members and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members 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 members;
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 the properties shown on page 19 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 additional procedures been performed or an audit carried out 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 light that would have been reported to you.

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 19 of the service charge accounts agrees or reconciles to the bank statement for the account(s) in which the funds are held.

Addendum


During the finalising of the 2020 service charge accounts it has come to the Board's attention that for a number of years the income received from the Block Management Charge applied to the various apartment Blocks has not been transferred back to the Estate cost centre. This charge is applied because it has always been recognised and accepted that the Blocks require a greater amount of management time and effort (i.e. NEMC staff time) than individual properties, i.e. houses.

All Shareholders contribute to the management of the Estate through their Service Charges. Shareholders of properties in Blocks have always paid this additional Block Charge – this is a minimal amount and is clearly identified in the annual budgets for each applicable Block. The amount applied has remained static for a number of years.

The Block Management charge was not the cost of employing an external management Company which rightly would be shared by all, but is a reflection of the higher proportion of management costs incurred by the Blocks. Whether the Estate is managed by an external company or is self-managed makes no difference, as the same principal applies. Given its clear purpose this income should be transferred back to the Estate to offset the cost of managing the Blocks.

As this point was picked up during the finalising of the 2020 service charge accounts, the Board has taken the decision not to implement the above in the 2020 accounts. However, the Board makes its position very clear on this matter and will be implementing this income transfer to the Estate cost centre when finalising the 2021 service charge accounts. The Board also confirms that it will not be making any retrospective changes to the 2020 service charge accounts.

The Board also wishes to be very clear that this is purely an accounting matter and a point of fairness to all Shareholders of the Estate. There is also no suggestion that Shareholders of Block properties will be paying anything additional to the amount they are currently paying.

Signed

24/05/2021 Date

James Boler LLB ACA
JRB Accountancy Ltd