

IN THE FIRST-TIER TRIBUNAL (PROPERTY CHAMBER)

Case ref: LON/00BG/AOM/2018/0005

IN THE MATTER OF S.24 OF THE LANDLORD & TENANT ACT 1987

BETWEEN

Applicant

Alan Coates – Tribunal-appointed manager

-and-

Respondents

Octagon Overseas Ltd (1)
Canary Riverside Estate Management Ltd (2)
Palace Church 3 Ltd (3)
YFSCR Ltd (4)
Yianis Hotels Ltd (5)

Interested Persons

s.24 Applicant Leaseholders at Canary Riverside

s.24 Applicant Leaseholders' response to Mr Coates' application to vary the management order.

Preliminary

1. The Tribunal's directions, as varied on 28 June 2018, required the leaseholders (Interested Persons) to send their written submissions to the Tribunal by 4th July 2018.
2. Attached to this submission are exhibits which are indexed and referenced in this submission with the prefix 'LH'.
3. The Tribunal's decision to appoint a manager under s.24 is referred to as "the Decision".
4. References to "the Act" are to the Landlord and Tenant Act 1987.

The Manager's application to vary the management order

5. The lessees are supportive of the grounds for the Manager's application to vary the management order ("MO") detailed in paragraphs 4-5 of his statement of case¹.
6. The Manager's submission, together with lessees' own experiences, makes it very apparent that the Manager has been prevented from managing the estate in accordance with Tribunal's directions.

Detrimental impact on the Estate

7. Two years after the s.24 hearing, and 20 months into the Manager's term, the extent of the landlord's challenges to the Manager regarding the scope of management responsibilities per the MO are having a seriously detrimental impact on the management and finances of the estate, and preventing the Manager fulfilling the role the lessees believed he was appointed by the Tribunal to do.
8. It is evident from the Manager's exhibits in support of his application that the landlord is seeking to divide up the management of the Estate and the funding thereof. This is to the detriment of the Estate and was not the intention of the s.24 order. The landlord's actions have served only to undermine the s.24 and diminish the intended remedies in respect of the landlord's significant management failings.
9. The current position is tantamount to a campaign by the landlord to undermine the s.24 Decision and make the position of the s.24 Manager untenable.
10. Having amended the definition of various terms in the MO, the landlord now claims that its position regarding the scope of the Manager's responsibilities is supported by the MO, despite the obvious illogicalities.
11. For example, the landlord is claiming that the Manager has no responsibility for the maintenance and repair of the exterior of the four residential blocks. The s.24 hearing and subsequent Decision dealt explicitly with the landlord's failure to maintain the exterior of the residential buildings, including windows, roofs, and cladding. The landlord appears to be attempting to re-write the outcome of the s.24 hearing.
12. As a consequence of focusing on the detail of the MO in the abstract, it appears that the findings and objectives of the s.24 decision have been lost.

¹ Dated 2 February 2018

The Tribunal's over-riding objective

13. The Tribunal is required to deal with a case in ways proportionate to its importance, the complexity of the issues, the anticipated costs and the resources of the parties and of the Tribunal².
14. The s.24 Decision requires there to be an effective scheme of management in place, in the form of the MO.
15. The s.24 hearing took 5 days, and the landlord's legal fees were in excess of £300,000 – over half of which it was able to recover through the service charge³. The landlord's variation application has taken 10-days of court time and involved two barristers and two instructing solicitors on behalf of the landlord and a barrister and solicitor on behalf of the Manager. A significant proportion of these legal costs are being borne by the lessees.
16. It is difficult for lessees to understand how, after such extensive and costly deliberations, 20 months into the appointment of a Manager there is not even agreement as to who is responsible for maintaining and repairing the exterior of their homes.
17. The lessees ask that the Tribunal commence this particular hearing by taking a step back from the technical arguments and remind itself as to what the s.24 appointment was intended to achieve.

Remedying the landlord's breaches

18. The s.24 appointment was made following the Tribunal's findings in respect of significant management failings on the part of the landlord, reconfirmed on appeal by the Upper Tribunal and High Court.
19. It is unfortunate that a more detailed and representative record of the evidence and breaches was not produced by the FTT. However, the present situation whereby the landlord's legal representatives,⁴ none of whom were present at the s.24 hearing, are making claims about what was *not*⁵ before the Tribunal in order to justify restrictions to the scope of the MO is deeply unjust.

² Part 1, Civil Procedure Rules

³ Landlord appealed the S20C order, and was able to recover legal fees from non-applicant lessees

⁴ It should be noted that the landlord's current legal representatives were engaged after the Tribunal issued its s.24 Decision

⁵ E.g., in respect of Circus Apartments. See paragraphs 48-52 below

20. The detrimental consequences to the estate of the past management failures together with the present unsatisfactory situation regarding the MO cannot be over-emphasised. As the largest⁶ stakeholder group/investors in the estate, owning some two thirds of the value and paying three-quarters of the service charges, it is the residential lessees who are impacted the most.
21. The objective of the MO is to facilitate good estate management by an independent manager who will act fairly and impartially, managing in the best interests of the estate to the mutual benefit of all stakeholders. The courts determined that Mr Coates should fulfill this role.

The Tribunal's powers

22. The Tribunal, by virtue of the Act, has wide-ranging powers to enable it to put in place a MO that provides an effective and, crucially, practical scheme of management.
23. The MO must of course have proper regard to any necessary exclusions, caveats and safeguards in pursuit of its principal objective: the proper management of the Canary Riverside Estate in accordance with the leases, RICS Code, and legislation, in the interests of good estate management.
24. It must also be drafted in such a way that protects it from being undermined by unreasonable interpretations that go against the intentions of the Tribunal.

Commercial tenants and shared services

25. The lessees are concerned that the Tribunal has not been given the information needed to provide it with a clear understanding of how services and service charges are structured and provided/apportioned across the Residential and Commercial parts of the estate, in accordance with the provisions of the leases.
26. Consequently, the Tribunal may have acquired an (incorrect) understanding that the Commercial service charge includes services specific to individual businesses, and that the MO must therefore be designed to omit such services.
27. As paragraphs 34 - 47 below confirm, the Commercial service charge is solely in respect of services provided to common and shared parts of the estate. It is in the

⁶ By virtue of the collective value of the 325 residential apartments, held on 999 years leases at a peppercorn rent.

interest of all tenants that these services are provided in accordance with the lease and in the interests of good estate management.

28. The estate has historically been managed as a single entity because, in the interests of good estate management, this is the only structure that makes practical and financial sense.
29. In order to retain a sense of proportionality when addressing the matters before it, the Tribunal should also have an appreciation of the financial sums involved in respect of the services being provided.

Canary Riverside Estate

30. A plan of the Estate is attached at LH1.
31. The Service Charge Apportionment Report⁷ [LH2] is the accepted and agreed basis of the apportionment of expenditure at Canary Riverside. The report describes Canary Riverside thus:

a) *“The site comprises four residential buildings (Hanover House, Berkeley Tower, Belgrave Court and Eaton House) comprising 325 apartments. Some residential buildings have commercial units at ground floor level. **Included within the 325 apartments, 45 (Circus apartments) are operated as serviced apartments in one of the buildings.**”*

b) *“There is also a five star Four Seasons hotel...a Holmes Place health and fitness club...In addition to the commercial units located within the residential buildings there are also restaurants located in the WFI building”.*

32. It is the lessees view that either the landlord has little understanding as to how services have historically been managed, provided and billed to tenants, or that it is attempting to force the break up the management of the estate, creating duplication of responsibilities, additional tiers of management and additional costs. Neither scenario benefits the estate or its tenants.
33. The landlord’s illogical position regarding ‘shared’ services goes to the heart of the disagreement over the MO. Having successfully argued at past Tribunals that the estate was built, designed and managed as one, and with all previous management

⁷ 14 April 2004, produced by Mr Richard Daver formally of Gross Fine, now MD of Rendall & Rittner. Produced on behalf of the landlord and ratified at previous LVT hearings

regimes organised on that basis, the landlord appears now to be arguing the opposite, unpicking the services and service charge, to the clear detriment of good estate management.

Service charges and commercial lessees

34. The Tribunal is asked when considering amendments to the MO that the order makes it explicit the s.24 Manager has responsibility for all services provided to the Commercial tenants, as included within the Service Charge Accounts, with the sole exception being buildings insurance.

35. The services to be covered by the Commercial tenants' service charge are set out in the 'Fourth Schedule' of their respective leases. A copy of the hotel's is attached at LH3, and states:

- a) "Services" shall mean Riverside (Phase 1) Estate Services and Shared Items Services jointly or individually or in any combination;
- b) "Serviced Areas" shall mean the Common Parts and the Shared Items jointly or individually or in any combination".

36. The best way to understand what this means in practice and the financial sums involved is to look at the service charge accounts.

37. Below is a table setting out the service charge expenditure incurred by each area within the development for the year ended 31 March 2016, as per the 'Service Charge Statements for Canary Riverside Estate' [LH4].

Table 1 – 2016 service charge expenditure

2016 Audited Expenditure	Estate costs	Direct expenditure	Total expenditure	
	£	£	£	%
Residential (inc. Circus)	1,062,748	1,426,138	2,488,886	65%
Car park - residential	219,602	189,772	409,374	11%
<i>Sub-total - Residential</i>	1,282,350	1,615,910	2,898,260	76%
Car park - commercial	85,077	58,233	143,310	4%
Commercial in residential	21,809	59,746	81,555	2%
Club	99,057	120,913	219,970	6%
WFC1	35,318	35,381	70,699	2%
Hotel	312,468	103,069	415,537	11%
<i>Sub-total - commercial</i>	553,729	377,342	931,071	24%
Total: 2016 Service Charge	1,836,079	1,993,252	3,829,331	100%

Source: 2016 audited accounts

38. From this analysis it is apparent that:

- a) Nearly half of the £3.9 million annual expenditure is on ‘Estate costs’, i.e, shared services provided to the development as a whole.
- b) Residential lessees are responsible for just over three-quarters of the service charge. This includes Circus apartments.
- c) The Hotel is the largest commercial payer of service charges, paying some £415,000 in 2016 – 11% of the total.

39. The table below breaks down the Hotel service charge into more detail as to the nature of the services included.

Table 2 – Hotel service charge 2016

2016 Service Charge - Hotel	Hotel total	Service provided to other lessees?		
		Estate	Residential	Other commercial
Water recharge	£43,238	N	Y	Y
Rubbish removal	£34,886	N	Y	Y
Landscaping and irrigation	£12,184	N	Y	N
Garden lighting and path	£1,791	N	Y	N
Electricity	£6,305	Y	Y	Y
General repairs & maintenance	£3,263	Y	Y	Y
Water softener*	£1,522	N	Y	Y
Sundries	£120			
Total direct costs	£103,069			
Estate charge	£222,427	Y	Y	Y
Insurance	£90,041	Y	Y	Y
Total hotel service charge	£415,537			

Source: 2016 audited accounts. * softened cold water is provided to all parts of the estate, including residential, despite only being required by the terms of the health club lease.

40. The services provided to the Hotel, including those deemed to be direct costs and charged to the Hotel service charge schedule, are also provided to/shared by other tenants. These include rubbish removal, water, electricity and upkeep of the gardens, all of which are also provided to Residential lessees.

41. It is clear that the Hotel’s service charge does not include costs in respect of the maintenance or operation of the five-star hotel. The modest sum of £3,263 spent on

general repairs and maintenance in 2016 will have been the Hotel's share of a cost incurred in the provision of a service to the common parts/shared items relating directly to the hotel, as per the lease. In the 2015 accounts this sum was just £589.

42. Copies of invoices attached at LH5 illustrate the nature of ad hoc repairs and maintenance relating to the various commercial and residential tenants that are passed through the service charge accounts, including Circus, the hotel, offices at 50 Westferry Circus and the residential buildings.
43. Previous years' accounts provide a similar picture in respect of allocated expenditure, and the other commercial leaseholders are in a similar position in respect of expenses and lease terms.

The Tribunal's responsibility to consider proportionality

44. It is questionable as to whether any of the services provided to the hotel or other commercial tenants are not a shared service as defined in the Fourth Schedule of the relevant leases. Yet it is the position forwarded by the landlord that this is the situation, and that Mr Coates is not therefore entitled under the terms of the current MO to provide these services.
45. There has not been any evidence forwarded by the landlord as to what these services might constitute. The onus should be on the landlord to identify what services are not shared, with detailed evidence as to where such charges have been included in the service charges.
46. Mr Yeo, counsel for the hotel, made representations at the previous MO variation hearing that the hotel was opposed to Mr Coates maintaining its car park spaces. The hotel has no demised parking spaces: its underlease grants the use of parking spaces "*allocated by the Landlord or the Head Landlord...at "reasonable fee tariff charges"*"⁸.
47. If there are any such services, it is apparent that either:
 - a) The associated costs included in the service charge expenditure are minimal. In which case, in the interest of proportionality, they should remain as such and continue to be treated as a shared service, falling within the scope of the MO; or

⁸ Hotel underlease §1.1.9

- b) They are provided by way of an arrangement outside of the auspices of the service charge (and, therefore, the MO), with separate billing arrangements.

Circus Apartments and the MO

48. The Tribunal is asked when considering amendments to the MO that the order makes it explicit the s.24 Manager has responsibility for all services provided to the Circus Apartments, as included within the Service Charge Accounts, with the sole exception being buildings insurance.

Residential Land supported the lessees' s.24 application

49. The landlord has recently asserted to the Tribunal that Circus [i.e., Residential Land] 'played no part in supporting the lessees' claims against the landlord. Its submissions selectively referenced the s.22 notice and s.24 Decision and ignored the fact that Residential Land submitted witness statements and gave live evidence at the s.24 hearing on behalf of the lessees.
50. The evidence of Ms Whiting of Residential Land addressed their concerns regarding estate management, including: maintenance of the roof; processing of insurance claims; and the provision of cooling. Two pages from these statements are attached at LH6.
51. The Tribunal's finding that the landlord failed to maintain the estate reflects the totality of evidence before it, which includes that in respect of Circus.
52. At 20 pages long, following a five-day hearing with oral evidence from twelve witnesses plus Mr Coates, the Tribunal's s.24 Decision⁹ is relatively brief. It does not, for example, record the names of, nor issues addressed by, the lessees' witnesses. Paragraph 113 of the Decision states:

“Finally, the tribunal recognises that the applicants made other allegations of the respondents in this application, but is satisfied that sufficient breaches of the RICS Management Code have already been determined that it is not necessary to make reference to each and every breach relied on”.

Circus is part of a residual building

53. In correspondence between the Manager's and CREM's solicitors, copies of which are included in the Manager's submission, it is asserted on behalf of the landlord

⁹ Original Decision dated 6 August 2016 (19pp), Reviewed Decision dated 15 September 2016 (20pp)

that services provided to Circus are not the responsibility of the Manager. In a letter dated 17 November 2017, Trowers state:

*“We suggest you re-read the Management Order... Any services that are not shared with residential units are not within your client’s management function. Therefore, as examples only, the lifts, the communal area cleaning, and the window cleaning at Circus Apartments are **examples of services that are not shared** and so are not your clients’ responsibility”.*

54. This statement is wholly inaccurate and is addressed in the paragraphs below.

Residential service charge

55. As the ‘Service Charge Apportionment Report’ [LH2] makes clear, Circus is “*in one of the [Residential] buildings*”. The report goes on to describe the overall structure of the service charge as follows:

- a) *“There is an estate charge which deals with the costs relating to the services provided to the development which are shared by all”*
- b) *“There is also a residential service charge in which the four residential blocks are treated as one and the service charge is not therefore divided up by block”*
- c) *There is also a service charge estimate produced for the car park, the commercial units located within residential buildings, the hotel and fitness club, and the free-standing units at Westferry 1”.*

56. Circus is part of Eaton House, one of the four residential buildings containing a total of 325 flats that together make up the Residential schedule of the service charge accounts. At LH7 is a page from the original Eaton House sales brochure confirming that the apartments now known as Circus were designed and built as part of Eaton House, both physically and in respect of service charges.

57. There is a ‘building service charge percentage’ for each of the 325 flats (i.e., including 45 Circus flats) the total of which adds up to 100% [LH8].

58. Each flat’s service charge is calculated by applying the relevant ‘building service charge percentage’ to the total per the Residential expenditure schedule.

59. The Circus apartments are held on a single 999-year lease, and the service charge percentage, shown as 10.82% on the underlease [LH9], is the sum of the individual 45 flats' percentages.
60. The simplicity of the expenditure schedules reflects the fact that, historically, the development has been managed as a single entity, with the associated management fee included as part of the Estate charge and borne by all tenants.

On-site estate management

61. The day-to-day management of the estate has been significantly impeded by the landlord withdrawing access to the estate office. For the previous 16 years lessees the estate management team were on-site, located in offices within a Residential building that were designed for such purposes.
62. The landlord's refusal to allow the Manager/HML to use these offices is a further illustration of the landlord's refusal to consider the best interests of the estate and its tenants, and the extent to which it is prepared to go to impede the Manager.
63. The Service Charge Apportionment Report refers to the fact that the estate charge includes "the management office costs" [LH2, p.7], and the service charge has therefore always borne the cost of rent and running costs.
64. Residential lessees continue to bear the cost of services (water, electricity, security etc) to the office accommodation because the estate offices do not form part of 'Commercial in Residential' – which is further evidence of the intention that they be used in the management of the estate. The same applies to the staff welfare, workroom and storage areas of the estate: they were intended to be used for the benefit of the management of the estate, and therefore do not attract a share of the service charge.
65. In 2016, as part of the chiller replacement works, a chiller management system was installed (hard-wired) into the estate office, at a cost of c.£30,000. This joined the Building Management System installed in 2013, funded out of residential reserves.
66. The offices can only be accessed through the Eaton House (residential) lobby, and the licensing by CREM of the offices to a third-party has jeopardised the security of the residents of Eaton House.

Lift maintenance

67. A 30-year contract was signed with Otis in 1999 in respect of the maintenance of the lifts located within the Residential buildings, the Club and the loading bay. It does not include the hotel lifts. At LH10 are pages from the contract to illustrate that it includes all residential blocks including Circus ('Eaton Rear') as well as the loading bay and the Club. A full copy of the contract was included in the s.24 hearing bundle [File 7/210] and can be provided to this Tribunal if required.
68. This is a single contract. There can be no dispute that the management of the lifts, including those located within Circus, the loading bay and the Club, falls under the responsibilities of the Manager, as a shared service, and is therefore covered by the MO.

Maintenance of the exterior of the Residential buildings

69. The Tribunal is asked when considering amendments to the MO that the order makes it explicit the s.24 Manager has responsibility for all services provided to the Residential lessees, as included within the Service Charge Accounts, with the sole exception being buildings insurance.
70. It appears that the landlord is claiming that responsibility for the exterior of the Residential buildings, such as cladding and roofs, are not within the Manager's remit per the MO, e.g.:

*"The management order is clear that your client deals with the residential flats and the Common Parts. The cladding forms part of neither."*¹⁰

*"Please let me know where in the MO you believe it says Alan Coates entitled to carry out work to the roof."*¹¹

71. To illustrate the illogicality of the landlord's position: if correct, it would mean that the repairs to the leaking windows (outstanding for seven years at the date of the s.24 hearing) would have fallen to the landlord to undertake, and not the Manager, despite this being one of the grounds on which the Tribunal determined it was just and convenient to appoint a manager.
72. At the s.24 hearing the Tribunal heard evidence concerning the landlord's failure to maintain the exterior of the residential buildings. This included but was not limited to:

¹⁰ Email Trowers to Downs dated 25 January 2018: per Manager's bundle

¹¹ Email Gary Field (Yianis) to David Broome (HML) dated 2 November 2017

- a) Failure to repair the leaking windows, exterior cladding of the buildings and garden paths (evidence of leaseholder, Dr Steel. [LH11] (extract));
- b) Failure to maintain the roof (evidence of Ms Whiting, Residential Land [LH6] (extract))

73. In respect of the landlord's failings in respect of maintenance, the Tribunal in its Decision found that the PPM had not been actioned, and in his evidence Mr Parojcic¹², had confirmed that no maintenance plan was in place (§79). The Decision stated:

“It is inconceivable to the tribunal that a landlord or manager would have a professional planned maintenance plan produced and then not implement it (§80) “

74. The Residential service charge makes no distinction between the costs of maintaining the interior common parts and the exterior parts of the building, and neither do the residential leases. Section 24(11) of the Act states:

“management of any premises include references to the repair, maintenance, [improvement] or insurance of those premises”

Financial implications of the landlord's position

75. The lessees believe that the landlord is acting in ways designed to frustrate the Manager, consume management and service charge resources, and undermine the purpose of the s.24 appointment.

76. In order to provide the shared services the Manager requires cash, in advance of spend. As detailed in paragraphs 37 - 43 above, the vast majority – and possibly 100% – of the services included within the Service Charge accounts are shared services.

77. If, for example, the Tribunal were to agree that services provided to Circus were not shared, the landlord (not the Manager) would receive over 10% of the monies that cover the cost of services provided to the Residential blocks – which, in 2016 (p5,LH4), equated to £248,000 and included amongst other things a share of the cost of lift maintenance, communal cooling (electricity), hot water (gas), water and fire equipment maintenance.

¹² Property Manager employed by Marathon Estates, witness for the landlord

78. Similarly, the landlord is claiming that it should receive the Commercial service charge monies from tenants – despite the vast majority of the charge (and possibly 100%) relating to services provided across the entire Estate, by virtue of its design, and the common provision of utilities and other estate-wide services (see Table 2, page 7).
79. The lessees are deeply concerned by the potential impact on the provision of core services to the Estate if the Tribunal were to prevent the Manager from recovering service charges directly from Circus and the Commercial tenants.
80. The Manager’s submission to the FTT addresses the current position in respect of the service charge finances. It is clear to lessees that a minimal service is being provided, and it appears that the critical cash situation is preventing the Manager from carrying out the essential repairs and improvements that the s.24 sought to achieve.

Statement of Truth

I believe that the facts contained in this document are true. I am duly authorised to sign this statement on behalf of the Interested Parties known as the s.24 applicant leaseholders.

Signed:

Name:

Position:

Date:

LH Exhibits

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LH1: Plan of the Canary Riverside Estate

- Residential Apartments Entrance
- Restaurant Entrances
- Hotel and Serviced Apartment Entrances
- Health Club and Restaurant Entrance
- ⊙ Estate Management Office
- Garden Path



LH2: Service charge apportionment report

Canary Riverside, London E14
Service Charge Apportionment Report

Richard Daver
Gross Fine
14 – 16 Stephenson Way
Euston Square
London
NW1 2HD

14 April 2004

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SURVEYORS & PROPERTY MANAGERS

1. Introduction

Gross Fine was established in 1960 and has a total staff of 60 including 7 directors. The company is a wholly owned subsidiary of Hercules Property Services, a quoted company on the London stock exchange, listed under support services. Gross Fine is responsible for the management of approximately 16,000 units having a total service charge collection for residential management in the region of £40 million and employing some 450 staff on behalf of clients.

We have a wide ranging client base, from residents owned management companies for traditional mansion blocks, to corporate landlords in respect of substantial mixed use schemes. We have a number of LVT appointed manager roles, trusteeships and are advising a number of resident groups in respect of right to manage and the right to enfranchise legislation.

I, Richard Daver, have a BSc Honours degree in Urban Estate Surveying, and am a member of the Chartered Institute of Housing and The Royal Institution of Chartered Surveyors. I am a director of Gross Fine and have in excess of 15 years experience in residential property management and prior experience in dealing with both local authority and housing association stock.

As a director of Gross Fine, I run the new development and new business team and my primary role is to act in a consultancy and advisory capacity to major London developers in respect of schemes ranging from simple residential schemes comprising approximately 50 units to major mixed use schemes, in some cases exceeding 1,000 residential units.

The advice given ranges from pre-planning strategy advice to accompany planning applications, through to detailed strategies for matters such as staffing, security and particularly service charge structure and assessment. I also advise in respect of the impact of design and technical detail on the future management of the building both in terms of practical management as well as cost.

The area for which our client most relies on us, is for advice is in respect of the structure of the service charge and assessment of costs. This is of course essential not only for the marketing of the scheme but also for the ongoing management and as whatever is set at the initial stages is likely to be reflected through the life time of the scheme. It is therefore essential that we provide a service charge structure, which is not only equitable but also reflects what is reasonably affordable, particularly where expectations and aspirations may differ, such as will be found in substantial mixed use schemes where there is not only a commercial element but, more likely in recent years, a substantial element of affordable housing.

My experience in this area is one of the main reasons why I have directorial responsibility for the Canary Riverside scheme.



SURVEYORS & PROPERTY MANAGERS

2. Terms of Reference

I have been instructed by Canary Riverside Estate Management Limited to prepare a report based firstly on a review of plans and documentation made available to me and secondly on my findings since the commencement of Gross Fine's management on 1st January 2004.

My report is to cover the apportionment of service charges to include a review of the current position as well as the factors which were applied to the original calculations and form a view of the reasonableness of the theory applied when the first service charge structure and estimates were configured. My report is also to review the levels of charges both in terms of comparisons with other estates where either myself, personally, or Gross Fine, generally, have direct knowledge and in terms of the individual service charge provisions for items of expenditure within the Canary Riverside service charge budgets.

Although instructed by the landlord to produce this report it is important to Gross Fine to stress our independence. This report has been produced without bias and is based upon my own experience generally and specifically over the past three months that Gross Fine have been managing Canary Riverside. Canary Riverside is of course a significant instruction for Gross Fine however we have a very strong reputation in the market place and we would not allow that reputation to be jeopardised by not seeking to act independently. To emphasis this position, whilst Canary Riverside produces a substantial fee it does in fact represent only 3% of our annual turnover.

3. Estate Description

Canary Riverside is a mixed use estate forming part of the Canary Wharf development occupying a prominent site adjacent to the River Thames. The site comprises four residential buildings (Hanover House, Berkeley Tower, Belgrave Court and Eaton House) comprising 325 apartments. Some residential buildings have commercial units at ground floor level. Each building is served by a doorman 12 hours a day 7 days a week. Included within the 325 apartments, 45 (Circus Apartments) are operated as serviced apartments in one of the buildings.

There is also a five star Four Seasons hotel which we understand comprises 142 rooms. There is also a Holmes Place health and fitness club with a restaurant above and a separate swimming pool building forming part of the club.

In addition to the commercial units located within the residential buildings there are also restaurants located in the WF1 building to the east of the main element of the estate at Westferry Circus.

There is also a substantial car park comprising in excess of 500 parking spaces which is split into residential use and separate public / hotel use.

The development is built over a 5 ½ acre site and there are therefore shared services forming 'the estate' including an estate management office, security control room, security generally, loading bay, roads, pathways, gardens, plantrooms etc...

The development has been built to a high specification both in terms of the construction and the services provided. This is significant in respect of the levels of service charge which result (see section 7).

4. Apportionment of Service Charge

In brief the service charge is structured as follows:-

There is an estate charge which deals with the costs relating to the services provided to the development which are shared by all and therefore are contributed towards by each element of the scheme. These costs include elements of staffing, most notably security but also the management office staff (excluding the managing agents' Property Manager) and the current, but shortly to end Handyman / Maintenance Man service. The estate charge also covers items such as cleaning the external areas, the management office costs, utilities, elements of maintenance, health and safety an element of insurance and an element of professional fees attributable to the estate.

In addition there is a landscape charge dealing with the main communal gardens however this is not apportioned as per other estate items but only to those areas which are deemed to derive benefit namely the residential and the hotel.

There is also a residential service charge in which the four residential blocks are treated as one and service charge is not therefore divided up by block. That service charge covers costs relating to staffing – namely the doorman located within each entrance block, but also a proportion of the Handyman's cost, internal common parts cleaning, window cleaning, utilities, mechanical and electrical plant maintenance (most particularly lifts and engineering maintenance), general repairs, a proportion of landscaping, health and safety, insurance costs, a proportion of professional fees and an element of reserve funds.

There is also a service charge estimate produced for the car park, the commercial units located within the residential buildings, the hotel, the health and fitness club and the free-standing commercial units at Westferry 1.



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The Headlease contains a clause stating that the estate service charge should be apportioned on the basis of the comparison of gross internal areas between relevant parts of the scheme.

We are advised by both the landlord and a representative of the architect who was involved in the scheme at the time, that in fact the apportionments were based on gross external areas. The position has not been checked, for the purposes of this report, by way of a new measurement exercise either in whole or in part, however I have met with the architect's representatives, most particularly John Henry, in order to satisfy myself as to the method of measurement adopted giving rise to the area figures used and the apportionment of the estate for service charge purposes.

We are advised that the architects, Koetter Kim Associates (KKA) are no longer trading, however, Mr Henry, a principal of OCA Architecture, was heavily involved with the Canary Riverside scheme and has retained information and drawings relating to the project.

It would appear that rather than using gross internal area (GIA) the scheme was measured on the basis of gross external area (GEA). Both, together with net internal area (NIA) are acceptable methods of apportionment in accordance with The Royal Institution of Chartered Surveyor's code of measuring practice. The issue here is that the use of GEA as opposed to GIA does not comply with the Headlease and we therefore need to consider whether this has any material effect on the apportionment.

I have received, from the Landlord, a set of plans which have been reduced to A3 size and are therefore not to scale. Those plans however detail the gross external areas as generated by the design software package used.

I therefore called for, and received, a random selection of drawings from the architects produced in 1:200 scale and these have been considered in order to determine the likely accuracy of the plans reduced to A3 size provided by the Landlord.

It is my opinion that the plans are accurate and therefore I believe it is reasonable to rely on the gross external areas detailed on the reduced drawings.

Those areas have been scheduled, based on which I have calculated apportionments for estate charge purposes and these compare to the actual apportionments in use as follows: -

	Existing Apportionment	Calculated Apportionment
Residential	56.2%	56.2%
Car Park	18.6%	18.6%
Commercial in Residential	1.01%	1.4%
Hotel	16.8%	16.8%
WF1	1.99%	1.6%
Club	5.4%	5.4%
Total	100%	100%

In addition the landscaping costs are currently apportioned at 77% for the residential and 23% for the hotel and on the basis of my calculations this would appear to be correct.

There is a variation in the commercial in residential and WF1 commercial proportions the former being 0.39% understated and the latter overstated by the same amount. Whilst therefore this needs to be investigated further, the discrepancy does not have material impact on the residential apportionment.

In accordance with the service charge structure, the commercial units located in residential buildings pay a proportion of certain elements of the service charge. That proportion is currently, 1.92%. My comparison of the gross external areas however, gives rise to a proportion of 2.4%. The Landlord had highlighted this discrepancy prior to my investigation and had asked for verification. This discrepancy does have an effect on the amount of service charge payable by the residential element but given that the percentage is applied to only a small number of items and does not apply to some of the substantial items such as staffing, the loss is fairly minimal. We would suggest that this be investigated further and if appropriate for the correct



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apportionment to be reflected in the accounts for the year end March 2004 and going forward thereafter.

Consideration must however be given to the position whereby GEA figures were used rather than GIA.

It is my opinion, having reviewed the plans, that again there is no material difference between the measuring practice used as long as it has been, as it appears, implemented on a uniform and consistent basis in the calculation process. The main difference between these two methods is the inclusion or exclusion of the external walls. There is nothing in the plans that I have seen that would give rise to a concern as to a substantial variation between GEA and GIA figures which would have an effect on the result of the apportionment. As a matter of principle, taking GEA instead of GIA would virtually make no difference. It is my opinion therefore that whilst not strictly in accordance with the Headlease the method of measurement appears to be fair and reasonable as it has been consistently applied.

There is however one item of apportionment which I believe should be reviewed and that relates to landscaping. It is clear that the Holmes Place club and the restaurant above derive benefit, through the visual enjoyment of the gardens for its guests. In the case of the restaurant its patrons are able to access the club through the gardens. Indeed there is a sign advertising the restaurant (Ubon by Nobu) located within the gardens. It is understood that the original apportionment was undertaken on the basis of those actually being able to utilise the landscaped areas rather than just having a right to pass through them. On this basis only the residential and hotel currently contribute.

It is worth noting however that the club will only contribute a small proportion and it may be that a weighting in favour of the club should be applied as they only pass through the grounds rather than actually having a right to use them. Similarly, by charging the club for this facility this may imply a right to use the landscaped areas which may have a detrimental effect on appearances. Given the small contribution



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and the fact that even that contribution may be reduced further by way of weighting, it may be that it will be more beneficial to maintain the status quo rather than give or imply rights of use.

Each of the residential buildings is served by a cradle which is subject to maintenance and repair costs. The cradles are, in the main, used for the window cleaning operation for the residential but will also be used for repairs to the exterior of the building to which the commercial units, located within the residential buildings, contribute under the terms of their leases. It would be equitable therefore to apportion some of the cradle maintenance and repair costs to those ground floor commercial units and this does not appear to be factored into the current service charge structure. However the commercial units pay currently 1.92% (which, with reference to my previous comments, may need to be increased to 2.4%, of this cost). Bearing in mind that a substantial proportion of the cradle usage is for the residential window cleaning exercise there should be some weighing applied to those costs. We may therefore be looking at a contribution equivalent to say approximately 2% of 25% the cradle maintenance cost which overall, will be relatively insignificant.

If I were to be approaching this development afresh, in its design stages prior to the construction, I would have structured the service charge slightly differently. Firstly I may have had a separate service charge for each residential building with that service charge having two schedules to reflect the commercial element. The first schedule would be for shared services, i.e. costs shared by both the residential and the commercial, such as insurance or the maintenance of the structure and external fabric of the building.

The second schedule would reflect only those costs attributable to the apartments for example, lifts, common parts cleaning, doorman costs, etc...

The four residential buildings at Canary Riverside vary in size. It could be argued therefore that items such as window cleaning for the smaller buildings (e.g. Hanover House) subsidise the larger ones (e.g. Berkeley Tower). However there are other



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costs such as 24 hour staffing where the cost will be the same per building regardless of its size and it could therefore be argued that the larger buildings subsidise the smaller ones.

Therefore whilst the service charge structure is not as I would have produced it, it is not unreasonable to treat the four residential buildings as one and the same for service charge purposes and indeed there are many examples throughout London of similar service charge arrangements.

The estate also contributes towards to the Canary Wharf Estate charge however whilst this is calculated by Canary Wharf on the basis of the development as a whole it appears that, the charge is only apportioned to the commercial units. We are yet to understand whether there are any formal arrangements under the terms of the legal agreements, but if not it would appear that the commercial elements of the scheme heavily subsidise the residential element. Aside from apportionment issues there are a number of queries in respect of the Canary Wharf estate charge which we will be taking up shortly with the managers for Canary Wharf.



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5. Service Charge Comparisons

Gross Fine manage a large number of prestigious properties and substantial estates including mixed use schemes. In addition my work in respect of new developments (both existing and under construction) provides a good insight into the levels of service charge for central London schemes.

There will be a number of factors affecting the levels of service charge in terms of a rate per sq. ft. and in particular, these will be the overall size of the scheme and the services provided. In terms of size and by way of example, to provide a 24 hour porter to a block of 100,000 square feet will cost half the rate per sq. ft. to provide exactly the same service to a block half the size.

With regards to services, Canary Riverside has a substantial number, all of which have an obvious impact on the levels of service charge payable. The scheme has 24 hour security, 12 hour a day 7 days a week doorman service to the residential buildings, external window cleaning via cradle access, a substantial amount of mechanical and electrical plant, an on site estate office, estate and administration staff, a Canary Wharf estate charge, landscaped areas maintained to a high standard, a high voltage / low voltage conversion system for the supply of electricity and a large number of lifts serving both the residential and the estate. Based on the budget figures for YE 31 March 2004, the average service charge for the residential portion of the estate was about £4.45 per square foot. (total residential service charge inc. estate / total residential NIA = £1,834,605 / 412,415 sq ft = £ 4.44)

In my opinion the emphasis should be placed on quality of service and value for money rather than purely cost.

With regards to comparisons from our portfolio we would advise that service charge levels are as follows: -



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The most direct comparison that we have to Canary Riverside is that of Chelsea Harbour. Chelsea Harbour comprises 310 residential units across six blocks. There is also a commercial element and an overall estate charge (termed in this instance the 'village' charge).

There is one main difference in the service charge structure in that at Canary Riverside the residential buildings are treated as one for service charge purposes. However in the case of Chelsea Harbour, each building has its own service charge and makes a contribution to the village charge. The level of service charge therefore varies from block to block and whilst the services are similar, the buildings differ in size. Therefore if you took a building with a portered reception and one lift for example, the cost of those services will be, on a pro rata basis, higher per square foot in the smaller building.

At present based on the service charge year to 30 September 2004, service charges are running between £3.83 (Admiral Court) and £6.00 (Belvedere Tower). The average across the estate would appear to be in the region of £4.50-£4.60 per square foot.

In addition to Chelsea Harbour we also manage two residential blocks which form part of the Paddington Central Estate. The service charge for those blocks is running at £5 per square foot even though only 12 hour per day portorage cover is provided. There is however a large security presence provided through the estate, which we do not manage. We are in fact presently challenging the service charge and insurance contributions for the estate on behalf of our client.

We also are appointed on a consultancy basis in respect of a new build scheme which forms part of the Paddington Basin development. That property will have 24 hour cover and comprises some 170 units. Service charges are projected at £4.20 per square foot including the estate charge contribution.

We are also instructed in respect of the Imperial Wharf development where average service charges per square foot are running at approximately £3.40. These charges



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are however assessed on the basis of the full stage one development which will comprise in excess of 1,100 units and therefore there are substantial economies of scale to be gained.

We also manage Regent on the River in Fulham, which comprises 255 units. Again there is 24 hour cover, with enhanced security overnight, and the building is split into ten blocks which means that there are additional services such as a larger number of lifts than you would expect. Including substantial reserve fund contributions for capital works over a phased 15 year programme, service charges are currently in the region of £5 per square foot.

There are a number of other properties where service charges are in excess of £4 per square foot and I could of course provide details of buildings where they are much lower. However those buildings would not be comparable in terms of either size or services / facilities.

It is important, when producing comparisons to look at the extent of services provided as the levels of service charge will be influenced substantially by matters such as levels of staffing, the extent of mechanical and electrical equipment, the window cleaning strategy (e.g. if cradle or abseil access is required then the service charge cost will be higher) and insurance where location and claims history is as important as the level of cover.

6. Conclusion

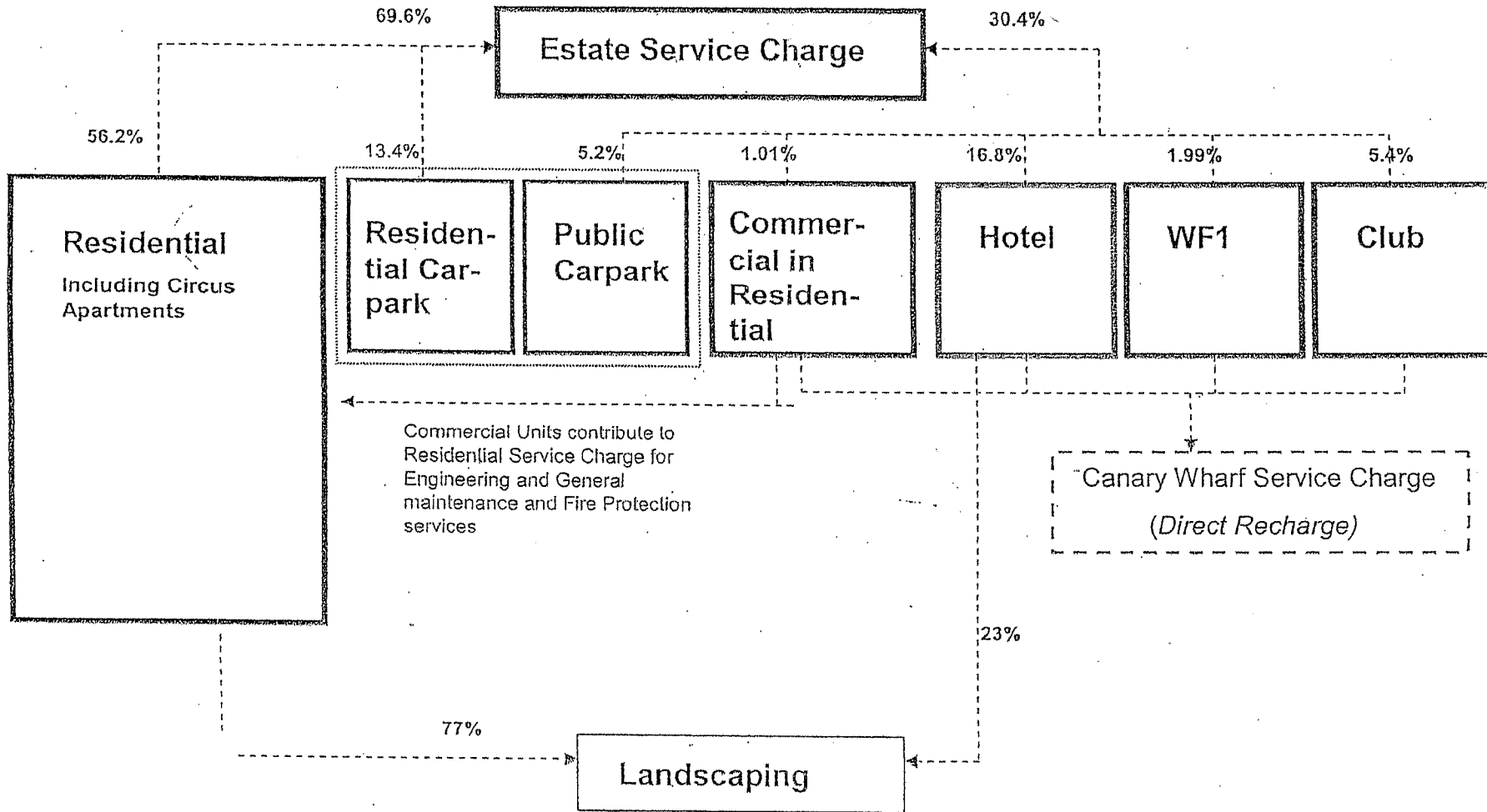
In so far as my review of the service charge has taken place to date I am content that the structure and apportionments are fair and reasonable and any adjustments or changes highlighted in this report should be investigated further and implemented as a matter of good management rather than being viewed as a deficiency in the previous arrangements.

With regards to service charge costs it is again in the interests of good management to review costs on a regular basis but I have found no evidence to date of anything substantial that I would class as being unfair or unreasonable.

It is my opinion that whilst every attempt should be made to reduce service charges (but maintaining service and value for money), the levels of service charge on a rate per sq. ft. basis for Canary Riverside are not dissimilar, and in some cases are lower, than similarly serviced buildings and estates where we have management responsibility.

20/23

Appendix A Service Charge Structure



LH3: Schedule 4 of the Hotel lease

THE THIRD SCHEDULE

(Matters to which the Demised Premises are subject)

So far as the same relate to or affect the Demised Premises the matters contained or referred to in the entries on the register to Title Number EGL 359129 at H.M. Land Registry save for financial charges

THE FOURTH SCHEDULE

Riverside (Phase 1) Estate Services

Shared Items Services and Structural Services

Part I

(General)

- (a) In this Schedule:-
- (i) references to "maintain" shall mean maintain inspect test service repair overhaul amend rebuild renew reinstate replace and shall include where appropriate treat wash down cleanse paint decorate empty and drain and the expression "maintenance" shall be construed accordingly
 - (ii) "Services" shall mean Riverside (Phase 1) Estate Services and Shared Items Services jointly or individually or in any combination
 - (iii) "Serviced Areas" shall mean the Common Parts and the Shared Items jointly or individually or in any combination
- (b) In deciding the extent nature and quality of the relevant Service or Services from time to time the Landlord or the Management Company (as the case may be) shall at all times act reasonably and in accordance with the principles of good estate management having regard to the operation of the Hotel to Hotel Standards

- (c) In performing the Services and any other services hereunder the Landlord or the Management Company shall be entitled to employ or procure or permit the employment of managers agents contractors or others but subject to Clause 7.1.3
- (d) all sums comprising or comprised in any Service Charge costs and expenses shall be proper charges of their various types and descriptions and properly charged

Part II
(the Services)

Subject to paragraphs (b) and (c) above the following services to be carried out in accordance with the principles of good estate management and in relation to any services which affect the Hotel shall be carried out in a manner consistent with the operation of the Hotel to Hotel Standards shall constitute the Services:-

1. **Serviced Areas**

To maintain the Serviced Areas

2. **Apparatus plant machinery etc**

To maintain and operate all apparatus plant machinery and equipment comprised in or otherwise serving the Serviced Areas from time to time and the buildings housing them

3. **Pipes**

To maintain all Pipes within the Serviced Areas but (within the Common Parts) only those Pipes the use of which is shared by the Demised Premises with another building or buildings on the Riverside (Phase 1) Estate

4. **Fire alarms etc**

To maintain any smoke and/or smoke fire alarms and ancillary apparatus and fire prevention and fire fighting equipment and apparatus and other safety equipment and

ancillary apparatus and systems comprised in the Serviced Areas and in any event to maintain fire and smoke detection fire preventative and fire fighting equipment including sprinklers hydrants hose reels extinguishers fire alarms fire escapes and fire escape routes and general means of escape to the extent required to comply in relation to the Serviced Areas with statutory requirements and the requirements of responsible authorities or underwriters or insurance companies

5. **Lighting**

To keep lit at appropriate times all appropriate parts of the Serviced Areas

6. **Roads Malls etc open**

Without prejudice to any right of the Landlord or the Management Company hereunder so far as shall be reasonably practicable to keep open and unobstructed the access and circulation areas the roadways streets plazas malls lifts escalators travolators ramps stairs and other vehicular and pedestrian ways and similar areas comprised in the Serviced Areas (subject only to (a) any temporary closure from time to time or (b) any temporary closure at such times as are necessary for reasons of security or reasonable operational purposes)

7. **Security surveillance and visitor control**

To provide security services and personnel including where appropriate in the Landlord's or the Management Company's (as the case may be) discretion closed circuit television and/or other plant and equipment for the purpose of surveillance and supervision of users of the Serviced Areas

8. **Provision of signs and general amenities**

In the Landlord's or (as the case may be) the Management Company's discretion to provide and maintain direction signs and notices seats and other fixtures fittings chattels and amenities for the convenience of tenants and their visitors and for the enjoyment or better enjoyment of such parts of the Serviced Areas as are available from time to time for use by the occupiers of and visitors to the Riverside (Phase 1) Estate and/or members of the public

9. **Ornamental features gardens etc**

In the Landlord's or as the case may be the Management Company's discretion to provide and maintain hard and soft landscaping and planting within the Serviced Areas including fountains sculptures architectural artistic or ornamental features or murals and to keep all such parts of the Serviced Areas as may from time to time be laid out as landscaping (including water features) neat clean planted (where appropriate) properly tended and free from weeds and the grass cut

10. **Fixtures fittings etc**

To provide and maintain fixtures fittings furnishings finishes bins receptacles tools appliances materials equipment and other things for the maintenance appearance upkeep or cleanliness of the Serviced Areas and the provision of the services set out in this part of the Schedule

11. **Windows**

As often as the Landlord or as the case may be the Management Company may consider desirable to clean the exterior and interior of all windows and window frames in any building (or part thereof) included in the Serviced Areas and to provide and maintain cradles runways and carriages in connection with such cleaning

12. **Refuse**

To provide and operate or procure the provision and operation of means of collection compaction and disposal of refuse and rubbish (including litter within the Serviced Areas and if necessary pest control) from the Serviced Areas and other parts of the Riverside (Phase 1) Estate and to provide and maintain plant and equipment for the collection compaction treatment packaging or disposal of the same

13. **Traffic**

(So far as the same are not for the time being the exclusive responsibility of a public authority) to endeavour to control so far as practicable traffic flow and parking within the Car Park and traffic on the roads and service roads forming part of the Serviced Areas and

parking therein and for that purpose to provide such working and mechanical systems as the Landlord or (as the case may be) the Management Company considers appropriate including wheel clamping immobilising and removal of vehicles

14. Fuel

To arrange the provision of water fuel oil gas heating cooling air conditioning ventilation electricity and other energy and supply services to the Common Parts as may be required for use in running or operating any service to the Serviced Areas or distributed to occupiers of the Riverside (Phase 1) Estate including so far as appropriate standby power generators and plant excluding any such energy and supply services required to operate the apparatus plant machinery and equipment referred to in the exclusion to paragraph 2 of this Part of this Schedule

15. Other services

To provide such other services for the benefit of the Riverside (Phase 1) Estate or the convenience of the users or occupiers thereof as the Landlord or the Management Company may in accordance with the principles of good estate management consider desirable or appropriate

**Part III
(The Costs and Expenses)**

1. Staff

The proper cost of staff (including direct or indirect labour) for the provision of the Services to the Serviced Areas and for the general management operation and security of the Serviced Areas (including traffic control and policing) and all other proper incidental expenditure including but not limited to:-

- (a) salaries insurance health pensions welfare severance and other payments contributions and premiums

- (b) the cost of uniforms working clothes tools appliances materials and furniture furnishings stationery items and equipment (including telephones) for the proper performance of the duties of any such staff
- (c) providing maintaining repairing decorating and lighting any accommodation and facilities for staff including any residential accommodation for staff employed on the Serviced Areas and all rates gas electricity and other utility charges in respect thereof and any actual or notional rent for such accommodation

2. **Common Facilities**

The amount which shall require to be paid for or towards the proper costs charges fees and expenses in making laying repairing maintaining and lighting as the case may be any roads ways forecourts passages pavements any walls or fences any structures Pipes or other conveniences and easements whatsoever which may belong to or be capable of being used or enjoyed by the Riverside (Phase 1) Estate in common with any other property

3. **Outgoings**

All existing and future rates (including water rates) taxes duties charges assessments impositions and outgoings (whether parliamentary parochial local or of any other description and whether or not of a capital or non-recurring nature) payable in respect of the Serviced Areas or any part thereof

4. **Statutory requirements**

The proper cost of carrying out any works to the Serviced Areas required to comply with any statute

5. **Representations**

The proper cost of taking any steps deemed desirable or expedient by the Landlord or the Management Company acting reasonably for complying with making representations against or otherwise contesting the incidence of the provisions of any statute concerning

town planning rating public health highways streets drainage and all other matters relating or alleged to relate to the Serviced Areas or the Riverside (Phase 1) Estate as a whole or in which occupiers within the Riverside (Phase 1) Estate have a common interest

6. Fees of the Riverside (Phase 1) Estate Surveyor and the Accountant

The proper and reasonable fees costs charges expenses and disbursements of the Riverside (Phase 1) Estate Surveyor and the Accountant for or in connection with the performance of the duties ascribed to the Riverside (Phase 1) Estate Surveyor and the Accountant respectively under the provisions of Clause 9

7. Management

- (a) The proper and reasonable fees of managing agents employed or retained by the Landlord or the Management Company for or in connection with the general overall management and administration and supervision of the Riverside (Phase 1) Estate (excluding rent collection)
- (b) A reasonable fee to the Landlord or the Management Company in connection with the management of the Riverside (Phase 1) Estate

8. Insurance

- (a) The proper cost of insuring:-
 - (i) the Serviced Areas against loss or damage by the Insured Risks in such sum as shall in the Landlord's reasonable opinion be the full reinstatement cost thereof and including architects surveyors and other professional fees (and VAT thereon) and expenses incidental thereto the cost of shoring up demolition and site clearance compliance with local authority requirements and similar expenses and loss of income (if any) for such period as shall be reasonable having regard to the likely period required for obtaining planning permission and reinstating the Serviced Areas

- (ii) any engineering and electrical plant and machinery being part of the Serviced Areas against sudden and unforeseen damage breakdown and inspection to the extent that the same is not covered by sub-paragraph (a)(i) of this paragraph 8
 - (iii) property owners liability and public liability or such other insurances as the Landlord may from time to time deem necessary to effect
 - (iv) all items used or provided in connection with the Services including without limitation all furniture soft furnishings carpet chattels and effects in the Service Areas and all plant machinery tools and equipment
- (b) The proper cost of periodic valuations for insurance purposes but not more often than once in every three years together with annual desktop interim reviews
 - (c) Works required to the Serviced Areas in order comply with the proper requirements of the insurers of the Serviced Areas
 - (d) Any amount which may be deducted or disallowed by the insurers pursuant to the excess provision in the Landlord's insurance policy upon settlement or adjudication of any claim by the Landlord

9. Public activities

The proper cost of any displays concerts exhibitions or other forms of public entertainment or activity undertaken within the Serviced Areas or for the benefit or enjoyment of the Riverside (Phase 1) Estate or its occupiers

10. Miscellaneous items

- (a) The proper cost of leasing or hiring any of the items referred to in Part II or III of this Schedule

- (b) Interest commission and fees in respect of any moneys included in Shared Items Expenditure and/or Riverside (Phase 1) Estate Expenditure borrowed to finance the provision of services and any of the items referred to in Part II or Part III of this Schedule

Part IV

(Structural Services Costs and Expenses)

1. **Windows**

The proper cost of cleaning the exterior and (save where the responsibility of a tenant) interior of all windows and window frames in the Shared Structural Elements and of providing and maintaining cradles runways and carriages in connection with such cleaning

2. **Staff**

The proper cost of staff (including direct or indirect labour) for the provision of Structural Services and all other incidental expenditure including but not limited to:-

- (a) salaries insurance health pension welfare severance and other payments contributions and premiums
- (b) the cost of uniforms working clothes tools appliances materials and furniture furnishings stationery items and equipment (including telephones) for the proper performance of the duties of any such staff
- (c) providing maintaining repairing decorating and lighting any accommodation and facilities for staff including any residential accommodation for staff employed on the Building and all rates gas electricity and other utility charges in respect thereof and any actual or notional rent for such accommodation

3. **Common Facilities**

The amount which shall require to be paid or contributed towards the proper costs charges fees and expenses in making laying repairing maintaining rebuilding decorating and cleansing as the case may be any of the Shared Structural Elements

4. **Outgoings**

All existing and future rates (including water rates) taxes duties charges assessments impositions and outgoings whatsoever (whether parliamentary parochial local or of any other description and whether or not of a capital or non-recurring nature) payable in respect of the Shared Structural Elements or any part thereof

5. **Statutory requirements**

The proper cost of carrying out any works to the Shared Structural Elements required to comply with any statute

6. **Representations**

The proper cost of taking any steps deemed desirable or expedient by the Landlord or the Management Company acting reasonably in either case for complying with making representations against or otherwise contesting the incidence of the provisions of any statute concerning town planning rating public health and all other matters relating or alleged to relate to the Shared Structural Elements

7. **Building Regulations**

The proper cost of compliance with the Building Regulations so far as the same relate to the provision of the Structural Services

8. **Fees of the Riverside (Phase 1) Estate Surveyor and the Accountant**

The proper and reasonable fees costs charges expenses and disbursements of the Riverside (Phase 1) Estate Surveyor and the Accountant for or in connection with the performance of the duties ascribed to such Surveyor and the Accountant respectively under the provisions of Clause 9

9. **Management**

- (a) The proper and reasonable fees of managing agents employed or retained by the Landlord or the Management Company for or in connection with the general overall management and administration and supervision of the Structural Services (whether or not with other services)
- (b) A reasonable fee to the Landlord or the Management Company in connection with the management of the Structural Services

10. **Miscellaneous items**

- (a) The proper cost of leasing or hiring any of the items referred to in Part IV of this Schedule
- (b) Interest commission and fees in respect of any moneys included in Structural Expenditure borrowed to finance the provision of the Structural Services and any of the items referred to in Part IV of this Schedule

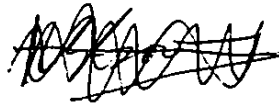
11. **Insurance**

- (a) Works required to the Shared Structural Elements in order to satisfy the insurers of the Riverside (Phase 1) Estate
- (b) Any amount which may be deducted or disallowed by the insurers pursuant to any excess provision in the Landlord's insurance policy upon settlement or adjudication of any claim by the Landlord

12. **Generally**

Any proper costs and expenses (not referred to above) which the Landlord or the Management Company may properly incur in providing such other services and in carrying out such other works as the Landlord or the Management Company in its or their reasonable discretion may deem desirable or necessary for the benefit of the Riverside (Phase 1) Estate or any part of it or the tenants or occupiers thereof or in the interest of good estate management

Signed as a deed by)
CANARY RIVERSIDE ESTATE)
PTE LIMITED acting by a director)
and its secretary)



Director



Secretary (or director)



LH4: 2016 Audited Service Charge Statements

Service Charge Statements for Canary Riverside Estate
For the year ended 31 March 2016

The Service Charge Fund of
Canary Riverside Estate

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The Service Charge Fund of
Canary Riverside Estate

Service Charge Fund Information
For the year ended 31 March 2016

Landlord	Canary Riverside Estate Management Limited 6th Floor Charles House 108-110 Finchley Road London NW3 5JJ
Managing Agent	Marathon Estates Limited 38 Westferry Circus Canary Riverside London E14 8RN
Auditor	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW

The Service Charge Fund of
Canary Riverside Estate

NOTES TO THE SERVICE CHARGE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016

Summary of costs as required by section 21(5) Landlord and Tenant Act 1985 as amended by schedule 2 of Landlord and Tenant Act 1987:

	£
Demands for payment were received and paid by the landlord within the period to the value of:	2,681,418
Demands for payment were received but remained unpaid by the landlord at the period end to the value of:	61,580
No demands for payment were received by the landlord by the period end but provision was made to the value of:	1,406,734

INDEPENDENT AUDITORS' REPORT ON SERVICE CHARGE STATEMENT OF CANARY RIVERSIDE ESTATE

We have audited the accompanying service charge accounts for Canary Riverside Estate for the year ended 31 March 2016, which comprise the Income and Expenditure accounts, Balance Sheet and related Notes to Accounts. The accounts have been prepared in accordance with the accounting policies set out in Note 1 to the accounts.

Respective responsibilities of the Landlord and Auditors

The landlord has engaged with a managing agent who is responsible for the preparation of the service charge accounts. It is our responsibility to form an independent opinion, based on our examination, on the service charge accounts and to report our opinion exclusively to the landlord.

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. Those 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 Canary Riverside Estate for the year ended 31 March 2016 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 accounts 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 any other purpose and we hereby expressly disclaim any and all such liability.


UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London
E1W 1YW

Date: 28 September 2016

CANARY RIVERSIDE ESTATE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016
ESTATE

	Notes	Actual 2016 £	Budget 2016 £	Actual 2015 £
INCOME				
Service Charges Receivable		1,442,926	1,442,920	1,418,490
Reserve Contribution Receivable		25,008	25,000	25,008
Estate Service Charge Receivable Transferred to Relevant Blocks	5	(1,442,926)	-	(1,418,490)
Estate Reserve Contribution Receivable Transferred to Relevant Blocks	5	(25,008)	-	(25,008)
		<u>-</u>	<u>1,467,920</u>	<u>-</u>
EXPENDITURE				
STAFFING				
Contracts and management staff		175,001	230,850	216,463
Uniforms and training		103	2,100	1,061
Staff recruitment		800	5,000	2,745
		<u>175,904</u>	<u>237,950</u>	<u>220,269</u>
UTILITIES				
Electricity		142,712	140,000	139,579
Telephone/MOB/Radios		8,364	11,000	11,809
		<u>151,076</u>	<u>151,000</u>	<u>151,388</u>
CONTRACTS, MAINTENANCE AND SERVICES				
Barrier Maintenance		-	2,000	129
Drainage System		2,527	6,000	6,765
Fire Alarm/Equipment Maintenance		14,535	14,500	13,339
General Repairs & Maintenance		57,635	40,200	29,551
Light Bulbs		1,468	2,200	925
Security/CCTV		452,027	477,000	456,668
Sundries		-	1,000	-
Vermin Control		1,524	2,000	1,922
Mechanical & Electrical		141,212	196,350	191,911
Electrical Repairs		11,309	6,000	3,396
Lift Maintenance Contract		4,599	4,500	3,999
Cleaning - General		8,759	9,000	9,068
Cleaning - Materials		429	400	243
Cleaning Windows		635	650	212
Estate Office Expenditure		27,773	38,205	40,049
Estate Vehicles		4,096	5,000	3,567
Bank Charges		1,506	1,000	821
		<u>730,034</u>	<u>806,005</u>	<u>762,565</u>
INSURANCE				
Infrastructure, engineering and employer protection		25,560	26,965	25,495
Insurance Claims		500	-	-
		<u>26,060</u>	<u>26,965</u>	<u>25,495</u>
PROFESSIONAL				
Audit & Accountancy Fee		6,000	8,000	6,000
Legal Fees		1,667	10,000	-
Professional Fees		17,144	13,000	27,819
Health and Safety		11,079	10,000	8,838
Management Fee		180,000	180,000	180,000
		<u>215,890</u>	<u>221,000</u>	<u>222,657</u>
SUB TOTAL				
		<u>1,298,964</u>	<u>1,442,920</u>	<u>1,382,374</u>
TRANSFER TO RESERVES				
		<u>25,008</u>	<u>25,000</u>	<u>25,008</u>
TOTAL EXPENDITURE				
		<u>1,323,972</u>	<u>1,467,920</u>	<u>1,407,382</u>
CONTRIBUTION FROM OTHER BLOCKS				
	6	<u>(1,323,972)</u>	<u>-</u>	<u>(1,407,382)</u>
SURPLUS/(DEFICIT)				
		<u>-</u>	<u>-</u>	<u>-</u>

CANARY RIVERSIDE ESTATE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016
RESIDENTIAL

	Notes	Actual 2016 £	Budget 2016 £	Actual 2015 £
INCOME				
Service Charges Receivable		1,813,766	1,813,764	1,796,428
Reserve Contribution Receivable		140,000	140,000	85,000
Service Charges Receivable - Estate	5	810,924	810,922	797,331
Reserve Contribution Receivable - Estate	5	14,054	14,050	14,055
Interest		1,023	-	353
		<u>2,779,767</u>	<u>2,778,736</u>	<u>2,693,167</u>
EXPENDITURE				
STAFFING				
Doormen		210,393	238,500	212,012
Uniforms and training		-	2,200	-
Staff recruitment		480	5,000	7,155
		<u>210,873</u>	<u>245,700</u>	<u>219,167</u>
UTILITIES				
Electricity		114,371	199,100	172,633
Gas		21,722	45,177	23,962
Water		66,991	85,000	79,335
Telephone/MOB/Radios		3,762	6,500	6,452
		<u>206,846</u>	<u>335,777</u>	<u>282,382</u>
CONTRACTS, MAINTENANCE AND SERVICES				
Access System & CCTV Maintenance		-	-	-
Barrier Maintenance		243	2,000	1,680
Fire Alarm/Equipment Maintenance		1,214	12,000	14,608
General Repairs & Maintenance		84,810	80,000	88,218
Light Bulbs		(6,414)	20,000	23,225
Landscaping		30,844	24,500	21,522
Sundries		(1,049)	1,500	(1,273)
Mechanical & Electrical		57,289	210,000	181,226
Electrical Repairs		22,498	30,000	25,404
Cradle Maintenance		13,247	20,000	23,054
Lift Maintenance Contract		123,934	125,076	121,753
Cleaning - General		102,479	100,000	99,959
Cleaning Windows		49,839	45,500	38,289
Rubbish Removal		27,760	20,000	18,724
Garden Lighting Maintenance		7,048	7,240	278
Garden Pathway Repair		1,607	-	-
Canary Wharf Irrigation Charge		12,283	11,000	9,066
Satellite/TV/Aerials		117	2,000	406
Irrecoverable Estate VAT		128,765	129,128	126,630
		<u>656,514</u>	<u>839,944</u>	<u>770,769</u>
INSURANCE				
Building and terrorism		318,875	340,343	316,076
Insurance Claims		-	-	-
		<u>318,875</u>	<u>340,343</u>	<u>316,076</u>
PROFESSIONAL				
Audit & Accountancy Fee		-	-	-
Professional Fees		29,519	20,000	547
Legal Fees		175,716	30,000	1,370
Health and Safety		6,470	2,000	174
		<u>211,705</u>	<u>52,000</u>	<u>2,091</u>
SUB TOTAL				
		<u>1,604,813</u>	<u>1,813,764</u>	<u>1,590,485</u>
TRANSFER TO RESERVES				
		<u>140,000</u>	<u>140,000</u>	<u>85,000</u>
ESTATE CONTRIBUTION				
	6	730,018	810,922	776,894
ESTATE CONTRIBUTION - MAJOR WORKS				
	6	14,055	14,050	14,055
TOTAL EXPENDITURE				
		<u>2,488,886</u>	<u>2,778,736</u>	<u>2,466,434</u>
SURPLUS/(DEFICIT)				
	4	<u>290,881</u>	<u>-</u>	<u>226,733</u>

CANARY RIVERSIDE ESTATE

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016**

CAR PARK

		Car Park Residential 2016	Car Park Commercial 2016	Actual Total 2016	Budget Total 2016	Actual Total 2015
	Notes	£	£	£	£	£
INCOME						
Service Charges Receivable		161,533	46,903	208,436	208,430	217,809
Reserve Contribution Receivable		14,415	5,585	20,000	20,000	20,000
Service Charges Receivable - Estate	5	193,834	74,550	268,384	227,907	263,842
Reserve Contribution Receivable - Estate	5	3,361	1,291	4,652	4,650	4,655
Water Recharge		-	3,449	3,449	-	1,880
		<u>373,143</u>	<u>131,778</u>	<u>504,921</u>	<u>460,987</u>	<u>508,186</u>
EXPENDITURE						
UTILITIES						
Electricity		37,581	14,561	52,142	51,300	51,003
Water Recharge Expense		-	3,449	3,449	-	1,880
Telephone/MOB/Radios		224	87	311	500	275
		<u>37,805</u>	<u>18,097</u>	<u>55,902</u>	<u>51,800</u>	<u>53,158</u>
CONTRACTS, MAINTENANCE AND SERVICES						
Barrier Maintenance		1,351	524	1,875	3,000	1,458
Fire Equipment		915	355	1,270	-	-
General Repairs & Maintenance		32,097	12,437	44,534	6,000	12,115
Health and Safety		5,514	2,137	7,651	300	-
Car Park Surface Painting		-	-	-	-	3,832
Mechanical & Electrical Costs		-	-	-	12,500	-
Electrical Repairs		10,957	4,246	15,203	17,000	13,500
Lighting & Fitting		38,333	14,852	53,185	15,000	21,289
Irrecoverable VAT		48,385	-	48,385	40,477	40,225
		<u>137,552</u>	<u>34,551</u>	<u>172,103</u>	<u>94,277</u>	<u>92,419</u>
INSURANCE						
Building and terrorism		42,106	16,315	58,421	62,353	57,907
		<u>42,106</u>	<u>16,315</u>	<u>58,421</u>	<u>62,353</u>	<u>57,907</u>
SUB TOTAL						
		<u>217,463</u>	<u>68,963</u>	<u>286,426</u>	<u>208,430</u>	<u>203,484</u>
TRANSFER TO RESERVES						
		<u>14,415</u>	<u>5,585</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
ESTATE CONTRIBUTION						
	6	174,138	67,471	241,607	227,907	257,122
ESTATE CONTRIBUTION - MAJOR WORKS						
	6	3,360	1,291	4,651	4,650	4,655
TOTAL EXPENDITURE						
		<u>409,374</u>	<u>143,310</u>	<u>552,684</u>	<u>460,987</u>	<u>485,261</u>
SURPLUS/(DEFICIT)						
	4	<u>(36,231)</u>	<u>(11,532)</u>	<u>(47,763)</u>	<u>-</u>	<u>22,925</u>

CANARY RIVERSIDE ESTATE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016
COMMERCIAL

		Actual 2016	Budget 2016	Actual 2015
	Notes	£	£	£
INCOME				
Service Charges Receivable		362,796	362,796	352,694
Service Charges Receivable - Estate	5	363,618	363,616	357,316
Reserve Contribution Receivable - Estate	5	6,302	6,301	6,298
Gas Recharge		11,182	-	10,751
Water Recharge		94,299	-	98,382
		<u>838,197</u>	<u>732,713</u>	<u>825,441</u>
EXPENDITURE				
UTILITIES				
Electricity		19,636	20,205	17,616
Gas Recharge Expense		11,182	-	10,751
Water Recharge Expense		94,299	-	98,382
		<u>125,117</u>	<u>20,205</u>	<u>126,749</u>
CONTRACTS, MAINTENANCE AND SERVICES				
General Repairs & Maintenance		8,367	25,500	18,164
Water Softener		1,522	7,500	5,691
Cleaning Windows		12,693	6,700	4,264
Sundries		(150)	-	(30)
Mechanical & Electrical		986	15,000	-
Lift Maintenance Contract		15,386	17,000	15,908
Drainage System		181	3,000	-
Landscaping and Gardening		9,127	7,000	6,429
Garden Light Maintenance		1,748	1,802	69
Garden Pathway Repair		43	-	-
Rubbish Removal		139,432	112,000	112,619
Canary Wharf Irrigation Charge		3,057	2,990	2,257
		<u>192,392</u>	<u>198,492</u>	<u>166,371</u>
INSURANCE				
Building and terrorism		135,011	144,099	133,825
Insurance Claim		100	-	-
		<u>135,111</u>	<u>144,099</u>	<u>133,825</u>
PROFESSIONAL				
Legal Fees		1,500	-	-
		<u>1,500</u>	<u>-</u>	<u>-</u>
SUB TOTAL				
		<u>454,120</u>	<u>362,796</u>	<u>425,945</u>
ESTATE CONTRIBUTION	6	327,339	363,616	348,358
ESTATE CONTRIBUTION - MAJOR WORKS	6	6,302	6,301	6,298
TOTAL EXPENDITURE		<u>787,761</u>	<u>732,713</u>	<u>780,601</u>
SURPLUS/(DEFICIT)	4	<u>50,436</u>	<u>-</u>	<u>44,840</u>

CANARY RIVERSIDE ESTATE
ANALYSIS OF COMMERCIAL EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2016

		Commercial in Residential	Club Building	1 Westferry	Total
		£	£	£	£
COMMERCIAL EXPENDITURE SPLIT					
UTILITIES					
Electricity		1,397	11,834	300	13,331
Gas Recharge Expense		11,182	-	-	11,182
Water Recharge Expense		10,694	40,367	-	51,061
		<u>23,273</u>	<u>52,001</u>	<u>300</u>	<u>75,574</u>
CONTRACTS, MAINTENANCE AND SERVICES					
General Repairs & Maintenance		683	4,375	48	5,104
Cleaning Windows		952	11,741	-	12,693
Sundries		-	(30)	-	(30)
Mechanical & Electrical		-	986	-	986
Electrical Repairs		-	-	-	-
Lift Maintenance Contract		-	15,386	-	15,386
Drainage System		-	-	181	181
Rubbish Removal		34,838	34,854	34,854	104,546
Tenant Recharge Expense		-	-	-	-
		<u>36,473</u>	<u>67,312</u>	<u>35,081</u>	<u>138,866</u>
INSURANCE					
Building and terrorism		8,436	27,563	8,971	44,970
Insurance Claim		-	100	-	100
		<u>8,436</u>	<u>27,663</u>	<u>8,971</u>	<u>45,070</u>
PROFESSIONAL					
Audit & Accountancy Fee		-	-	-	-
Legal Fees		-	1,500	-	1,500
		<u>-</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
SUB TOTAL		<u>68,182</u>	<u>148,476</u>	<u>44,352</u>	<u>261,010</u>
ESTATE CONTRIBUTION	6	13,120	70,144	25,849	109,113
ESTATE CONTRIBUTION - MAJOR WORKS	6	253	1,350	498	2,101
TOTAL EXPENDITURE		<u>81,555</u>	<u>219,970</u>	<u>70,699</u>	<u>372,224</u>

CANARY RIVERSIDE ESTATE
ANALYSIS OF BUILDING EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2016

	Residential	Commercial In Residential	Total
	£	£	£
BUILDING EXPENDITURE SPLIT			
STAFFING			
Doomen	210,393	-	210,393
Staff recruitment	480	-	480
	<u>210,873</u>	<u>-</u>	<u>210,873</u>
UTILITIES			
Electricity	114,371	1,397	115,768
Gas	21,722	11,182	32,904
Water	66,991	10,694	77,685
Telephone/MOB/Radios	3,762	-	3,762
	<u>206,846</u>	<u>23,273</u>	<u>230,119</u>
CONTRACTS, MAINTENANCE AND SERVICES			
Barrier Maintenance	243	-	243
Fire Alarm/Equipment Maintenance	1,214	-	1,214
General Repairs & Maintenance	84,810	683	85,493
Light Bulbs	(6,414)	-	(6,414)
Landscaping	30,844	-	30,844
Sundries	(1,049)	-	(1,049)
Mechanical & Electrical	57,289	-	57,289
Electrical Repairs	22,498	-	22,498
Cradle Maintenance	13,247	-	13,247
Lift Maintenance Contract	123,934	-	123,934
Cleaning - General	102,479	-	102,479
Cleaning Windows	49,839	952	50,791
Rubbish Removal	27,760	34,838	62,598
Garden Lighting Maintenance	7,048	-	7,048
Garden Pathway Repair	1,607	-	1,607
Canary Wharf Irrigation Charge	12,283	-	12,283
Satellite/TV/Aerials	117	-	117
Irrecoverable Estate VAT	128,765	-	128,765
	<u>656,514</u>	<u>36,473</u>	<u>692,987</u>
INSURANCE			
Building and terrorism	318,875	8,436	327,311
Insurance Claim	-	-	-
	<u>318,875</u>	<u>8,436</u>	<u>327,311</u>
PROFESSIONAL			
Audit & Accountancy Fee	-	-	-
Professional Fees	29,519	-	29,519
Legal Fees	175,716	-	175,716
Health and Safety	6,470	-	6,470
	<u>211,705</u>	<u>-</u>	<u>211,705</u>
SUB TOTAL	<u>1,604,813</u>	<u>68,182</u>	<u>1,672,995</u>
TRANSFER TO RESERVES	<u>140,000</u>	<u>-</u>	<u>140,000</u>
ESTATE CONTRIBUTION	6	730,018	13,120
ESTATE CONTRIBUTION - MAJOR WORKS	6	14,055	253
TOTAL EXPENDITURE	<u>2,488,886</u>	<u>81,555</u>	<u>2,570,441</u>

CANARY RIVERSIDE ESTATE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016
COMMERCIAL IN RESIDENTIAL

	Notes	Actual 2016 £	Budget 2016 £	Actual 2015 £
INCOME				
Service Charges Receivable		40,403	40,403	41,703
Service Charges Receivable - Estate	5	14,574	14,573	14,327
Reserve Contribution Receivable - Estate	5	253	253	253
Gas Recharge		11,182	-	10,751
Water Recharge		10,694	-	10,462
		<u>77,106</u>	<u>55,229</u>	<u>77,496</u>
EXPENDITURE				
UTILITIES				
Electricity		1,397	1,200	1,368
Gas Recharge Expense		11,182	-	10,751
Water Recharge Expense		10,694	-	10,462
		<u>23,273</u>	<u>1,200</u>	<u>22,581</u>
CONTRACTS, MAINTENANCE AND SERVICES				
General Repairs & Maintenance		683	1,000	306
Cleaning Windows		952	1,200	861
Rubbish Removal		34,838	28,000	28,497
Sundries		-	-	(30)
		<u>36,473</u>	<u>30,200</u>	<u>29,634</u>
INSURANCE				
Building and terrorism		8,436	9,003	8,362
		<u>8,436</u>	<u>9,003</u>	<u>8,362</u>
SUB TOTAL				
		<u>68,182</u>	<u>40,403</u>	<u>60,577</u>
TRANSFER TO RESERVES				
		-	-	-
ESTATE CONTRIBUTION				
	6	13,120	14,573	13,962
ESTATE CONTRIBUTION - MAJOR WORKS				
	6	253	253	253
TOTAL EXPENDITURE				
		<u>81,555</u>	<u>55,229</u>	<u>74,792</u>
SURPLUS/(DEFICIT)				
	4	<u>(4,449)</u>	<u>-</u>	<u>2,704</u>

CANARY RIVERSIDE ESTATE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016
CLUB

		Actual 2016	Budget 2016	Actual 2015
	Notes	£	£	£
INCOME				
Service Charges Receivable		128,323	128,323	102,123
Service Charges Receivable - Estate	5	77,918	77,918	76,598
Reserve Contribution Receivable - Estate	5	1,350	1,350	1,350
Water Recharge		40,367	-	39,795
		<u>247,958</u>	<u>207,591</u>	<u>219,866</u>
EXPENDITURE				
UTILITIES				
Electricity		11,634	12,405	11,897
Water Recharge Expense		40,367	-	39,795
		<u>52,001</u>	<u>12,405</u>	<u>51,692</u>
CONTRACTS, MAINTENANCE AND SERVICES				
General Repairs & Maintenance		4,375	21,000	15,597
Sundries		(30)	-	-
Mechanical & Electrical		986	15,000	-
Lift Maintenance Contract		15,386	17,000	15,908
Cleaning Windows		11,741	5,500	3,403
Rubbish Removal		34,854	28,000	28,497
		<u>67,312</u>	<u>86,500</u>	<u>63,405</u>
INSURANCE				
Building and terrorism		27,563	29,418	27,320
Insurance Claim		100	-	-
		<u>27,663</u>	<u>29,418</u>	<u>27,320</u>
PROFESSIONAL				
Legal Fees		1,500	-	-
		<u>1,500</u>	<u>-</u>	<u>-</u>
SUB TOTAL				
		<u>148,476</u>	<u>128,323</u>	<u>142,417</u>
TRANSFER TO RESERVES				
		<u>-</u>	<u>-</u>	<u>-</u>
ESTATE CONTRIBUTION	6	70,144	77,918	74,648
ESTATE CONTRIBUTION - MAJOR WORKS	6	1,350	1,350	1,350
TOTAL EXPENDITURE		<u>219,970</u>	<u>207,591</u>	<u>218,415</u>
SURPLUS/(DEFICIT)	4	<u>27,988</u>	<u>-</u>	<u>1,451</u>

CANARY RIVERSIDE ESTATE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016
WESTFERRY 1

		Actual 2016	Budget 2016	Actual 2015
	<i>Notes</i>	£	£	£
INCOME				
Service Charges Receivable		40,575	40,575	40,575
Service Charges Receivable - Estate	5	28,714	28,714	28,086
Reserve Contribution Receivable - Estate	5	498	498	495
		<u>69,787</u>	<u>69,787</u>	<u>69,156</u>
EXPENDITURE				
UTILITIES				
Electricity		300	-	-
		<u>300</u>	<u>-</u>	<u>-</u>
CONTRACTS, MAINTENANCE AND SERVICES				
General Repairs & Maintenance		46	-	1,672
Drainage System		181	3,000	-
Rubbish Removal		34,854	28,000	28,497
		<u>35,081</u>	<u>31,000</u>	<u>30,169</u>
INSURANCE				
Building and terrorism		8,971	9,575	8,893
		<u>8,971</u>	<u>9,575</u>	<u>8,893</u>
SUB TOTAL				
		<u>44,352</u>	<u>40,575</u>	<u>39,062</u>
TRANSFER TO RESERVES				
		<u>-</u>	<u>-</u>	<u>-</u>
ESTATE CONTRIBUTION				
	6	25,849	28,714	27,509
ESTATE CONTRIBUTION - MAJOR WORKS				
	6	498	498	495
TOTAL EXPENDITURE				
		<u>70,699</u>	<u>69,787</u>	<u>67,066</u>
SURPLUS/(DEFICIT)				
	4	<u>(912)</u>	<u>-</u>	<u>2,090</u>

CANARY RIVERSIDE ESTATE

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016
HOTEL**

		Actual 2016	Budget 2016	Actual 2015
	<i>Notes</i>	£	£	£
INCOME				
Service Charges Receivable		153,495	153,495	168,293
Service Charges Receivable - Estate	5	242,412	242,411	238,305
Reserve Contribution Receivable - Estate	5	4,201	4,200	4,200
Water Recharge		43,238	-	48,125
		<u>443,346</u>	<u>400,106</u>	<u>458,923</u>
EXPENDITURE				
UTILITIES				
Electricity		6,305	6,600	4,351
Water Recharge Expense		43,238	-	48,125
		<u>49,543</u>	<u>6,600</u>	<u>52,476</u>
CONTRACTS, MAINTENANCE AND SERVICES				
General Repairs & Maintenance		3,263	3,500	589
Sundries		(120)	-	-
Water Softener		1,522	7,500	5,691
Rubbish Removal		34,886	28,000	27,128
Landscaping and Gardening		9,127	7,000	6,429
Garden Light Maintenance		1,748	1,802	69
Garden Pathway Repair		43	-	-
Canary Wharf Irrigation Charge		3,057	2,990	2,257
		<u>53,526</u>	<u>50,792</u>	<u>42,163</u>
INSURANCE				
Building Insurance		90,041	96,103	89,250
		<u>90,041</u>	<u>96,103</u>	<u>89,250</u>
SUB TOTAL				
		<u>193,110</u>	<u>153,495</u>	<u>183,889</u>
TRANSFER TO RESERVES				
		-	-	-
ESTATE CONTRIBUTION	6	218,226	242,411	232,239
ESTATE CONTRIBUTION - MAJOR WORKS	6	4,201	4,200	4,200
TOTAL EXPENDITURE		<u>415,537</u>	<u>400,106</u>	<u>420,328</u>
SURPLUS/(DEFICIT)	4	<u>27,809</u>	<u>-</u>	<u>38,595</u>

CANARY RIVERSIDE ESTATE

BALANCE SHEET AS AT 31 MARCH 2016

	<i>Notes</i>	2016 £	2016 £	2015 £	2015 £
CURRENT ASSETS:					
Trade Debtors		1,797,957		1,359,512	
Other Debtors		175,932		14,922	
Amount due from Landlord	7	130,787		234,257	
Prepayments & Accrued Income		154,523		272,741	
Bank	8	<u>2,143,673</u>		<u>2,231,101</u>	
		4,402,872		4,112,533	
CURRENT LIABILITIES:					
Trade Creditors		61,580		63,133	
Deferred Income		1,968,526		1,909,268	
Other Creditors		27,423		1,800	
Accruals		<u>1,406,734</u>		<u>353,884</u>	
		3,464,263		2,328,085	
NET ASSETS/ (LIABILITIES)			<u>938,609</u>		<u>1,784,448</u>
FINANCED BY:					
Reserve fund - Estate	2		272,160		364,086
Reserve fund - Residential Flats	2		338,471		586,060
Reserve fund - Car park	2		319,388		299,091
Reserve fund - Commercial	2		8,590		8,584
Specific fund - Chillers Replacement	3		-		526,627
Balance carried forward at 31 March 2016			<u>938,609</u>		<u>1,784,448</u>

**The Service Charge Fund of
Canary Riverside Estate**

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. Accounting policies

1.1 Accounting convention

The financial statements have been prepared on the historical cost basis.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

2. Reserves	Residential				Total £
	Estate £	Flats £	Car Park £	Commercial £	
Balance brought forward at 1 April 2015	364,086	586,060	299,091	8,584	1,257,821
Transfer from current account	25,008	140,000	20,000	-	185,008
Interest on reserve	223	663	297	6	1,189
Reserve expenditure	(117,157)	(388,252)	-	-	(505,409)
Balance carried forward at 31 March 2016	<u>272,160</u>	<u>338,471</u>	<u>319,388</u>	<u>8,590</u>	<u>938,609</u>

Details of Reserve Expenditure

	£	
<u>Estate</u>		
Internal Paths	7,975	
Meter Replacement	7,975	
Pathways	<u>101,207</u>	
		117,157
<u>Residential Flats</u>		
Chiller Replacement	<u>388,252</u>	
		388,252
		<u>505,409</u>

3. Specific Fund

Balance brought forward at 1 April 2015	526,627
Expenditure	(526,627)
Balance carried forward at 31 March 2016	<u>-</u>

4. Surplus/(Deficit) on budgeted expenditure

	£
Surplus on expenditure to 31 March 2016 - Residential	290,881
Deficit on expenditure to 31 March 2016 - Car Park	(47,763)
Deficit on expenditure to 31 March 2016 - Commercial in Residential	(4,449)
Surplus on expenditure to 31 March 2016 - Club	27,988
Deficit on expenditure to 31 March 2016 - Westferry 1	(912)
Surplus on expenditure to 31 March 2016 - Hotel	27,809
Total Surplus for the year	<u>293,554</u>

**The Service Charge Fund of
Canary Riverside Estate**

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016**

5. Estate Income Split

	Service Charges Receivable £	Reserve Contribution Receivable £	Total £
Residential	810,924	14,054	824,978
Car Park	268,384	4,652	273,036
Commercial in Residential	14,574	253	14,827
Club	77,918	1,350	79,268
Westferry 1	28,714	498	29,212
Hotel	242,412	4,201	246,613
	1,442,926	25,008	1,467,934

6. Estate Expenditure Split

	Service Charge Expenditure £	Reserve Expenditure £	Total £
Residential	730,018	14,055	744,073
Car Park	241,607	4,651	246,258
Commercial in Residential	13,120	253	13,373
Club	70,144	1,350	71,494
Westferry 1	25,849	498	26,347
Hotel	218,226	4,201	222,427
	1,298,964	25,008	1,323,972

7. Landlord Balance

There was a balance due from the landlord as at 31 March 2016. This was paid in full following the year end.

8. Bank Account

All client monies are held by way of a statutory trust, in a designated Client Bank Account at The Royal Bank of Scotland International Limited (RBS International) trading as NatWest, P.O. Box 64, Royal Bank House, 71 Bath Street, St. Helier, Jersey JE4 8PJ and HSBC, 8 Canada Square, London E14 5HQ in accordance with Section 42 and Section 42A of the Landlord & Tenant Act 1987.
Account Names;

Natwest:

Marathon Estates Limited - Client: Canary Riverside Estate Management Limited Account No: 85871966

HSBC:

Canary Riverside Estate Management Limited Residential Reserve Fund Account No: 81584219

Canary Riverside Estate Management Limited Residential Car Park Reserve Fund Account No: 91584316

Canary Riverside Estate Management Limited Reserve Fund Account No: 31584251

Canary Riverside Estate Management Limited Commercial Reserve Fund Account No: 41584200

Canary Riverside Estate Management Limited Commercial Car Park Reserve Fund Account No: 61584189