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THE GATEWAYS AND ELYSTAN MANAGEMENT COMPANY LIMITED

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 29<sup>TH</sup> September 1996

COMPANY INFORMATION:

DIRECTORS:

Michael D. C. C. Campbell  
Louis C Mazel (Dutch)  
Nigel Johnson-Hill  
Brigadier J. L Pownell (as of 12/3/97)

COMPANY SECRETARY AND MANAGING AGENTS

Kinleigh, Folkard and Hayward  
KFH House  
Norstead Place  
London SW15 3SA



~~SOLICITOR AND REGISTERED OFFICE:~~

~~Charles Caplin & Co.,  
87-91 New Bond Street  
London W1Y 9LA~~

as of June 1997

AUDITOR

~~Dennis R. Waters  
Chartered Accountant  
6 Arundel Court  
Jubilee Place  
London SW3 3TJ~~

as of June 1997

Cawkwells  
28 Trevor Place  
London SW7 1LL

CONTENTS:

	Pages
Company Information	1
Directors' Report	2 - 7
Auditor's Report	8
Profit & Loss Account	9
Balance Sheet	10
Notes to Financial Statement	10 - 11



COMPANIES HOUSE 04/08/97

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## **THE GATEWAYS AND ELYSTAN MANAGEMENT COMPANY**

### **DIRECTORS' REPORT**

The activities during the year under review continued to be the management, maintenance and where possible improvement of the Gateways and Elystan Estates.

Although it was a year of consolidation, the major event was the change of management from Chesterton to Kinleigh, Folkard and Hayward. In essence the changeover went smoothly with the exception of the accounts which still have not been finally settled with Chesterton.

Both the Gateways and Elystan Estates are now running with a surplus income over expenditure and a serious beginning has been made for a sinking fund in order that the repointing and cleaning of brickwork can indeed take place. This is now planned to be carried out during September, October and November 1998.

### **THE GATEWAYS ESTATE ACCOUNTS**

For the year 1995/96 the normal running expenditure of the Gateways Estate amounted to roughly £29,000 compared to £37,000 the previous year. The management fee was reduced from £11,700 to £11,100. No major repairs or replacements were carried out.

Summarising, the Gateways Estate income amounts to £99,983 with a total expenditure of £41,488, which leaves after a net income of interest of £1,623, a provision for the brickwork of £60,117 and after adding the previous reserves of £7,381, a total sinking fund of £67,498.

A very provisional estimate for the repointing and cleaning of the brickwork for the Gateways Estate would indicate an amount approaching £200,000. Hence, further provisions of some £130,000 will have to be made over the next two financial years. In order to achieve this target, it is the intention that the current level of service charge will remain unaltered for both 1996/7 and 1997/8. The individual year end 1995/6 debit and credit adjustments, as shown in the attachment, of the Gateways accounts, indicate that both Sprimont Place and Whitehead's Grove owners will have to make additional contributions whereas the Gateways owners will obtain refunds. This will be carried out soonest after the AGM.

## THE GATEWAYS AND ELYSTAN MANAGEMENT COMPANY

### THE ELYSTAN ESTATE ACCOUNTS

For the year 1995/6 the normal running expenditure of the Elystan Estate remains at just over £9,000. The management fee has been reduced from £2,927 to £2,119. The total income of the Elystan Estate amounted to £37,982, which after total expenditure created provisions for brickwork of £26,697 and after including previous provisions of £2,148 means that the total sinking fund now stands at £28,845.

The repointing and cleaning of the brickwork in 1998 is very roughly estimated at £45/50,000. In other words barring unexpected events, both the financial years 1996/7 and 1997/8 would have to create provisions of approximately £10,000. Based on current assumptions this would mean that the total service charge for the year 1997/8 can and will be reduced from currently nearly £27,000 to just over £20,000. Alternatively if the brickwork was to be done in 1997 funds would be required earlier (an alternative suggestion as no flowers or shrubs are involved April/May 1998). For the financial year 1995/6, small individual adjustments will be invoiced or credited as indicated in the appendix of the Elystan Estate accounts.

It is with regret that we have to inform you that after considerable discussions with the next door pub owners, they have decided to withdraw their suggestion of selling or leasing part of their backyard which could have created possible additional garages. This particular issue is now not open to further discussion.

Assuming that there is still serious interest in principle by the flat owners to create new and simplified leases, we hope to address this issue over the next few months. The owner of flat H has, in principle, consented to accept the same percentage figures for the various charges in their lease as in the other leases, provided that adjustments will be made during the period that the lease is in the current owner's name. This would seem an eminently equitable solution and we would like to think we can proceed with this matter during 1997. It should be emphasised that this is only possible if all the lease holders agree and sign after consultation with their own solicitors.

The purpose of the new lease is only to simplify the leases, obtain uniform percentages and equal, sensible rents for all leases and NOT an extension of the leases. After leases for the flats have been varied, a similar arrangement might be made for the garages but it will be much more difficult due to the fact that there are three garages with a freehold and not paying a penny to the upkeep of the estate, some garages having a different arrangement for charges and one garage with charges which include a box room.

## THE GATEWAYS AND ELYSTAN MANAGEMENT COMPANY

We very much would like to re-acquire the freehold of the relevant box room (the only freehold box room on the estate) but the trustees concerned have not been particularly co-operative in this matter.

### GEMCo ACCOUNTS

GEMCo's 1995/6 normal rental income amounted to £7,263, added to which is sundry income of £311. The net income of Flat A amounted to £2,257.

After more than two years of extensive correspondence, discussions, cajoling and threatening, the LEB has finally agreed to a more realistic rental of the garage space which they are using for a transformer station. The rental will go up from £1 p.a. to £600 p.a. and is currently provided for in the new lease. This would take effect as of January 1995. The Company's total income for the financial year under review amounts to £10,432.

The difference between income and expenditure has been applied against a payment to the mortgage company, resulting in an outstanding amount with the mortgage company of £91,838.

The National and Provincial Building Society has been taken over by Abbey National and some bonus shares were issued in late 1996 which the company has now sold, providing for the financial year 1996/7 an extra income of just over £600.

Box room rental for 1996/7 and 1997/8 will be maintained at £300, as usual payable quarterly in advance. Dog licences will remain also at £30 per financial year.

At the end of the financial year under review, there were 54 shareholders. We maintain that based on the current accounts the value of a new share is now £1 plus a premium of £599.

The transfer of the managing agents from Chesterton to Kinleigh, Folkard and Hayward went smoothly with the exception of the accounts. Chesterton provided us with reams of paper but no consolidation was made and the three amounts transferred by Chesterton for the Gateways Estate, Elystan Estate and GEMCo respectively did not bear any relationship to the non-consolidated accounts provided. Based on the documents provided, we determined a cash flow which we presented to Chesterton but even after repeated requests, no response whatsoever has been forthcoming. Technically speaking and based on the information provided by them, Chesterton owes us some money, however, due to some undeniable mistakes in their accounts, the inverse is true and the Gateways Estate, Elystan Estate and GEMCo together could possibly owe Chesterton some money.

## THE GATEWAYS AND ELYSTAN MANAGEMENT COMPANY

These various discrepancies have been properly provided for in the accounts and do not affect any income in the expenditure statement. We nevertheless want to finalise this matter with Chesterton and hope to arrive at some amicable final solution later this year.

As a result of the above, to minimise uncertainties, it was deemed appropriate to delay the accounts and AGM from December 1996 to 7 April 1997.

### GENERAL

#### 1. Flat and Garage Leases

As already indicated above this really is a matter for the Elystan Estate. You might recall that the percentages a few years ago did not tally at all. The individual long lease flat owners agreed to certain adjustments which now make it possible for expenditure for each particular expenditure group to match its income. Although the agreement has been confirmed in writing, it does cause uncertainty in case of transfer of a long lease. It would seem appropriate to formalise this matter by means of new leases. Although initially we will try to prepare a draft long lease, the final detail will have to be worked out with GEMCo's solicitor in order that all the solicitors of the respective long lease holders will be able to agree. It undoubtedly will entail some legal cost. The GEMCo's solicitors fee for the drafting and executing of the leases, will in principle, be carried by the Elystan Estate but each individual lease holder solicitor's costs will have to be borne by the respective long lease flat owner. If all goes well a conclusion of this matter would be at the earliest October/November this year.

#### 2. Repointing and Cleaning of Brickwork

With considerable time having been spent with the Chesterton accounts and the LEB, it turned out that there was not really enough time available to concentrate on proper quotations for work on the brickwork, which equally turned out to be much more complex than originally anticipated. There have been tentative discussions with three possible contractors, but none of them have been willing to provide a detailed quote without some form of payment, which ranges from £2 - 4,000 per contractor. Furthermore there seemed to be very few companies seriously interested in this matter and therefore slow in forthcoming with ideas, discussions and quotations. To date, we have found out that to all intents and purposes, jet water cleaning would seem the most appropriate whereas in principle, the top five layers of brick on the whole estate might have to be treated with chemicals. Although it would be ideal to set a fixed square yardage for repointing, this seems to be impractical because the contractors do not know what they will find.

## THE GATEWAYS AND ELYSTAN MANAGEMENT COMPANY

Equally, it is still not determined as to what standard the cleaning should be. The best example is 11 Gateways which is cleaned to a very high standard, whereas perhaps 11 Whitehead's Grove might be an acceptable standard. Equally it would be undesirable (as well as probably unacceptable to the relevant authorities looking after listed buildings) to accept the standard of the brick parapet of 15/17 The Gateways.

A much more difficult point is the coalbunkers. Some of them would appear to be falling apart, some of them have been rebuilt and some completely removed, leaving rather ugly looking walls. Last but not least, some chimneys are now burdened with up to three tall and heavy aerials. It should not be surprising if one day during a heavy storm some of those chimneys collapse. It should be mentioned that when the re-roofing was done at the Elystan Estate, two of the chimneys could just be pushed over because the cement had worn out. We have found out from the flats of the Elystan Estates that the centralising of aerials works very satisfactory and this should also be taken into consideration when repointing the brickwork..

Summarising, considerable more detail will have to be worked out, but it would seem that each of the coalbunkers should be individually looked at and possibly repaired at the cost of the individual home owner, whereas repointing and cleaning of the brickwork together with the centralising of the aerials should be for the account of the relevant estate. This all ought to be carried out during September/November 1998 (it seems to be the most appropriate time of the year, bearing in mind various plants and shrubs). Based on today's information, it would possibly cost for the Gateways Estate close to £200,000 and for the Elystan Estate £45/50,000.

These are preliminary indications and substantial work will have to be carried out over the next few months, but we hope that at the next AGM in December, more detailed information will be available to all concerned.

Nevertheless, final figures will possibly not be known until Summer 1998, just prior to the commencement of the work which is now planned for early September 1998. This timing would also be appropriate as by that time, based on the current charges levied at the Gateways and even slightly reduced charges for the Elystan Estate, there should be adequate funds to carry out this work at such time.

## THE GATEWAYS AND ELYSTAN MANAGEMENT COMPANY

### DIRECTORS' REVIEW

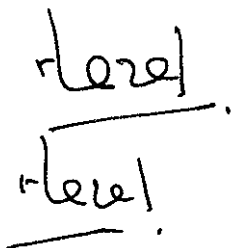
The Directors who served during the period under review and their interest in the Company are stated below:

	SHARES
Michael D. C. C. Campbell (appointed 05.06.90) (One share held in the name of Ellis Campbell Inc.)	1
Louis C Mazel (appointed 01.07.92)	1
Nigel Johnson-Hill (appointed 18.01.94) (One share held in the name of Ancroft Properties Limited).	1
Brigadier J. L. Pownell (appointed 12/3/97)	1

The auditor, Dennis Waters FCA., has verified and in principle agreed the accounts for 1995/96 and it is anticipated that they will be certified and signed prior to the AGM.

Once again as a final point we wish to express our appreciation to Mrs Elms for her indefatigable efforts in keeping the estates clean and tidy and helping in so many other ways.

Signed by the Board  
THE GATEWAYS AND ELYSTAN MANAGEMENT COMPANY LIMITED  
12 March 1997



LOUIS C MAZEL  
Director



MICHAEL D.C.C. CAMPBELL  
Director

*resigned April 1997.*



NIGEL JOHNSON HILL  
Director

London 12 March 1997

**Company Number: 2505556**

**The GATEWAYS  
AND  
ELYSTAN MANAGEMENT  
COMPANY LIMITED**

**Financial Accounts  
for the year ending 29<sup>th</sup> September 1996**

- 11 -  
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**GEMCO - PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 29th SEPTEMBER 1996**

	1996	1995
Rents	7,263.50	7,015
Sundry income	311.00	2,524
L.E.B. - (2 years)	1,100.00	-
Flat A rental	10,750.00	7,985
Mortgage Interest*	(8,492.54)	(6,154)
<b>OPERATING INCOME</b>	<b>£ 10,931.96</b>	<b>11,370</b>
Legal expenses	499.38	1,224
Copied/Dist 1995 A. Report	150.00	1,000
9 months S&S	1,350.00	{
3 months S&S	264.37	{ 1,800
Garage Survey	646.25	
Repairs	-	225
Slave door (50% £2899.90)	1,449.95	
Company house	18.00	
Bank charges	50.00	143
Sundry Expenses	50.00	251
Audit fee 1995/6	650.00	650
<b>ADMINISTRATION EXPENSES</b>	<b>(5,127.95)</b>	<b>(5,293)</b>
Tax		26
Extra Ordinary Item		(2,434)
<b>Profit for the year</b>	<b>5,804.01</b>	<b>3,669</b>
Loss brought forward	(4,644.00)	(8,313)
Profit transferred to mortgage repayment	(1,160.01)	
Profit (Loss) carried forward	<u>0.00</u>	<u>(4,644)</u>

3 Aug '97

\* through October 1996

- 2 -  
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**GEMCO - BALANCE SHEET FOR THE YEAR ENDED 29th SEPTEMBER 1996**

	1996	1995
<b>ASSETS</b>		
Fixed, tangible	127,700.00	127,700
Current assets		
Managing Agents	8,572.39	2,912
Debtors 1995/96	310.00	
Prepayment		1,800
L.E.B.	1,100.00	
Bank account	1,513.54	407
<b>LIABILITIES</b>		
Creditors		
Audit fee 1995/96	(650.00)	(650.00)
Legal costs	(499.38)	(118)
Sundries	(50.00)	
Prepayment rents		(1,456)
Administration Provision		(1,000)
Exceptional creditor	(3,295.20)	
Building Society (5 months)	(4,773.00)	
Outstanding mortgage	(97,301.00)	(97,301)
Mortgage repayment	5,462.66	
	(91,838.34) *	
Taxation		(8)
Nett Assets	<u>38,090.01</u>	<u>32,286</u>
Capital reserve	58.00	58
Share premium	36,872.00	36,872
Profit	<u>1,160.01</u>	<u>(4,644)</u>
	<u>38,090.01</u>	<u>32,286</u>

3 Aug '97

\* through October 1996

**NOTES****ACCOUNTING CONVERSIONS**

The accounts have been prepared under the historical cost convention.

**CASH FLOW STATEMENT**

The company has taken advantage of the exemption available per Financial Reporting Standard 1 for small companies not to prepare a cash flow statement. Depreciation of the tangible fixed assets is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property Nil%

Long leasehold property Nil%

The value of the remaining freehold land and buildings is in the opinion of the Directors at least the book value.

- 2 -

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	£ 1996	£ 1995
<b>CALLED UP SHARE CAPITAL</b>		
Ordinary shares of £1 each		
Authorised	60	60
Allotted outstanding and fully paid at 29.09.95	58	56
Forfeited shares	4	2
Cumulative issued fully paid shares	<u>54</u>	<u>58</u>
<b>SHARE PREMIUM ACCOUNT</b>		
Brought forward	36872	36373
Premium on shares issued		249
Prepurchase debtors recovered		
Legal expenses contribution		250
	<u>36872</u>	<u>36872</u>

#### **TAXATION**

A Mutual Trading tax status has been agreed with the Inland Revenue as no dividends are payable and any surplus will be spent on the estates. Tax is only payable on investment income.

#### **CONTINGENT LIABILITIES**

The Directors consider that all contingent liabilities at and since the year end have been fully provided for in the Financial Statements.

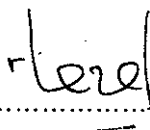
#### **AUDIT EXEMPTION CERTIFICATE FOR ACCOUNTS**

The Directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with Section 221 (of the Act) and preparing accounts which give and fair view of the state of affairs of the company as at the end of the year and of its profit or loss for the financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985, so far as applicable to the company.

For the financial year ended 30th September 1996 the company was entitled to exemption from audit under Section 249A(1) of the Companies Act 1985; and no notice has been deposited under Section 249B(2).

The Directors have taken advantage of special exemptions conferred by Part 1 of Schedule 8 to the Companies Act 1985 applicable to small companies in the preparation of the accounts and have done so on the grounds that, in their opinion, the company qualifies as a small company.

Signed on behalf of the Board of Directors  
of THE GATEWAYS & ELYSTAN MANAGEMENT COMPANY LIMITED



.....  
**Louis C. Mazel**  
**Director**

Approved by the Board: 4 August 1997

- 2 -  
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